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Evaluating International Economic Policy with the Federal Reserve's Global Model

Andrew Levin, John Rogers, and Ralph Tryon, of the Board's Division of International Finance, prepared this article. Asim Husain provided research assistance.

FRB/Global is a large-scale macroeconomic model developed and maintained by the staff of the Board of Governors of the Federal Reserve System. The model contains the equations of the FRB/US model (discussed in the April 1997 issue of the *Federal Reserve Bulletin*) to represent the macroeconomic structure of the U.S. economy. In addition, FRB/Global contains eleven other blocks of equations to represent each of the foreign Group of Seven (G-7) industrial economies (Canada, France, Germany, Italy, Japan, and the United Kingdom), Mexico, and four other groups of industrial and developing economies.

Simulation experiments conducted with FRB/Global assist the Board in analyzing sudden changes in external macroeconomic variables and alternative policy responses in foreign economies. For example, experiments with FRB/Global provide useful information about the effects of exchange rate movements or oil price changes on U.S. unemployment and inflation. The alternative scenarios studied with FRB/Global also provide a valuable input to forecasts of foreign activity and the U.S. external sector.

Over the past several years, two important features have been added to the structure of FRB/Global. First, the equations have been reformulated to ensure long-run stability: In response to a macroeconomic disturbance, each economy represented in FRB/Global gradually converges to a balanced growth (or equilibrium) path, that is, a path in which actual output is equal to potential gross domestic product and in which every inflation-adjusted variable has a constant ratio to potential GDP. The inflation rate adjusts to a target level determined by monetary policy, and all relative prices reach constant values.

Fiscal solvency (a condition in which the stock of government debt grows no faster than nominal GDP) is maintained by assuming the gradual adjustment of a country's tax rate. Similarly, national solvency (a condition in which the stock of net external debt grows no faster than nominal GDP), is ensured by the assumption that the risk premium on a country's external liabilities rises when net external debt is high relative to nominal GDP.

The second feature added to FRB/Global is the explicit treatment of expectations. In the model, agents' expected values of future variables directly influence interest rates, consumption and investment expenditures, the aggregate wage rate, and the exchange rate. Thus, the way in which agents form expectations can have important implications for the simulation results. In FRB/Global, simulations can be performed under either of two assumptions about the nature of expectations: (1) limited-information expectations, under which agents have incomplete information about the structure of the global economy or (2) model-consistent expectations, under which agents possess all the information contained in the model.

This article provides a historical perspective on the development of FRB/Global and an overview of the model's blocks of equations for foreign countries. We use three simulation experiments to highlight the dynamic properties of FRB/Global: a reduction in U.S. government purchases, a depreciation of the U.S. dollar, and an increase in the price of oil exported by countries in OPEC (the Organization of Petroleum Exporting Countries). The article also illustrates other uses of FRB/Global by examining the spillover effects of fiscal and monetary policy under alternative European monetary policy regimes.

A Historical Perspective on FRB/Global

In the mid-1970s, a variety of factors—increased economic interaction among countries, the first (1973) shock to oil prices, and the floating of

NOTE. We thank Shaghil Ahmed, David Bowman, Flint Brayton, Christopher Erceg, Dale Henderson, Jaime Marquez, David Reifschneider, Robert Tetlow, and Volker Wieland for valuable comments and suggestions during the development of FRB/Global and the preparation of this article.

exchange rates—combined to raise interest in global macroeconomic modeling. Against this background, the Board's staff began the development of a large-scale macroeconometric model called the Multicountry Model (MCM) to provide an empirical framework for analyzing interactions among the major industrial countries. One of the first models of its kind, the MCM consisted of about 1,000 equations divided into six blocks: one representing the U.S. economy (with a more detailed external sector than in previous models); four others representing Canada, Germany, Japan, and the United Kingdom; and an aggregate block representing the rest of the world.[1] From 1979 onward, the Board staff regularly used the MCM to simulate the effects of alternative policy scenarios and external shocks.

In the early 1980s the staff significantly modified the MCM with regard to exchange rate determination and the capital account of the balance of payments.[2] Empirical considerations also led to the elimination of detailed representations of banking sectors from the equation blocks of individual countries. In subsequent versions of the MCM, the monetary authorities were assumed to control either the money stock or the short-term interest rate. Finally, in the wake of the second (1979) OPEC oil price shock, the MCM was extended to provide explicit treatment of the oil sector.

In the mid-1980s, many of the equations in the MCM were re-estimated using methods suggested by David Hendry and other econometricians at the London School of Economics.[3] The re-estimation improved the fit and the dynamic properties of the equations and represented a first step toward ensuring the long-run stability of the model. In the late 1980s, the equations in the Board staff's model of the U.S. economy (the MPS model) were linked with the foreign equation blocks of the MCM. FRB/Global has continued this approach of linking foreign equation blocks with the staff's domestic U.S. model.

Another major restructuring and re-estimation of the MCM came in 1991–92. The model continued to use individual country blocks for the United States, Canada, Germany, Japan, and the United Kingdom, while the rest-of-world block was disaggregated into seven blocks of equations representing France, Italy, Mexico, the smaller industrial countries, the newly industrializing economies, OPEC countries, and other developing countries and economies in transition. A multilateral trade structure replaced the bilateral one, thereby greatly simplifying the data requirements and the analysis of simulation results for each country and region. The resulting arrangement—twelve countries and regions, each with an equation block containing multilateral trade equations—is used in the current version of FRB/Global.

The staff's most recent reassessment of the MCM began in 1993 and culminated in FRB/Global in 1996.[4] Explicit treatment of expectations enabled the model to capture the notion that news about future economic developments can directly affect the current economy; for example, the adoption of a multiyear deficit reduction package can generate an immediate drop in long-term interest rates. To ensure the long-run stability of the model, error-correction mechanisms were incorporated into the behavioral equations, and constraints that preserve fiscal and national solvency were imposed.[5] The long-run stability of FRB/Global permits simulations under either model-consistent or limited-information expectations.[6]

1. Guy Stevens led the effort to develop the MCM; see Guy V.G. Stevens, Richard B. Berner, Peter B. Clark, Ernesto Hernández-Catá, Howard J. Howe, and Sung Y. Kwack, *The U.S. Economy in an Interdependent World: A Multicountry Model* (Board of Governors of the Federal Reserve System, 1984).

2. In particular, equations based on the portfolio balance approach to the determination of exchange rates were replaced by modified uncovered interest parity relationships, a specification based on interest rate differentials. The change was prompted by a lack of empirical support for the portfolio balance model and by the attractive properties of the overshooting model of Dornbusch, which incorporated assumptions of open interest parity, nominal price rigidities, and model-consistent expectations (Rudiger Dornbusch, "Expectations and Exchange Rate Dynamics," *Journal of Political Economy,* vol. 84, December 1976, pp. 1161–76).

3. The results of these and other changes to the MCM are described in Hali Edison, Jaime Marquez, and Ralph Tryon, "The Structure and Properties of the Federal Reserve Board Multicountry Model," *Economic Modelling,* vol. 4 (April 1987), pp. 115–315.

4. This work drew heavily on the experimental multicountry model of Joseph E. Gagnon, "A Forward-Looking Multi-Country Model: MX-3," International Finance Discussion Papers 359 (Board of Governors of the Federal Reserve System, 1989).

5. The constraints of fiscal and national solvency in FRB/Global are similar to those used in the IMF's multicountry model, MULTIMOD; see P. Masson, S. Symansky, R. Haas, and M. Dooley, "MULTIMOD: A Multi-Region Econometric Model," International Monetary Fund, *World Economic Outlook,* July 1988, pp. 50–104.

6. To represent limited-information expectations, FRB/US uses a core vector autoregression with auxiliary equations (see F. Brayton and P. Tinsley, eds., "A Guide to FRB/US: A Macroeconomic Model of the United States," Finance and Economics Discussion Series 1996-42 (Board of Governors of the Federal Reserve System, 1996); see also Flint Brayton, Eileen Mauskopf, David Reifschneider, Peter Tinsley, and John Williams, "The Role of Expectations in the FRB/US Macroeconomic Model," *Federal Reserve Bulletin,* vol. 83 (April 1997), pp. 227–45. Individual regression equations are used to generate each of the expectation variables in the foreign blocks of FRB/Global.

The Structure of FRB/Global

FRB/Global consists of twelve blocks of equations, with each block describing the economy of a country or a group of countries. The U.S. block of FRB/Global is taken directly from the staff's model of the domestic economy, FRB/US, which consists of about 50 behavioral equations and about 250 accounting identities. Among the FRB/US behavioral equations are 4 that determine foreign aggregate demand, the inflation-adjusted (real) effective exchange rate, the oil import price deflator, and net investment income from abroad. FRB/Global replaces these 4 equations with about 1,400 equations that provide a much more detailed representation of macroeconomic developments outside the United States.

Six blocks of FRB/Global represent the foreign G-7 industrial countries (Canada, France, Germany, Italy, Japan, and the United Kingdom). The equation blocks for the foreign G-7 countries represent medium-sized open economies in which, in the short run, aggregate demand determines output and employment, and wages and prices respond slowly to macroeconomic shocks (a formulation in accord with neo-Keynesian theory). Eventually, however, wages and prices adjust to ensure that the economies return to a balanced growth path, with output at potential and unemployment at the natural rate (a result conforming to neoclassical theory). Gradual movement of the direct tax rate ensures long-run fiscal solvency, while the determination of the risk premium on external liabilities ensures national solvency.[7]

To incorporate these features, the equation block for each foreign G-7 country consists of about 60 behavioral equations and about 100 accounting identities. The specification of these equations is nearly identical for each country. The behavioral differences among the six economies have been derived from estimation and from calibration of the model; the differences in monetary and fiscal policies among the six depend on the assumptions of a particular simulation scenario.

The remaining five blocks of equations in FRB/Global represent Mexico; 16 smaller OECD countries (SOECD); the newly industrializing economies of Hong Kong, Korea, Singapore, and Taiwan (NIEs); the 16 countries with fuel-oriented exports (OPEC); and the rest of the world (ROW), which comprises about 140 developing economies and countries in transition.

The structure of the equation blocks for Mexico, the NIEs, and the SOECD is fairly similar to that of the foreign G-7 country blocks but with somewhat less disaggregation: Each of these blocks consists of about 45 behavioral equations and about 75 accounting identities. The OPEC and ROW blocks are much smaller, with about 15 behavioral equations and 25 accounting identities each.

Each block of equations in FRB/Global may be divided into five sectors: domestic spending, fiscal accounts, the external sector, aggregate supply (production, employment, wage and price determination), and financial markets (interest rates and exchange rates). The remainder of this section outlines the specification of these sectors for the foreign G-7 countries, highlights the role of expectations, and outlines the features that ensure the long-run stability of the model. For more details about the foreign blocks of FRB/Global, see appendixes A and B.

Domestic Spending

In the foreign G-7 equations of FRB/Global, six expenditure variables constitute domestic spending: private consumption expenditures, business fixed investment, residential investment, changes in business inventories, government fixed investment, and other government spending on goods and services (referred to as government consumption). Real private expenditures for consumption and for investment are determined endogenously (that is, by the model) through assumptions and empirical findings embodied in behavioral equations. Real government consumption and investment, on the other hand, are independent variables—they are determined exogenously (that is, outside the model).

The behavioral equation for each component of private expenditure incorporates an error-correction mechanism that permits realistic short-run dynamics while ensuring that the level of expenditure gradually adjusts to a long-run equilibrium growth path—that is, a stable ratio of expenditures to real GDP. The equilibrium path of each expenditure variable can be shifted by a permanent change in real interest rates or other specific macroeconomic variables. For example, the equilibrium path of real private consumption depends on real disposable income and the labor force participation rate as well as the long-term real interest rate (see box "Determining Private Con-

7. The risk premium on external liabilities (also known as the sovereign risk premium) refers to the extra rate of return demanded by creditors to compensate them for holding government bonds that have some degree of credit risk. Credit risk is the risk that the government, or sovereign, will not fully redeem the bonds at maturity. In the model, the risk premium on the net foreign holdings of a country's government bonds rises when those holdings are rising relative to that country's GDP.

Determining Private Consumption Expenditures

The equilibrium level of real private consumption expenditures, C, depends on real disposable income, Y; the ex ante long-term real interest rate, R_L; and the labor force participation rate, L/POP.[1] An accounting identity relates nominal disposable income to nominal GDP, net investment income from abroad, and taxes less government subsidies and transfers to households; then Y is computed by deflating nominal disposable income by the consumption price index. The determination of R_L is described below. The labor force participation rate is exogenously determined.

For each foreign G-7 country, statistical analysis has been used to verify that the ratio of private consumption to disposable income, C/Y, has a stationary long-run relationship with R_L and L/POP, and to estimate the short-run and long-run characteristics of this relationship.[2] The table below summarizes the response of private consumption to changes in disposable income and the long-term real interest rate. In Germany, for example, a permanent 1 percentage point increase in R_L is estimated to reduce private consumption 0.23 percent within one quarter and 0.76 percent in the long run.

In the short run, C exhibits partial adjustment in response to permanent changes in Y and R_L because of liquidity constraints, information lags, and other factors. In Germany, for example, a permanent 1 percent change in Y generates an immediate 0.73 percent change in C, so that the consumption–income ratio temporarily falls. The gap between the actual consumption–income ratio and its equilibrium value subsequently shrinks at a rate of 30 percent per quarter (not shown in table).

Determinants of private consumption expenditures

	Canada	France	Germany	Italy	Japan	U.K.
Y						
Short run ...	.58	.73	.73	.10	.62	.29
Long run ...	1.0	1.0	1.0	1.0	1.0	1.0
R_L						
Short run ...	−.13	−.23	−.23	−.05	−.23	−.19
Long run ...	−.37	−.76	−.76	−2.4	−1.5	−.65

NOTE. The first two rows indicate the elasticity of private consumption expenditures, C, with respect to a permanent change in real disposable income, Y. The last two rows indicate the percentage change in C arising from a permanent 1 percentage point increase in the ex ante long-term real interest rate, R_L. The "short run" is the first quarter; the "long run" is the steady-state.

1. In the foreign G-7 equation blocks of FRB/Global, private consumption expenditures depend on current and past income so that consumption is sensitive to movements in temporary as well as permanent income. In FRB/US, consumption expenditures also depend on financial wealth and the present discounted value of expected future labor and transfer income so that consumption is less sensitive to fluctuations in temporary income; in future work, we plan to investigate specifications in the foreign-country equations of FRB/Global that are comparable to those in FRB/US.

2. The labor force participation rate is highly significant in explaining long-term changes in private saving rates in Germany, Japan, and the United Kingdom, perhaps because the private saving rate tends to decline as a higher fraction of the population reaches retirement age. The labor force participation rate is not, however, statistically significant in explaining the private saving rate in Canada. For Italy, the relationship between the private saving rate and the rates of long-term interest and labor force participation appears to be nearly nonstationary; for France, no satisfactory estimates of the relationship could be obtained, so the relationship in Germany was used for France as well.

sumption Expenditures"). The equilibrium paths of real business fixed investment and residential investment are each determined by real GDP, the long-term real interest rate, and the corresponding depreciation rate. Finally, the equilibrium path of real inventory investment depends on domestic sales and the short-term real interest rate (see box "Determining Business Inventory Investment").

The determination of business fixed investment provides a useful example of the long-run stability and flexible dynamics associated with an error-correction mechanism. In each period, the business capital stock changes by the amount of business fixed investment less depreciation. Assuming competitive markets for inputs (land, labor, and capital) and output, microeconomic theory holds that the marginal product of capital should equal the real rental rate on capital, which is the sum of the real interest rate and the depreciation rate. In FRB/Global, the marginal product of capital is inversely proportional to the ratio of capital to GDP (the Cobb–Douglas production function). Therefore, in the model's long run, business fixed investment is determined in a manner that will maintain the capital–output ratio at a level consistent with the long-term real interest rate and the depreciation rate.

In the short run, however, fluctuations in the growth of real GDP strongly influence business fixed investment through an accelerator effect. Business fixed investment also incorporates a partial adjustment mechanism: For each of the foreign G-7 economies, the gap between current fixed investment and its equilibrium level shrinks at an estimated rate of about 25 percent per quarter.

For an illustration of these properties in the determination of business fixed investment, consider a permanent 1 percent increase in real GDP (both actual and potential) for Germany, with no change in the real rental rate on capital (chart 1, top panel). The dynamic accelerator generates a 3.5 percent increase in business fixed investment during the first year and an additional 0.75 percent increase over the subse-

Determining Business Inventory Investment

In the equations for each foreign G-7 country, real inventory investment depends on domestic sales, the stock of business inventory, and the ex ante short-term real interest rate. Domestic sales include all private and government consumption and fixed investment expenditures. The equilibrium ratio of the inventory stock to domestic sales depends on the cost of holding inventories, which is mainly determined by the ex ante short-term real interest rate. Thus, with domestic sales held unchanged along a constant growth path, an increase in the short-term real interest rate reduces the target stock of business inventories and thereby depresses the equilibrium level of inventory investment.

In the very short run, an increase in the level of domestic sales generates negative inventory investment as firms use inventories as a buffer against sudden changes in sales. The target inventory–sales ratio remains unchanged, assuming a constant short-term real interest rate. Thus, over the medium term, the increase in domestic sales stimulates higher inventory investment until the stock of business inventories eventually rises in proportion to the increase in domestic sales.

quent two years. These changes in investment represent a small fraction of the existing stock of business fixed capital, so that the capital stock rises gradually in response to the output shock. With a constant real rental rate, the equilibrium value of the capital–output ratio remains unchanged, so that the capital stock eventually stabilizes at 1 percent above its initial level. Given the constant depreciation rate, fixed investment also rises 1 percent in the long run.

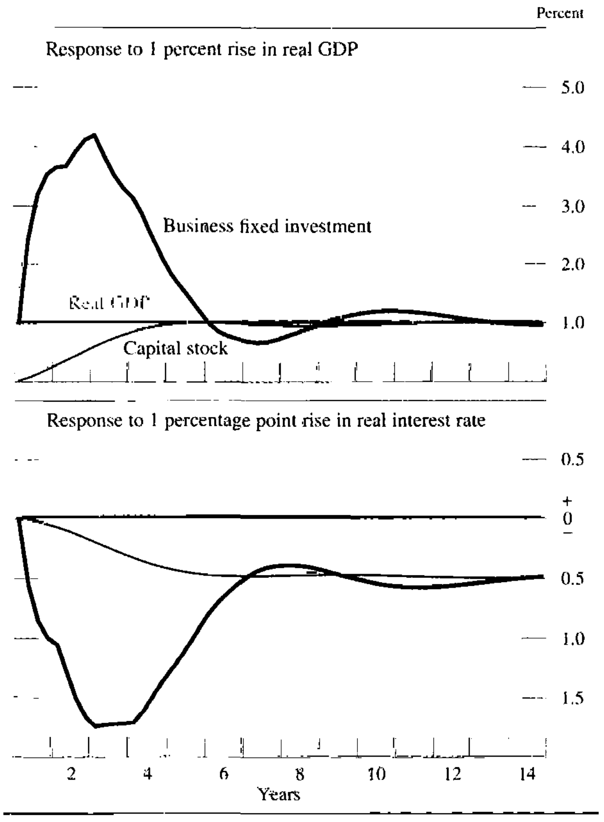
A permanent 1 percentage point increase in the real rental rate on capital in Germany, with no change in actual or potential output, also illustrates the model's adjustment properties (chart 1, bottom panel). The drop in the equilibrium capital–output ratio leads to a 1.8 percent reduction in business fixed investment over the first several years. The stock of business fixed capital gradually falls about 0.4 percent, to its new equilibrium level, with a similar long-run drop in the level of business fixed investment.

Fiscal Accounts

The model's representation of the fiscal accounts of the foreign G-7 countries is relatively straightforward: Government expenditures consist of consumption, investment, subsidies, transfers to households, and interest payments; government revenues come from direct taxes, social security payroll taxes, fuel taxes, and other indirect taxes. The most important feature of this sector is that the direct tax rate is determined endogenously to prevent a shock from causing a continuous rise or fall in the ratio of real government debt (nominal debt deflated by the GDP price deflator) to potential GDP. That is, each country's block of equations has a specified target path for the debt–GDP ratio; if a shock causes the ratio to deviate from that path, the direct tax rate is adjusted to ensure that the ratio gradually returns to its target.

For an illustration of this mechanism, consider the effects of a permanent reduction in government consumption expenditures under two different fiscal policy assumptions. Under the first assumption, the target ratio of government debt to GDP is unchanged. In this case, the direct tax rate will gradually move downward so that the drop in government spending is matched by a similar drop in direct tax revenue and by a corresponding increase in disposable income. As already noted, the equilibrium level of private consumption expenditures moves in proportion to real disposable income. Thus, in the long run, the drop in

1. Illustration of error correction in FRB/Global, Business fixed investment in Germany



government consumption is offset by a roughly equal increase in private consumption.

Under the second assumption, the debt–GDP target ratio gradually adjusts downward toward a new value, so that the direct tax rate remains constant over the first twenty-five years of the experiment. During this period, lower real interest rates stimulate private expenditures to keep real output at potential and avoid deflationary pressures, and potential GDP itself gradually rises in response to the higher level of private investment. Eventually, however, the downward trajectory of the debt–GDP ratio must be halted by reducing the direct tax rate, so that the long-run effects are the same as those described for the previous experiment.

The External Sector

For each foreign G-7 country, exports and imports are divided into three components: fuel, nonfuel merchandise, and services.

The volume of net fuel imports equals the difference between domestic fuel production and domestic fuel consumption, in which fuel production is determined exogenously, and fuel consumption depends on domestic nonfuel output and the relative price of fuel.

The imports of services and nonfuel merchandise are determined as follows. Under the assumption of worldwide balanced growth in the long run, the equilibrium ratio of real nonfuel merchandise imports to real domestic spending is set by the ratio of the import price deflator for nonfuel goods to the price deflator for nonfuel domestic output. In the short run, real nonfuel merchandise imports adjust at a rate of 30 percent per quarter toward the equilibrium level. The determination of imports of services involves the relative price of such imports and follows essentially the same error-correction mechanism as nonfuel merchandise.

Exports of services and nonfuel merchandise are determined by error-correction mechanisms (see box "Determining Export Volumes").

Determining Export Volumes

For each foreign G-7 country, the volume of nonfuel merchandise exports, X_g, is determined by foreign trade-weighted imports, M^*, and relative prices, RP_{xg}. We use the equation block for Germany to illustrate the construction of the variables for foreign demand and relative prices.

Foreign demand for German exports is the weighted average of nonfuel goods imports by Germany's trading partners, in which the weights are constructed using the bilateral export data for Germany. The relative-price variable measures German competitiveness in each of its export markets. For example, the share of German exports in total French imports depends on the relative price of German exports compared with other exporters to France. Thus, in constructing the relative-price measure for Germany, RP_{xg}, the French component is defined as the ratio of the German nonfuel goods export price deflator to the weighted average of foreign export prices, in which the weights are constructed using bilateral import data for France. Finally, the overall measure of German competitiveness, RP_{xg}, is computed as a weighted average across German export markets, using bilateral export weights for Germany.

Using these measures of foreign demand and relative prices, an error-correction mechanism determines the volume of nonfuel merchandise exports. With constant relative prices, the ratio of X_g to M^* remains on its baseline path; that is, each country exports a fixed share of world imports. If relative prices change, the ratio of X_g to M^* gradually adjusts toward its new equilibrium value at a rate of 15 percent per quarter. Real exports of services are determined by a similar error-correction mechanism involving foreign trade-weighted service imports and the relative price of service exports.

Aggregate Supply

For each foreign G-7 country, wage and price determination causes the rates of inflation and unemployment to move inversely in the short run (a downward-sloping Phillips curve); in the long run, unemployment settles on its "natural" rate, the point at which the inflation rate is constant (a vertical Phillips curve). For example, a monetary stimulus initially generates a drop in the unemployment rate and a relatively small increase in wage and price inflation; as wages and prices rise further, unemployment gradually returns to its natural rate.

In particular, real GDP is determined by aggregate demand, which is the sum of domestic spending and net exports. The employment level (and hence the unemployment rate) adjusts to equate aggregate supply to aggregate demand. Potential GDP is determined by the size of the labor force, the natural unemployment rate, the stocks of business fixed capital and residential capital, and net fuel imports. When output exceeds potential (unemployment is below the natural rate), wages initially move little but gradually rise in response to pressures generated by excess aggregate demand. An error-correction mechanism ensures that the price deflator for domestic output gradually moves toward its equilibrium path, which is a markup over the aggregate wage rate and the domestic fuel price index.

The specific formulation of aggregate wage behavior depends on how expectations are formed. Under limited-information expectations, the aggregate wage inflation rate is a function of past wage inflation rates, current and past output gaps, consumer price inflation rates, and short-term interest rates.[8] Under model-consistent expectations, the aggregate wage rate is determined by the overlapping nominal wage contract specification of Taylor. In this case, the new wage contracts signed each period depend on expectations about future aggregate wages and deviations of unemployment from its natural rate; the aggregate wage rate is defined as the average value of the wage contracts currently in effect.[9]

Financial Markets

The financial-market equations for the foreign countries cover short- and long-term interest rates, expected inflation, and exchange rates. For countries whose currencies are assumed to be pegged to the German mark, interest rates and expected inflation move in parallel with the corresponding variables in Germany, apart from an endogenously determined risk premium on each country's external liabilities. The premium is related to the ratio of net external debt to GDP and helps avoid continuously rising or falling levels of net external debt.

For the countries with independent monetary policies, the monetary policy regime and the method of expectations formation are crucial in the determination of long-term interest rates, expected inflation, and the bilateral U.S. dollar exchange rate.

Short-Term Interest Rates

In a typical FRB/Global simulation, Canada, Germany, Japan, and the United Kingdom follow independent monetary policies using a rule of the form proposed by Henderson and McKibbin and by Taylor.[10] Under this form of rule, the short-term interest rate is adjusted in response to the current output gap and to the current deviation of consumer price inflation from an exogenously specified target. France and Italy are usually assumed to maintain fixed exchange rates with respect to the German mark. Although these are typical monetary policy assumptions, FRB/Global has been designed so that they can be modified easily from one simulation to the next, a feature that will be highlighted later in this article.

Long-Term Interest Rates

Under limited-information expectations, the long-term nominal interest rate is specified as a function of current and past short-term interest rates, inflation rates, and output gaps. The long-term interest rate also exhibits partial adjustment, so that the spread between short-term and long-term rates initially widens and then gradually shrinks in response to a shock to the short-term interest rate. Under model-consistent expectations, the long-term interest rate is determined as a geometrically declining weighted average of future short-term interest rates.

Expected Inflation

Under limited-information expectations, short-term expected inflation is equal to the current inflation rate; long-term expected inflation is a moving average of current and past short-term inflation rates, with a relatively slow adjustment of 5 percent per quarter in response to a persistent change in the inflation rate. Under model-consistent expectations, short-term expected inflation is equal to the actual one-step-ahead inflation rate, while long-term expected inflation is determined as a weighted average of future short-term inflation rates (using the same geometrically declining weights as in the long-term interest rate equation).

Exchange Rates

For those countries with independent monetary policies, the bilateral exchange rate under both limited-

8. Regression analysis has been used to estimate the parameters of this relationship for each foreign G-7 country.

9. John Taylor, "Aggregate Dynamics and Staggered Contracts," *Journal of Political Economy,* vol. 88 (February 1980), pp. 1–23. This specification of wage determination under model-consistent expectations is highly simplified; alternative specifications of wage determination for the foreign G-7 countries will be considered in subsequent research.

10. In *Carnegie-Rochester Conference Series on Public Policy,* vol. 39 (June 1993), see Dale Henderson and W. McKibbin, "A Comparison of Some Basic Monetary Policy Regimes for Open Economies: Implications of Different Degrees of Instrument Adjustment and Wage Persistence," pp. 221–318; and John Taylor, "Discretion versus Policy Rules in Practice," pp. 195–214.

information and model-consistent expectations is determined by real interest parity (the bilateral differential in real interest rates) and the risk premium on external liabilities, which depends on the ratio of net external debt to GDP, both measured in U.S. dollars (see box "Determining Exchange Rates under Alternative Types of Expectations"). Thus, an increase in the relative magnitude of U.S. net external debt puts downward pressure on the real value of the dollar, thereby preventing explosive paths for the net stock of external debt.

Under either method of expectations formation, an unanticipated temporary increase in U.S. interest rates generates an initial rise in the exchange value of the U.S. dollar, followed by depreciation back toward its equilibrium value, a point referred to as purchasing power parity. For example, under limited-information expectations, the bilateral exchange rate depends on the corresponding differential in long-term interest rates as adjusted for long-term expected inflation. In this case, a 1 percentage point increase in the differential between U.S. and German long-term real interest rates generates a 0.08 percent real appreciation of the dollar against the German mark.

Under model-consistent expectations, the exchange rate is determined by short-term real interest parity. If the U.S. three-month real interest rate temporarily exceeds the German three-month real interest rate by 1 percentage point, then investors are willing to hold assets denominated in German marks only if the U.S. dollar is expected to depreciate 1 percent against the mark over the subsequent quarter. Thus, the temporary interest rate differential generates an immediate 1 percent jump in the value of the dollar, followed by depreciation back to its long-run value in the subsequent period.

Determining Exchange Rates under Alternative Types of Expectations

Limited-information expectations:

$$RER_t = 0.08[(RL_t^{US} - \hat{\Pi}_t^{US}) - (RL_t - \hat{\Pi}_t)] - 0.1\frac{NXDEBT_t^{US} - NXDEBT_t}{GDPVD_t^{US} + GDPVD_t}$$

Model-consistent expectations:

$$RER_t - \hat{RER}_{t+1} = (RS_t^{US} - \hat{\pi}_t^{US}) - (RS_t - \hat{\pi}_t) - 0.1\frac{NXDEBT_t^{US} - NXDEBT_t}{GDPVD_t^{US} + GDPVD_t}$$

Definitions

RER_t = the natural logarithm of the bilateral real exchange rate as adjusted by consumer prices, where the exchange rate is defined in units of local currency per U.S. dollar

RL_t = the current long-term interest rate

RS_t = the current short-term interest rate

$NXDEBT_t$ = the net external debt position in U.S. dollars

$GDPVD_t$ = nominal GDP in U.S. dollars

Long-term expected inflation, Π_t, is computed using limited-information expectations. The one-step-ahead inflation rate, π_{t+1}, and the one-step-ahead real exchange rate, RER_{t+1}, are computed using model-consistent expectations. The *US* superscript indicates the corresponding variable in the U.S. block of equations. Each equation includes an intercept and a residual term (not shown).

The Dynamic Properties of FRB/Global

The dynamic properties of FRB/Global are described here through three simulation experiments, each featuring a different type of shock: an exogenous reduction in U.S. government spending, an exogenous depreciation of the exchange value of the U.S. dollar, and an exogenous increase in the OPEC oil export price. In each experiment, expectations are assumed to be formed with limited information.

The effects of each shock are evaluated under two alternative U.S. monetary policy rules: "active" and "passive." Under the active rule, the nominal federal funds rate adjusts in response to the output gap and to the deviation of consumer price inflation from the target rate. Thus, for each percentage point that output exceeds potential, the short-term nominal interest rate rises 50 basis points. For each percentage point increase in average annual inflation (based on the current and previous three quarters), the short-term nominal interest rate rises 150 basis points. Under the passive monetary policy rule, the nominal federal funds rate is held constant throughout the simulation.

In each simulation experiment, Canada, Germany, Japan, and the United Kingdom follow independent monetary policies under the same active monetary policy rule just described for the United States. Meanwhile, the French franc, Italian lira, and SOECD currencies remain fixed to the German mark. The Mexican peso and the OPEC and ROW currencies are assumed to be pegged to the U.S. dollar, while the NIE currencies are assumed to be pegged to a trade-weighted basket of foreign currencies.

The results of each experiment are reported in terms of deviations from the baseline path; the construction of the baseline is described in appendix C.

Experiment 1: A Reduction in U.S. Government Spending

In this experiment, real U.S. government purchases of goods and services are permanently reduced by 1 percent of the baseline path of U.S. GDP, starting in the first quarter of year 1, while U.S. tax rates are held constant through year 14. During year 1, the spending reduction amounts to about $70 billion. Because the spending shock originates within the United States, where foreign trade is a fairly small part of the economy, the experiment also serves as a useful benchmark for comparing the simulation results from FRB/Global with those from FRB/US.

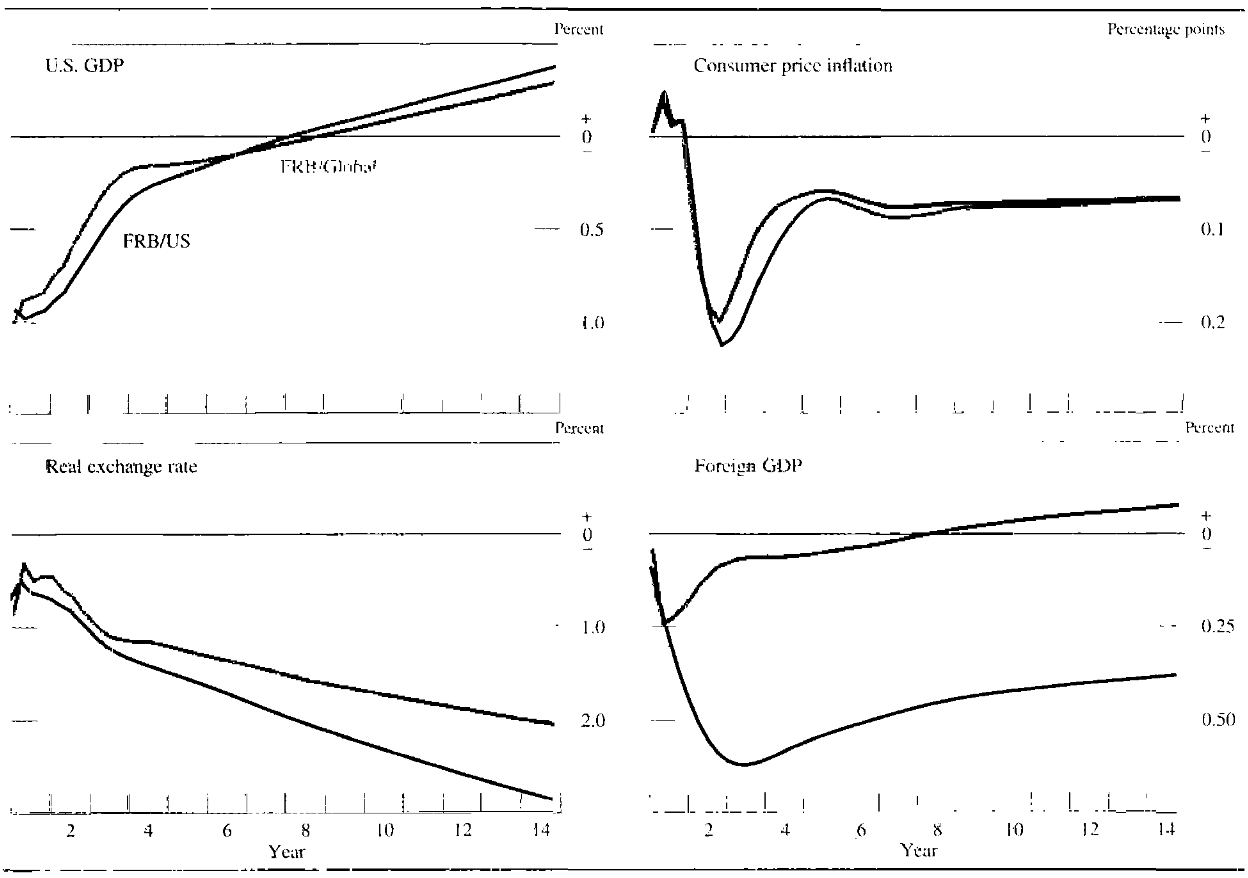
The two models generate nearly identical paths for U.S. real GDP and consumer price inflation (chart 2, top panels). In FRB/US, the two foreign variables that enter into the determination of U.S. net exports—the trade-weighted real exchange rate and foreign trade-weighted GDP—are each determined by a single equation; in FRB/Global, they are jointly determined by 1,400 equations. Yet, in the case of the real exchange rate, the paths generated by the two models are quite close, especially over the first three years of the simulation (chart 2, bottom-left panel). The differences in the paths for foreign GDP are slightly larger (bottom-right panel), but the effect on U.S. exports (not shown) is small.

This example illustrates the general result that, for domestic shocks, FRB/Global produces essentially the same results as FRB/US. Thus, the natural role for FRB/Global is in analyzing the effects of U.S. shocks on foreign economies and the effects of external shocks on the U.S. economy as well as foreign economies.

Active U.S. Monetary Policy Rule

Examining the U.S. government spending shock over its first three years provides a good comparison

2. Comparison of FRB/Global and FRB/US: A shock in U.S. government spending



NOTE. For definition of shock, see note to table 1.

of its effects on four of the countries with independent monetary policies—the United States, Canada, Germany, and Japan—under both active and passive U.S. monetary rules (chart 3, sections A and B). In the active-policy experiment, real GDP in Canada closely tracks the contraction and recovery in U.S. output (chart 3.A, top-left panel), inasmuch as exports from Canada to the U.S. comprise a relatively large share of aggregate demand in Canada. The U.S. contraction has a much smaller effect on Japan and Germany.

The active monetary policy rule prescribes a cut in short-term interest rates in each country (chart 3.A, bottom-left panel). The short rate in Canada falls a full percentage point, whereas the Japanese and German short rates fall only about 20–40 basis points.

Long-term real interest rates in all three foreign countries fall less than in the United States (chart 3.A, bottom-right panel). Thus, each foreign currency exhibits real appreciation relative to the U.S. dollar (see the equations for determining exchange rates), accounting for the depreciation in the trade-weighted U.S. real exchange rate (chart 2, bottom-left panel).

The U.S. fiscal shock under an active U.S. monetary policy improves the U.S. trade balance by about $15 billion (table 1.A); the improvement arises from a combination of the depreciation in the real exchange rate and lower domestic spending. The U.S. current account improves even more as lower rates of profit and interest reduce the rates of return paid on direct investment and portfolio liabilities. The rise in U.S. net exports is reflected in a fairly even drop in net exports among the other eleven blocks. The rest-of-world (ROW) trade balance is determined by the constraint that the global trade deficit remain at its baseline value. Nevertheless, the decline of about $5 billion in ROW net exports seems to be reasonable in light of the fact that the ROW block accounts for about 30 percent of U.S. imports.

Passive U.S. Monetary Policy Rule

When the United States maintains a constant federal funds rate, U.S. real GDP remains stagnant, at about 1 percent below baseline, during the first three years of the simulation (chart 3.B, top-left panel), while consumer price inflation falls because of the downward-sloping short-run Phillips curve (top-right panel). Thus, expected long-term inflation falls, and the long-term real interest rate gradually increases (bottom-right panel). Meanwhile, falling foreign real interest rates in response to the active monetary policy rules in Canada, Germany, and Japan lead to real appreciation of the U.S. dollar. As long as the U.S. federal funds rate remains constant, these contractionary influences will grow in magnitude,

1. Effects of selected shocks on the trade balances and current accounts of countries and country groups in FRB/Global, years 1 through 3

U.S. dollars

A. U.S. government spending shock

Country or region	Trade balance			Current account		
	Year			Year		
	1	2	3	1	2	3
United States	15.1	16.9	11.8	24.3	27.8	23.7
Germany	.1	.2	.1	−.8	−.8	−1.3
Japan	−.6	−1.4	−1.6	−5.3	−7.4	−9.0
Canada	−1.5	−1.3	−1.2	−1.0	−.9	−.9
France	.1	−.3	−.7	−.4	−1.0	−1.7
Italy	.1	−.3	−.4	.0	−.7	−.9
United Kingdom	−.8	−.6	−.4	−1.6	−1.8	−1.8
Smaller OECD	−1.0	−1.7	−1.1	−.8	−1.6	−1.1
Mexico	−.3	−.5	−.6	−.2	−.4	−.6
NIEs	−1.6	−1.2	−.4	−1.1	−1.2	−.8
OPEC	−4.4	−3.0	−1.0	−4.9	−4.1	−2.8
ROW	−5.1	−6.8	−4.3	−8.3	−7.9	−2.9

B. U.S. currency shock

United States	−2.8	23.8	34.7	−3.6	18.1	28.2
Germany	2.2	4.3	2.8	−2.4	−2.0	−4.3
Japan	−1.1	−5.6	−10.5	−1.4	−3.8	−10.6
Canada	.5	1.2	.6	.3	.8	.5
France	3.7	2.3	−1.6	1.6	−1.2	−5.9
Italy	2.4	.4	−1.1	3.1	−1.9	−3.5
United Kingdom	−3.0	−4.0	−4.1	−3.1	−10.0	−10.0
Smaller OECD	3.3	−.9	−2.4	5.8	2.1	.8
Mexico	.4	1.4	1.8	−.5	.0	.5
NIEs	−12.1	−14.2	−13.5	−5.3	−6.4	−6.7
OPEC	−7.1	−2.1	−.2	−9.7	−5.2	−3.5
ROW	13.5	−6.7	−6.4	15.1	9.6	14.5

C. OPEC oil export price shock

United States	−13.1	−4.0	−1.8	−14.2	−3.1	−1.0
Germany	−4.7	−3.3	−3.0	−4.6	−3.8	−3.8
Japan	−12.3	−7.9	−5.7	−11.4	−10.1	−9.3
Canada	1.3	.3	.2	.9	.5	.5
France	−2.7	−2.1	−1.9	−2.6	−2.5	−2.6
Italy	−3.0	−2.6	−2.3	−3.2	−3.1	−2.9
United Kingdom	.5	−.2	−.2	.0	−1.0	−1.1
Smaller OECD	−1.2	.2	1.7	−1.1	.1	1.6
Mexico	1.4	1.4	1.4	1.4	1.6	1.5
NIEs	−3.2	−4.4	−4.8	−2.5	−3.0	−3.7
OPEC	34.5	26.8	21.8	35.3	30.7	28.0
ROW	2.7	−4.1	−5.5	2.0	−6.1	−7.2

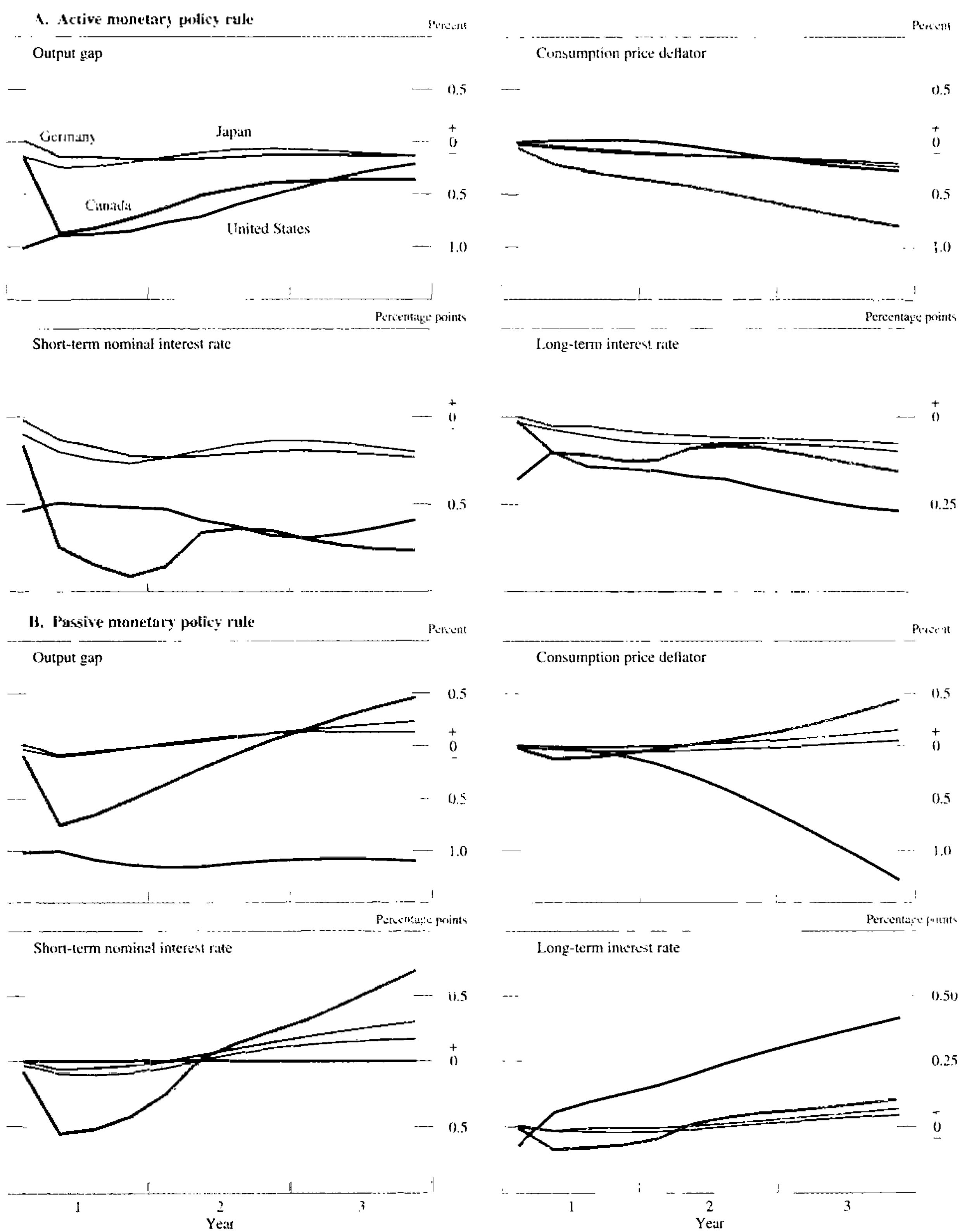
NOTE. Each shock begins at the start of year 1. In each simulation, the U.S. monetary authorities follow the active monetary policy rule, in which the federal funds rate is adjusted to counteract movements in the output gap and in deviations of consumer price inflation from the target rate.

The U.S. government spending shock is a permanent reduction in spending equal to 1 percent of the baseline path of U.S. GDP.

The U.S. currency shock is a 5 percent depreciation in the exchange value of the U.S. dollar versus the Canadian dollar and a 10 percent depreciation versus the currencies of the rest of the G-7, the smaller OECD countries, and the newly industrializing economies (NIEs).

The OPEC oil export price shock is an increase of $5 per barrel above the baseline path.

3. U.S. government spending shock under active and passive U.S. monetary policy rules



NOTE. For definitions of shock and active monetary policy rule, see note to table 1.

generating an explosive downward spiral for U.S. output and prices.[11]

Experiment 2: A Depreciation in the Exchange Value of the U.S. Dollar

In this simulation, the exchange value of the U.S. dollar depreciates 5 percent against the Canadian dollar and 10 percent against the currencies of the other foreign G-7 countries, the SOECD, and the NIEs. After the depreciation in year 1, these exchange rates remain fixed at the new level throughout the simulation period. Because the depreciation is not triggered by a change in expectations about future interest rates, it may be viewed as arising from an exogenous downward shift in preferences for holding dollar-denominated assets.

Under the active as well as the passive monetary policy regime, the exchange rate depreciation improves U.S. external competitiveness and stimulates net exports, thereby raising real GDP about 0.6 percent within about a year (charts 4.A and 4.B, top-left panels). The exchange rate depreciation also passes gradually into U.S. import prices and ultimately into higher consumer price inflation (top-right panels). The active monetary policy rule prescribes an increase of almost 150 basis points in the federal funds rate by the middle of year 2 and gradually pushes up the long-term real interest rate (chart 4.A, top-right panel).

Under the active U.S. monetary policy rule, the U.S. trade balance displays a standard J-curve response to the exchange rate depreciation, with a small initial deterioration yielding to an improvement of $35 billion by the end of year 3 (table 1.B). The U.S. current account improves a smaller amount as higher rates of interest and profit generate higher net factor payments. Japan and the NIEs bear the brunt of the increase in U.S. net exports. The ROW is not severely affected—its price level adjusts fairly quickly to maintain a constant trade-weighted real exchange rate.

Experiment 3: An Increase in OPEC Oil Export Prices

In this case, the export price of OPEC oil increases $5 per barrel above its baseline path in year 1 and remains fixed at $5 above the baseline thereafter (chart 5 and table 1.C). This shock roughly corresponds to a 25 percent rise in the fuel import prices faced by all countries and regions in the model. Under the active monetary policy rule, the U.S. consumer price level rises about 0.3 percent by the end of year 1 (chart 5.A, top-right panel).

To push inflation back toward its target rate, the active policy raises the federal funds rate 20 basis points, causing a mild contraction in which U.S. real GDP falls about 0.3 percent (chart 5.A, top-left panel). As inflationary pressures subside, the federal funds rate returns to baseline, and by year 3 the output gap is almost closed. By contrast, U.S. output remains close to the baseline under a constant federal funds rate (chart 5.B, top-left panel), but consumer prices rise about 0.5 percent (chart 5.B, top-right panel), nearly twice as much as under the active policy rule.

ILLUSTRATIVE APPLICATIONS OF FRB/GLOBAL

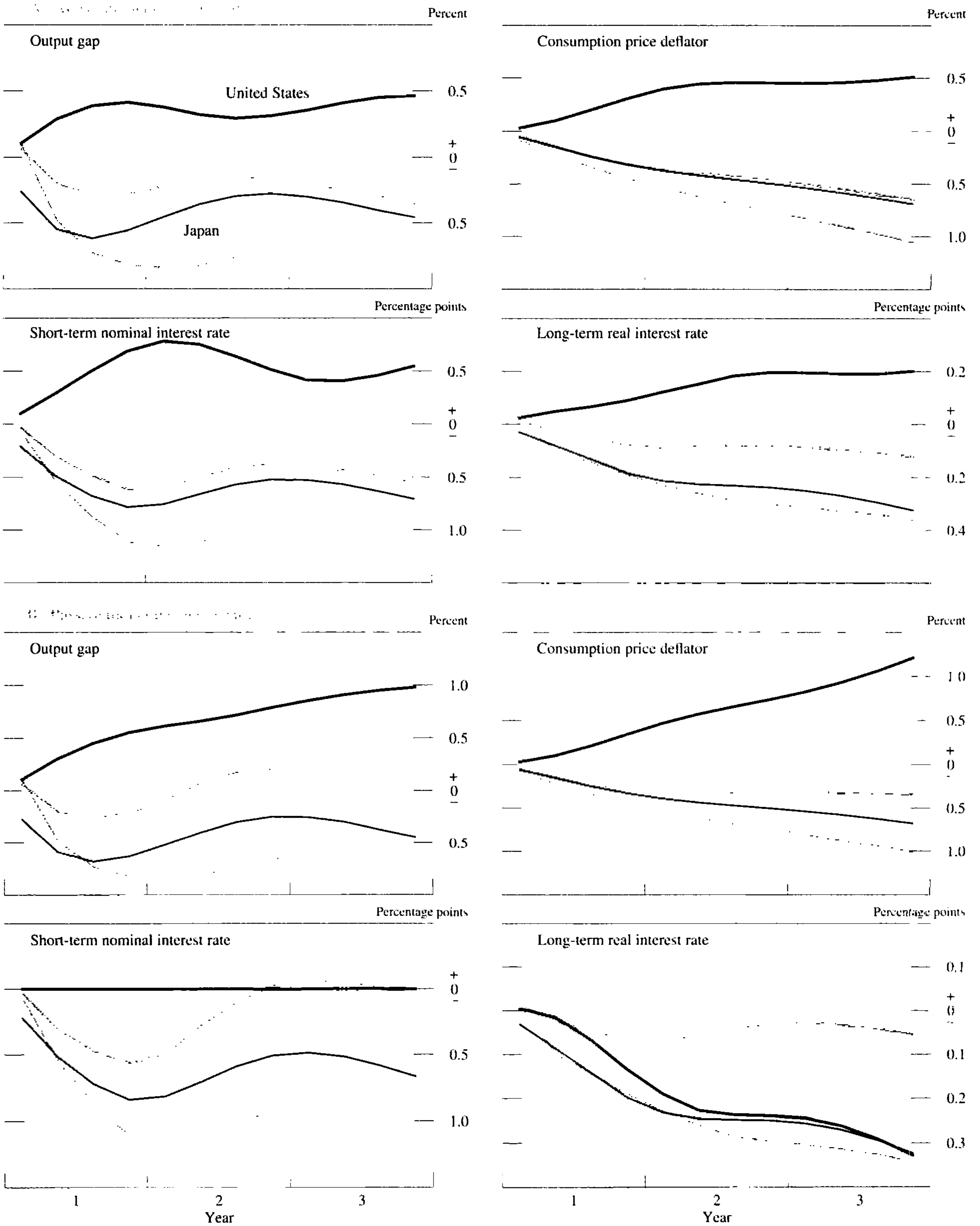
FRB/Global can be used to analyze the spillover effects of fiscal and monetary policy under alternative European monetary policy regimes, an area of interest given the movement toward a European monetary union. Simulations inform the forecasts of the Board's staff regarding foreign activity and the U.S. external sector. This section discusses three examples of such simulations.

A Comparison of EMS and EMU

The first scenario highlights the effects of different monetary policy regimes on simulations for France and Germany of a fiscal shock originating in Germany. The shock is a permanent increase in German government spending equal to 1 percent of German GDP beginning at the outset of year 1. Although hypothetical, this shock is comparable to the fiscal expansion in Germany that followed reunification in 1990.

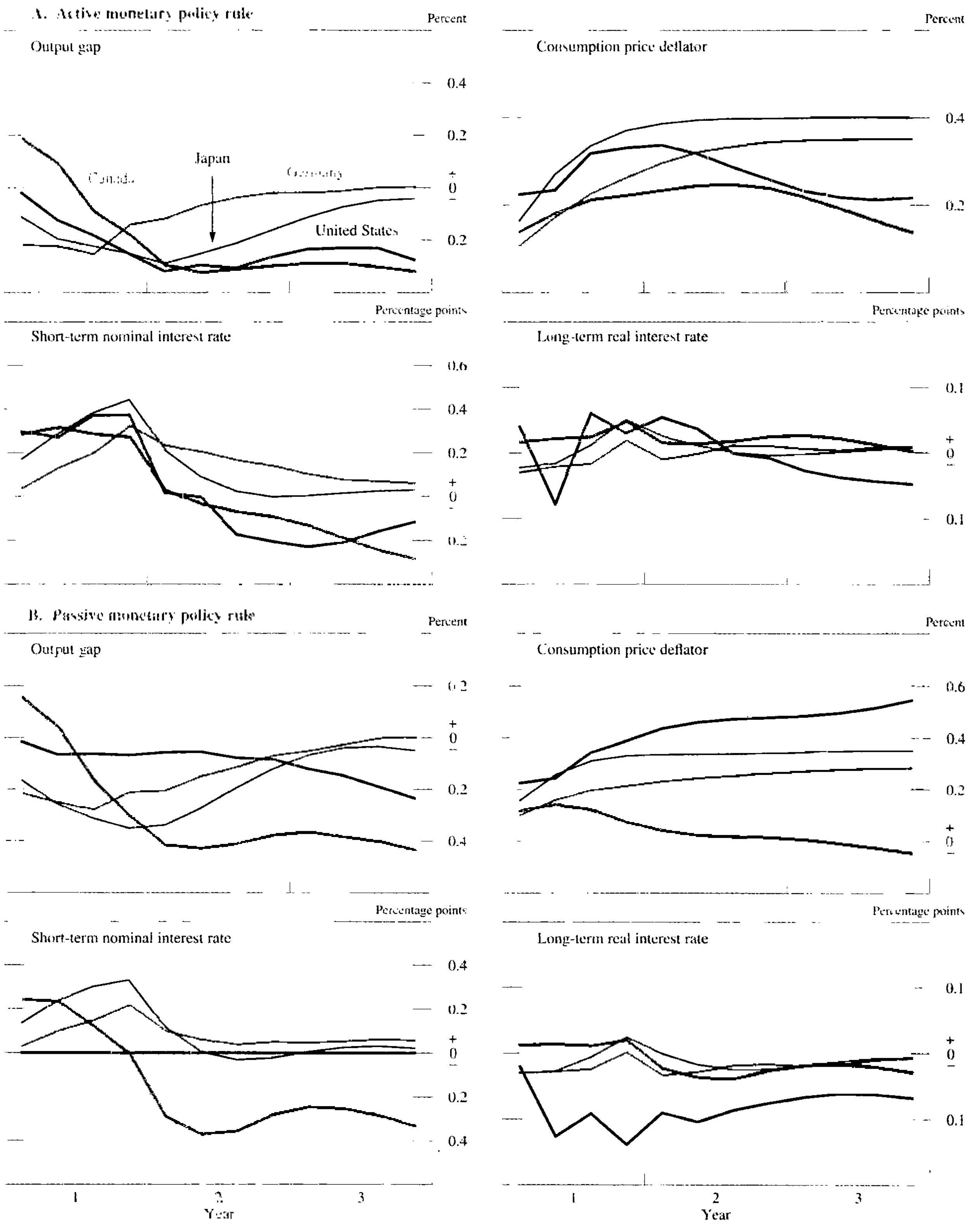
The scenario covers two monetary policy regimes: the current arrangements (the European Monetary System, or EMS) and those envisioned under the Economic and Monetary Union (EMU). Under the EMS regime, monetary policy in Germany follows an active rule (German short rates respond to deviations of German output and inflation from target), while France, Italy, and the SOECD countries peg

11. These results are consistent with standard economic theory, which holds that the domestic price level is indeterminate (that is, not tied down by macroeconomic fundamentals) under a fixed nominal interest rate.



NOTE. For definitions of shock and active monetary policy rule, see note to table 1.

5. Shock to the export price of OPEC oil under active and passive U.S. monetary policy rules



NOTE. For definitions of shock and active monetary policy rule, see note to table 1.

their currencies to the German mark.[12] In this experiment, the United States, Canada, Japan, and the United Kingdom follow independent monetary policies under the EMS.

Under the model's EMU regime, the European Central Bank would implement monetary policy for the member countries; it would use an active monetary policy rule in which the interest rate on the common currency (the euro) responds to the weighted average of the output gaps and inflation deviations of all member countries. This rule highlights the contrast between the EMU and the EMS regimes; in the latter, short-term interest rates in all member countries are determined by the output and inflation gap in Germany (apart from a risk premium on external liabilities).

The actual composition of the EMU and the relative influence of its members remain open issues. For this experiment, all members of the European Union except the United Kingdom are assumed to join the EMU, and the influence of specific countries in the equation governing the European Central Bank's simulated response are represented by weights calculated from the relative dollar values of GDP of the member states. On that basis, Germany's weight is slightly more than ¼, France and Italy each have a weight of about ⅕, and the SOECD weight is about ⅓.

Under the EMS, the fiscal expansion in Germany has a direct positive effect on German GDP and prices (chart 6.A, top panels). The German central bank responds to the shock by raising short-term interest rates substantially (about 75 basis points) (chart 6.A, bottom-left panel). France must raise interest rates by a similar magnitude in order to maintain the exchange rate peg (chart 6.B, bottom-left panel). The interest rate hike in France has strongly contractionary effects on real GDP and prices in France (chart 6.B, top panels), which are only partially offset by higher net exports to Germany.

Under the EMU regime, the same fiscal shock produces a rise in the interest rate in each country (about 60 basis points) that is somewhat smaller than under the EMS (as noted, about 75 basis points) (chart 6.A and 6.B, bottom-left panels). The smaller rise in interest rates reflects the fact that the European Central Bank adjusts interest rates according to the effects of a shock on the output gaps and inflation rates of all member countries. Under the EMU, the effects of a German-specific fiscal expansion on the rates of GDP and inflation in all member countries are much smaller than the effect on Germany; therefore, interest rates rise less than they do under the EMS, in which interest rates target only the German output and inflation gaps.

In addition, output and prices in Germany rise more under the EMU than they do under the EMS in response to the fiscal expansion (chart 6.A, top panels). These results highlight the point that relative to the EMS, the EMU will tend to generate somewhat higher variability of output and inflation in Germany because German short-term interest rates will reflect economic conditions in all member countries and not just those in Germany, as they do under the EMS.

Likewise, under the EMU, the contractionary effects in France arising from fiscal expansion in Germany are much smaller than they are under the EMS (chart 6.B). In particular, the variability of French output and inflation are markedly lower. These results illustrate the general point that, as modeled by FRB/Global, a country that currently pegs its currency to the German mark will tend to reduce the volatility of its output and inflation by joining EMU.

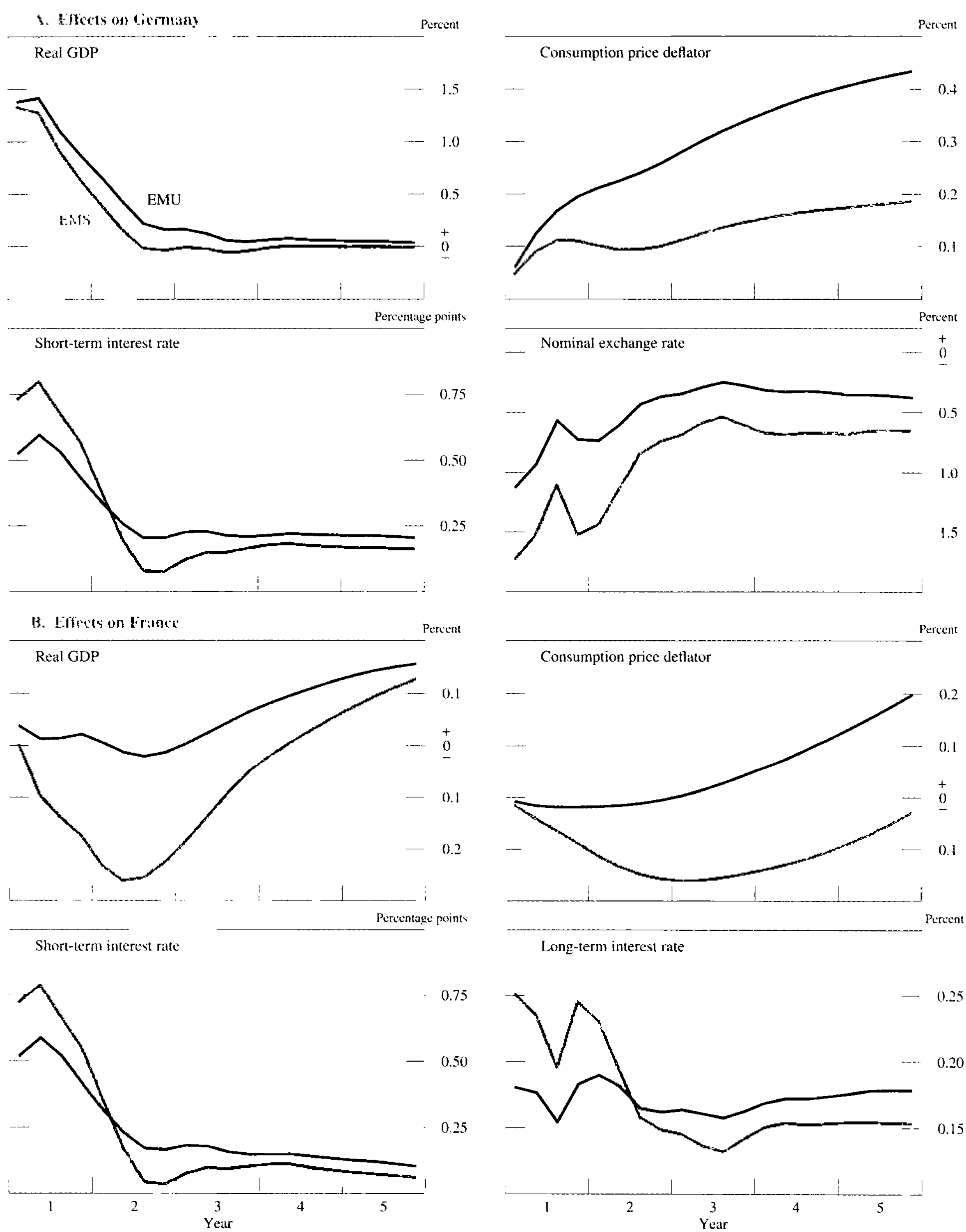
A Comparison of Independent Monetary Policy and Participation in EMU

Although countries that currently participate in the EMS (other than Germany) may experience a reduced volatility of inflation and output under the EMU, a non-EMS country joining the EMU presumably would sacrifice some control over domestic macroeconomic outcomes by giving up its independent monetary policy. To test the latter proposition, we analyze a fiscal shock similar to that considered above—a permanent increase in fiscal spending of 1 percent of GDP—but this time within the United Kingdom instead of Germany. We consider its effects on the United Kingdom under each of two monetary policy scenarios: U.K. membership in the EMU and an independent monetary policy in the United Kingdom.

Under the EMU scenario, the European Central Bank is assumed to adjust interest rates using the active monetary policy rule discussed above, except that the United Kingdom is now included in the set of member countries. In this simulation, the United Kingdom receives a relatively small GDP-based weight of ⅛. Under an independent monetary policy, the United Kingdom uses a variant of the active monetary policy rule, in which the short-term interest rate is adjusted to keep U.K. output at its target level.

12. Because the SOECD block includes Australia and New Zealand, the simulations are intended to only approximately represent both EMS and EMU.

6. German fiscal shock under EMS-style and EMU-style monetary policies



NOTE. The shock begins at the start of year 1 and consists of a permanent increase in German central government spending equal to 1 percent of GDP. See text for definition of monetary policy alternatives.

After the fiscal expansion in the United Kingdom, output there initially rises sharply (to 1 percent above baseline) if the country is in the EMU (chart 7, top-left panel); in contrast, an independent U.K. monetary policy could basically target output at baseline. The monetary tightening and the resulting rise in U.K. interest rates under an independent policy is considerably more aggressive than that which would be taken by the ECB if the United Kingdom were one of its members (bottom-left panel).

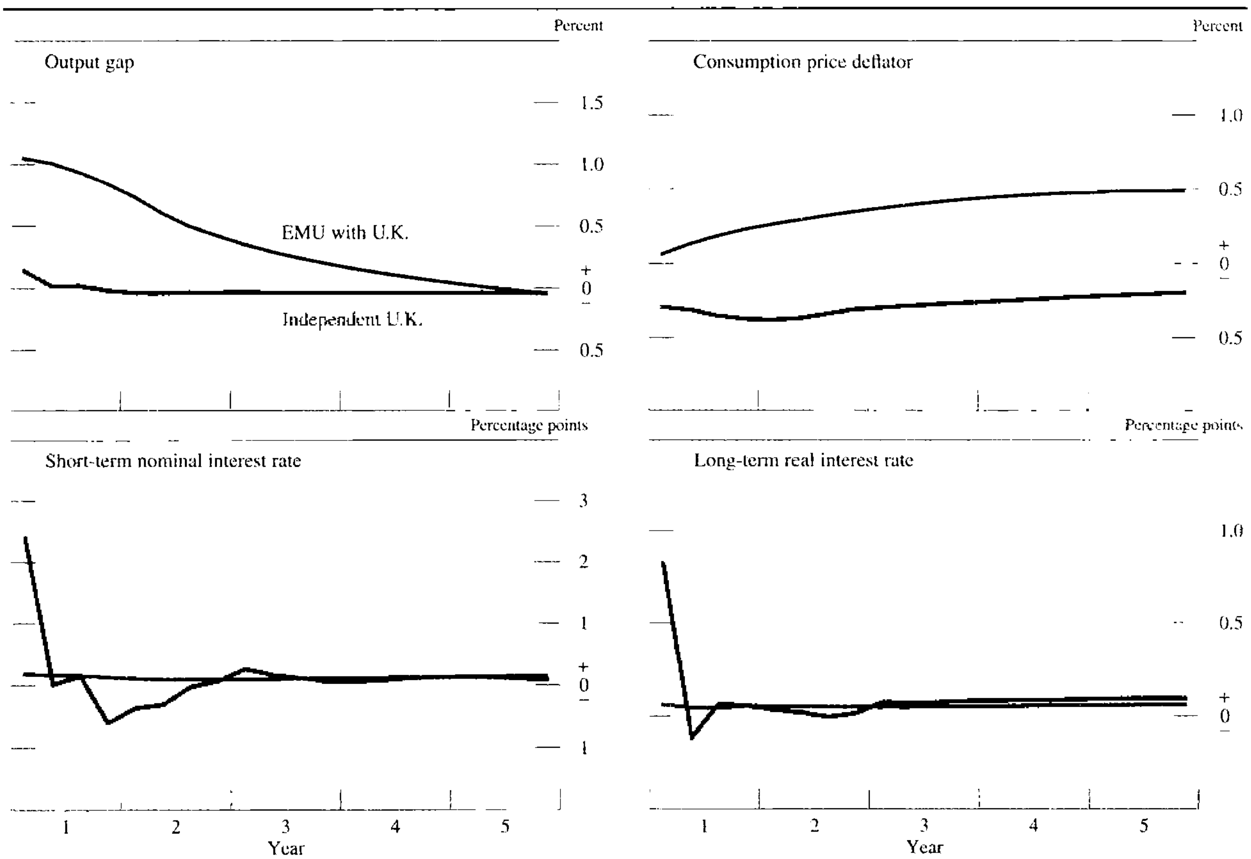
The simulation just described illustrates how a country such as the United Kingdom stands to incur some increase in the variability of output and inflation by forgoing an independent monetary policy. Although the FRB/Global simulations help to assess these costs, the simulations do not take into account some potential benefits of joining EMU, including the microeconomic benefits of lower transaction costs that come with a common currency. Another potential benefit is the "credibility effects" that could reduce the risk premium on a country's external liabilities. That is, choosing to link its economy to a common monetary policy could enhance a country's status as an inflation fighter, which would tend to lower the risk premium on its external liabilities.

The Formation of Expectations

The final scenario examines the implications of alternative assumptions about expectations. The implications are most apparent in the case of shocks whose effects arise after the start of the simulation. We compare the results obtained from expectations that are formed with limited information to the results obtained with model-consistent expectations—those formed with the benefit of all the information contained in the model.

Limited-information expectations depend exclusively on past information; hence, shocks are unforeseen. By contrast, with model-consistent expectations, agents are assumed to have perfect foresight about the shock, meaning that they know the entire

7. U.K. fiscal shock: Effects on the United Kingdom under independent and EMU-style monetary policies



NOTE. The shock begins at the start of year 1 and consists of a permanent increase in U.K. central government spending equal to 1 percent of GDP. See text for definition of the monetary policy alternatives.

future path of the variable whose value is being exogenously changed in the simulation. The assumption of such foresight enables the model to capture the notion that news about future economic developments can affect the current economy.

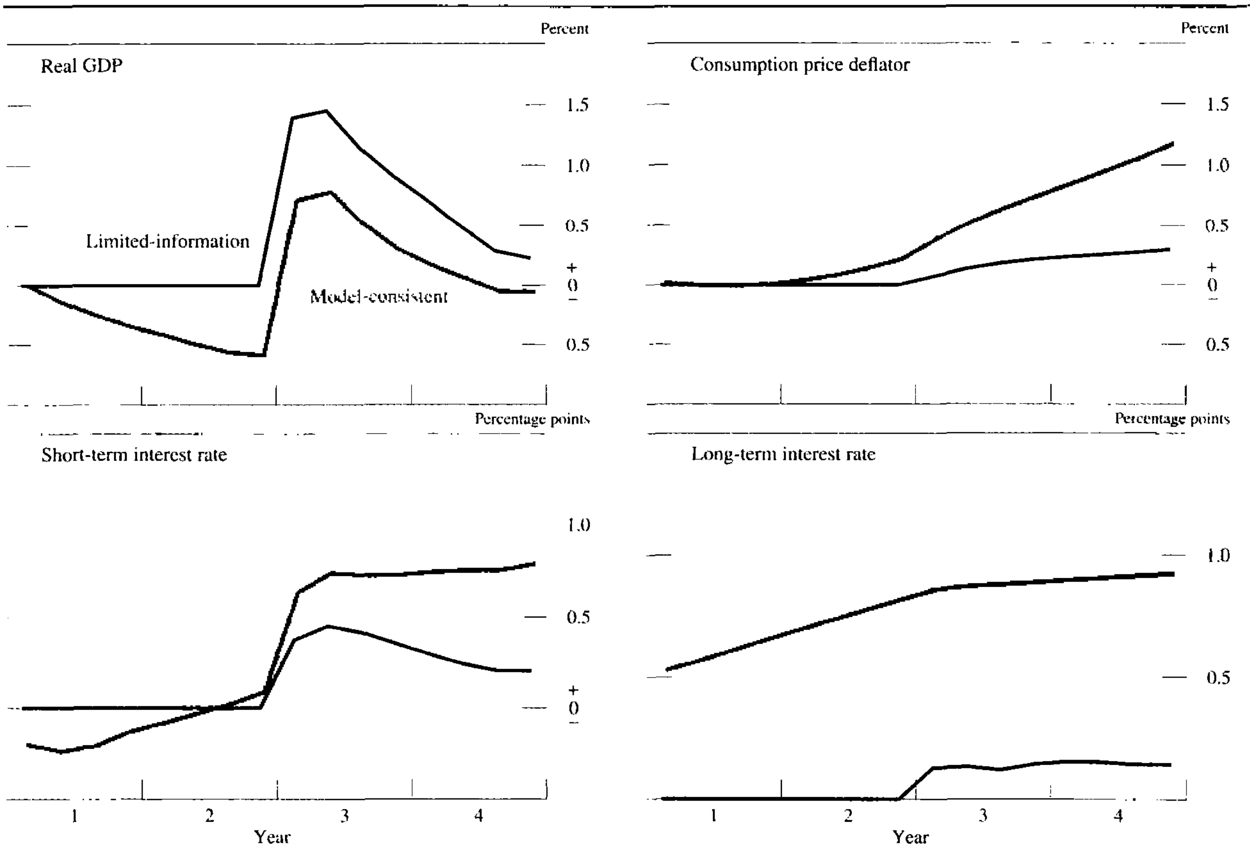
Under each variant of the model, we consider the short- and medium-term response of agents to an announcement by the German government at the beginning of year 1 that, at the beginning of year 3, it will permanently add to its spending an amount equal to 1 percent of GDP. The monetary policy regime in years 1 and 2 is assumed to be the EMS; in year 3, the EMU. (The United Kingdom conducts an independent monetary policy throughout these simulations.)

In Germany, limited-information expectations produce no response until the spending rise is implemented in year 3 (chart 8). Even long-term interest rates fail to respond (bottom-right panel), an indication that, until the shock is implemented, agents do not expect future short-term rates to rise. From year 3 forward, however, the limited-information dynamics are like those in the previous simulation of the effects on Germany of a German fiscal expansion (chart 6.A) because that simulation was also conducted under limited-information expectations.

Under model-consistent expectations, agents in year 1 can use the information that the European Central Bank will be in operation as of the beginning of year 3: As soon as the forthcoming year-3 shock is announced, agents realize that the central bank will have to raise short-term interest rates beginning in year 3 to restrain the effects of the projected fiscal expansion on output and prices. The expectation of the rise in future short rates (chart 8, bottom-left panel) causes an immediate rise in long-term rates (bottom-right panel). The rise in long rates in turn causes real activity to contract somewhat in years 1 and 2, so in this simulation, a future fiscal expansion has a contractionary effect in the short run.

Thus, FRB/Global accommodates two different, and somewhat extreme, perspectives on the formation of expectations. The degree of divergence in the results produced by each perspective in a given scenario depends on whether the effects of the shock are anticipated by economic agents.

8. Future German fiscal shock: Model-consistent vs. limited-information expectations



NOTE. The shock, of the magnitude given in chart 6, is announced in year 1 for implementation in year 3. See text for definition of expectations alternatives.

APPENDIX A: THE FOREIGN G-7 EQUATION BLOCKS

The equation blocks for the foreign G-7 countries cover government expenditures, tax revenue, net factor income, potential output, aggregate wages, and domestic prices.

Government Expenditures

Total government expenditures are divided into five components: consumption, investment, subsidies, transfers to households, and interest payments. Real government consumption and investment expenditures on goods and services are exogenously determined; the corresponding nominal values are obtained using price deflators for government consumption and investment. The nominal value of government subsidies moves proportionally with the level of nominal GDP. In contrast, real transfers to households are assumed to be acyclical, depending only on potential GDP; nominal transfers are obtained using the GDP price deflator. Finally, interest payments are computed by multiplying the stock of government debt by the average rate of return on outstanding government securities. The average rate of return is assumed to be a weighted average of two components: the current short-term Treasury bill rate and a moving average of past long-term bond rates.[13]

Tax Revenue

Total government revenues are divided into four components: direct taxes, social security payroll taxes, fuel taxes, and other indirect taxes.[14] Direct tax revenue consists mainly of personal and corporate income taxes and is computed by multiplying the direct tax rate by nominal net national product (nominal GDP plus net factor income from abroad, less depreciation allowances). The direct tax rate is endogenously determined to stabilize the ratio of real government debt to potential GDP.

Payroll taxes are assumed to vary proportionally with labor income, which is the product of the hourly wage rate and total employment.[15] The fuel tax rate is specified on a per-barrel basis, and the value of the tax per barrel is indexed to the GDP price deflator but not to the current price of fuel. Other indirect taxes (for example, the value-added tax) are assumed to vary proportionally with the value of private consumption and investment expenditures.

Net Investment Income from Abroad

Net investment income from abroad is divided into four components: direct investment payments and receipts and portfolio investment payments and receipts. Each of the four is computed by multiplying the outstanding stock of claims or liabilities by the appropriate rate of return. The rate of return on direct investment liabilities varies with the domestic output gap, while the rate of return on direct investment claims varies with a weighted average of foreign output gaps in which the weights are computed using bilateral export data. The rate of return on portfolio liabilities is assumed to be a weighted average of two components: the current short-term interest rate and a moving average of past long-term interest rates. Finally, the rate of return on portfolio investment claims is a weighted average of foreign rates of return on portfolio investment liabilities, adjusted for exchange rate movements.

Potential Output

Potential domestic nonfuel output is determined by a Cobb–Douglas production function exhibiting constant returns to scale with respect to labor, the business fixed capital stock, the residential capital stock, and domestic fuel consumption.[16] Potential GDP is defined as potential nonfuel output less net fuel imports, a formula that reflects the concept of GDP as a measure of value added (gross output less raw materials).

Aggregate Wages

Under limited-information expectations, the inflation rate of aggregate wages is specified as a function of

13. In all foreign G-7 country blocks, the weights on the short-term and long-term components are 10 percent and 90 percent respectively. The long-term component assigns weights of 0.05 to the current long-term bond rate and 0.95 to the previous period's long-term component. In future work, we intend to construct new weights that reflect cross-country differences in the maturity structure of government debt.

14. Strictly speaking, payroll taxes are a subcategory of direct taxes, so direct taxes in this discussion should be understood as referring to the nonpayroll component of direct tax revenue.

15. Hours of work are assumed to be constant in the current version of FRB/Global; this variable will be determined endogenously in future work.

16. These four inputs have output elasticities of 0.7, 0.15, 0.1, and 0.05 respectively. Future work on FRB/Global will incorporate country-specific production parameters and will relax the assumption that the industrial sector uses a constant fraction of total domestic fuel consumption.

past wage inflation rates as well as current and past output gaps, consumer price inflation rates, and short-term interest rates. Under model-consistent expectations, the aggregate wage rate is determined by overlapping nominal wage contracts, as formulated by Taylor.[17] At the beginning of each quarter, one-fourth of the work force is assumed to sign new wage contracts of annual duration. When unemployment remains at its natural rate, each contract specifies a wage rate equal to the average expected aggregate wage rate over the subsequent year. In addition, the wage contract is adjusted to account for the average expected deviation of unemployment from its natural rate over the subsequent year. In particular, for a given value of the average expected aggregate wage, a 1 percentage point increase in unemployment throughout the coming year reduces the current contract wage rate 0.02 percent. Finally, the aggregate wage rate is defined as the average of the four wage contracts currently in effect.

Domestic Prices

The price deflator for domestic nonfuel output is determined as a markup over the aggregate wage rate and the domestic fuel price index.[18] The markup rate is assumed to be mildly procyclical: Given employment and fuel costs, a persistent 1 percentage point increase in the output gap generates a 0.36 percent rise in the domestic nonfuel output price deflator. The gap between the markup rate and its equilibrium value shrinks about 33 percent per quarter. Given prices for fuel imports and exports and the price deflator for nonfuel output, nominal GDP is computed as nominal domestic nonfuel output less net fuel imports, and nominal domestic spending is computed as nominal GDP plus net nonfuel imports. The GDP price deflator is then determined by the ratio of nominal to real GDP, and the domestic spending deflator is determined as the ratio of nominal to real domestic expenditures. The private and government price deflators for consumption and investment move proportionally with the domestic spending deflator, so that the relative prices of the components of domestic spending are held constant. Finally, the domestic fuel price depends on the price of imported fuel and the fuel tax rate.

17. Taylor, "Aggregate Dynamics and Staggered Contracts."

18. The relative weights are identical to those in the production function: 0.92 on labor and 0.08 on fuel.

Import and Export Prices

The import price deflators for services and nonfuel goods are determined by a weighted average of foreign export prices converted into local currency units, with the weights constructed from bilateral import data.

The export price deflators for services and nonfuel goods are determined by the price of domestic nonfuel output and a weighted average of foreign output prices converted into local currency, with the weights constructed from bilateral export data.

The price deflators for fuel exports and imports are determined by the local-currency equivalent of the OPEC oil export price, which is expressed in U.S. dollars per barrel.

Appendix B: Other Foreign-Country Equation Blocks of FRB/Global

Three blocks of equations represent Mexico, the NIEs, and the SOECD. These three blocks have a structure similar to that of the foreign G-7 blocks but with no disaggregation of private investment, government revenue, and the capital account. The currencies of the SOECD are assumed to be pegged to the German mark, so that SOECD interest rates and expected inflation move in parallel with the corresponding German variables, apart from differences in risk premiums on external liabilities. Similarly, the Mexican peso is assumed to be pegged to the U.S. dollar, and the NIE currencies are assumed to be pegged to a trade-weighted basket of foreign currencies.

The OPEC block is intended to represent fuel-export-oriented developing economies with no inertia in their nominal macroeconomic variables. The OPEC currencies are assumed to be fixed to the U.S. dollar, and the OPEC nonfuel output price level adjusts in a flexible way to maintain a stable trade-weighted real exchange rate. OPEC imports adjust gradually to maintain a constant ratio of net external assets to nominal GDP. The OPEC oil export price is endogenously determined by world fuel consumption and a trade-weighted index of foreign prices converted into U.S. dollars. For example, a 1 percent increase in world fuel consumption generates a 1 percent increase in the equilibrium OPEC oil export price, with an adjustment rate of 40 percent per quarter toward the new equilibrium price level.

The ROW block of FRB/Global plays a crucial role in ensuring that all global adding-up constraints are satisfied. Thus, all ROW variables related to the current account and capital account are defined by accounting identities; for example, ROW net nonfuel merchandise exports are determined by the sum of net nonfuel merchandise imports of the other eleven blocks.

At the same time, the ROW block is intended to be representative of small open developing economies with no nominal inertia. Thus, the ROW nonfuel output price index adjusts fairly quickly in response to changes in the ratio of net external debt to nominal GDP. Since the ROW currencies are assumed to be fixed with respect to the U.S. dollar, these movements in the ROW price level translate directly into the trade-weighted real exchange rate, which in turn influences the net exports of the other eleven blocks and contributes to the long-run stability of the global model.

Appendix C: Construction of the FRB/Global Baseline

The data used to construct the FRB/Global baseline come from a variety of sources (table C.1). The FRB/Global baseline (tables C.2 and C.3) is extrapolated to the fourth quarter of 2025 under the assumption of a gradual transition to a balanced growth path. Thus, all output gaps in the model are closed within about ten years, and each component of aggregate demand converges to a constant fraction of real GDP. Consumer price inflation gradually converges to a constant rate of 3 percent, and each wage and price deflator eventually becomes constant relative to the consumer price index. Finally, tax rates are adjusted so that fiscal balance is achieved within about twenty years. □

C.1 Sources of baseline data for FRB/Global variables

Variables	Sources
United States	
Domestic	FRB/US baseline
External sector	Baseline of a Federal Reserve international transactions model
Foreign industrial countries	
National accounts, fiscal and trade data	BIS database
Foreign direct and portfolio investment	IMF balance of payments statistics
Bilateral export and import shares	IMF direction of trade statistics
Fiscal data, stocks of government debt	IMF government finance statistics
Oil production, consumption, and trade	OECD–IEA oil and gas statistics
Oil prices and tax rates	OECD–IEA energy prices and taxes
Real capital stocks, depreciation rates	Penn world tables
Developing countries	
Mexico and NIEs data	IMF international finance statistics
Additional data for NIEs	DRI database
OPEC and ROW data	IMF World Economic Outlook

BIS Bank for International Settlements
IMF International Monetary Fund
OECD–IEA Organisation for Economic Cooperation and Development– International Energy Agency

C.2. Highlights of the FRB/Global baseline
Percent

Country or region	Share of world GDP	Ratio to country's or region's GDP		
		Exports	Net external assets	Government debt
United States	24	11	−14	49
Germany	8	24	11	77
Japan	15	10	20	59
Canada	2	38	−43	107
France	5	24	−1	44
Italy	4	24	−5	119
United Kingdom	4	29	7	56
SOECD	12	27	16	63
Mexico	1	32	−65	n.a.
NIEs	3	56	16	n.a.
OPEC	2	31	125	n.a.
ROW	20	20	−20	n.a.

Note. Averages for 1995.
n.a. Not available.

C.3. Merchandise imports of the United States, Germany, and Japan in the FRB/Global baseline, distributed by exporter
Percent

Exporter	United States	Germany	Japan
United States	. . .	5	19
Germany	5	. . .	4
Japan	15	5	. . .
Canada	18	.5	3
France	2	11	2
Italy	2	8	2
United Kingdom	3	6	2
SOECD	6	39	15
Mexico	8	.1	.4
NIEs	10	4	12
OPEC	4	2	13
ROW	27	20	27
Total	**100**	**100**	**100**

Note. Averages for 1995. Imports measured in U.S. dollars.
. . . Not applicable.

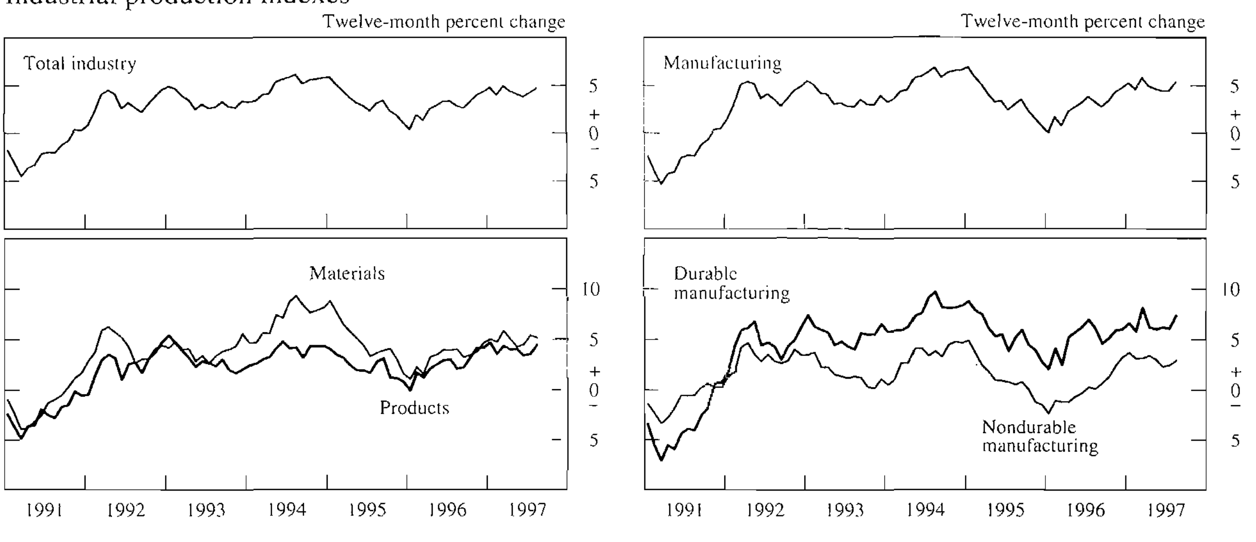
Industrial Production and Capacity Utilization for August 1997

Released for publication September 15

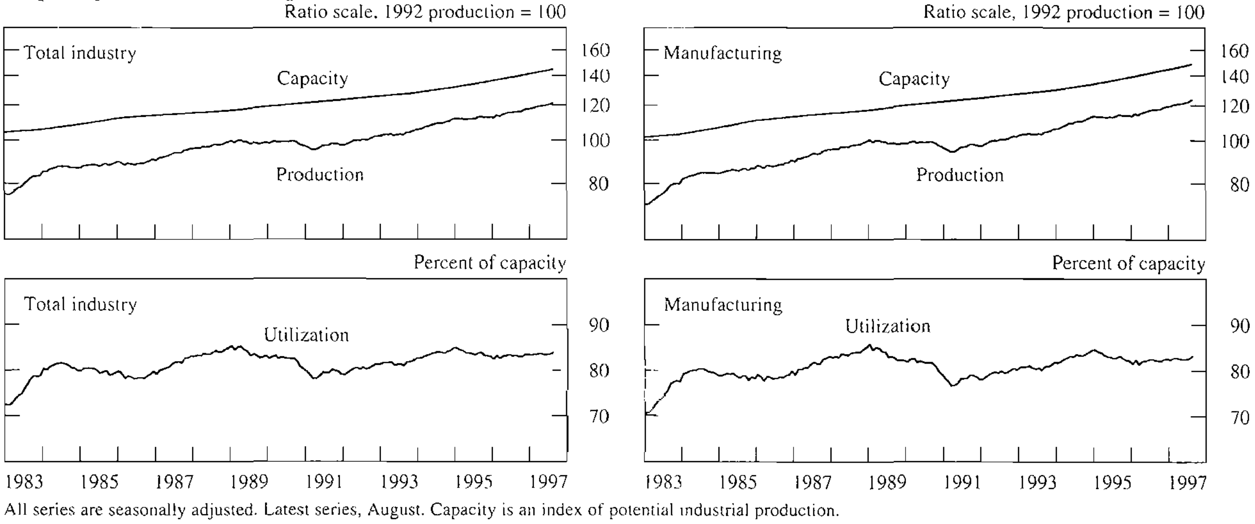
Industrial production increased 0.7 percent in August, with widespread gains in manufacturing. In addition, output growth in July was revised up 0.2 percentage point to 0.4 percent. The upward revision in July was largely the result of higher manufacturing output—especially nondurables. At 121.3 percent of its 1992 average, industrial production in August was 4.7 percent higher than in August 1996. The rate of industrial capacity utilization rose to 83.9 percent—its highest rate since September 1995.

The acceleration in industrial production between July and August was concentrated in manufacturing; much of it was related to the 10 percent jump in the assembly of autos and light trucks, which had dropped 5 percent from June to July. Excluding motor vehicles and parts, manufacturing production rose

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, August 1997

Category	Industrial production, index, 1992 = 100								
	1997				Percentage change				
					1997[1]				Aug. 1996 to Aug. 1997
	May[r]	June[r]	July[r]	Aug.[p]	May[r]	June[r]	July[r]	Aug.[p]	
Total	**119.5**	**119.9**	**120.4**	**121.3**	**.1**	**.3**	**.4**	**.7**	**4.7**
Previous estimate	119.3	119.6	119.8	...	.0	.3	.2	...	..
Major market groups									
Products, total[2]	115.9	116.1	116.3	117.2	.4	.2	.2	.8	4.4
Consumer goods	112.6	112.5	112.8	113.5	.4	−.1	.3	.6	3.1
Business equipment	136.1	137.5	139.0	141.7	.4	1.0	1.1	1.9	11.0
Construction supplies	120.6	120.3	118.8	119.2	.4	−.2	−1.2	.4	.1
Materials	125.2	125.9	127.0	127.8	−.2	.6	.9	.7	5.2
Major industry groups									
Manufacturing	121.0	121.6	122.2	123.4	.1	.4	.5	1.0	5.3
Durable	132.7	134.1	134.7	136.8	.3	1.0	.4	1.6	7.4
Nondurable	108.7	108.4	109.0	109.3	.0	−.3	.6	.3	2.9
Mining	108.1	107.4	106.8	105.8	1.9	−.6	−.5	−.9	1.3
Utilities	112.4	112.1	112.7	111.4	−1.0	−.3	.5	−1.1	.5

Category	Capacity utilization, percent								Memo Capacity, percentage change, Aug. 1996 to Aug. 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996	1997				
				Aug.	May[r]	June[r]	July[r]	Aug.[p]	
Total	**82.1**	**71.1**	**85.3**	**83.2**	**83.5**	**83.5**	**83.6**	**83.9**	**3.9**
Previous estimate	..	...	...	...	83.3	83.3	83.1	..	...
Manufacturing	81.2	69.0	85.7	82.3	82.4	82.5	82.6	83.1	4.2
Advanced processing	80.6	70.4	84.2	80.4	80.3	80.6	80.7	81.3	5.1
Primary processing	82.3	66.2	88.9	86.5	87.1	86.9	86.9	87.3	2.3
Mining	87.5	80.3	86.8	91.9	94.6	93.9	93.2	92.2	1.0
Utilities	87.2	75.9	92.6	88.5	88.5	88.2	88.5	87.4	1.8

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

0.7 percent in August, as it had in July, with large increases in the output of commercial aircraft, computers, semiconductors, and primary metals. Output at mines, however, declined 0.9 percent, and that at utilities fell 1.1 percent.

MARKET GROUPS

Led by a 2.1 percent advance in the production of durable goods, the overall output of consumer goods grew 0.6 percent in August; the production of nondurable goods advanced 0.3 percent. The gain in consumer durables resulted from the sharp rebound in the output of motor vehicles, which more than offset noticeable declines in the production of appliances and most other consumer durables. Among nondurable consumer goods, the production of nonenergy products increased for the second consecutive month, with advances in food and tobacco products and in chemical and paper products. The output of consumer energy products was unchanged in August because a large gain in the output of automotive gasoline was nearly offset by a drop in residential electricity sales.

The output of business equipment expanded at a 1.9 percent pace, marking a third straight month of sizable gains; this index has increased 11.0 percent since August 1996. While the growth in business equipment was led by solid gains in the output of business vehicles, it was also accompanied by further strong increases in information processing equipment, especially computers and related equipment, and by large gains in commercial aircraft and in farm machinery and equipment. Moreover, after several months of weakness, the production of industrial equipment rebounded with big increases in both July and August. The output of defense and space equipment rose 0.6 percent.

After a drop of 1.2 percent in July, the output of construction supplies recovered partially with a 0.4 percent increase; nevertheless, the August index for this market group was just 0.1 percent above its August 1996 level. Meanwhile, the production of materials posted another sizable gain, led by a 1.5 percent increase in the output of durable goods materials; strong gains in the production of equipment parts, particularly semiconductors, and parts for consumer durables, especially motor vehicles, supplied much of the boost. Energy materials fell 0.9 percent, with noticeable declines in coal mining and electricity generation. The output of nondurable goods materials decreased 0.3 percent; a large gain in container output was more than offset by drops in the other major categories of materials.

Industry Groups

Manufacturing output increased 1.0 percent in August after a 0.5 percent increase in July; excluding motor vehicles and parts, production rose 0.7 percent for a second month. The gains in manufacturing output were largely concentrated in durable goods industries, which increased 1.6 percent. In addition to the gain in motor vehicles and parts, there were strong increases in furniture and fixtures, primary metals, fabricated metals, industrial machinery and computers, electrical machinery, aerospace, and instruments. The output of nondurable goods, which had been weak since the beginning of the year, rebounded 0.6 percent in July and gained another 0.3 percent in August. Only two nondurables industries—apparel and paper—had output losses, while tobacco, petroleum, rubber and plastic products, and leather had substantial gains.

A large drop in coal mining largely accounted for the decline in mining output, and losses in electricity generation and sales reduced utility output.

Led by a 7.3 percentage point increase in the operating rate at auto and light truck factories, the overall factory operating rate increased 0.5 percentage point, to 83.1 percent—its highest level since September 1995. Similarly, the utilization rate for advanced-processing industries increased 0.6 percentage point, to 81.3 percent—also its highest level since September 1995. The rate for primary-processing industries increased 0.4 percentage point, to 87.3 percent, about the same as its level in March. The operating rate at mines decreased 1.0 percentage point, to 92.2 percent, while the rate at utilities decreased 1.1 percentage points, to 87.4 percent. □

Announcements

REGULATION E: AMENDMENTS

The Federal Reserve Board on August 13, 1997, adopted amendments to its Regulation E (Electronic Fund Transfers), to carry out statutory amendments to the Electronic Fund Transfer Act. These changes became effective September 15, 1997.

The amendments to the regulation exempt certain "needs-tested" electronic benefit transfer (EBT) programs established or administered by state or local government agencies, such as the food stamp program, from requirements of the Electronic Fund Transfer Act. The modified regulatory requirements that the Board established in its 1994 rulemaking would continue to apply to federally administered EBT programs and state and local employment-related EBT programs, such as state pension programs.

Generally, EBT programs involve the issuance of access cards and personal identification numbers to recipients of government benefits so that they can obtain their benefits through automated teller machines and point-of-sale terminals.

MODIFICATIONS OF PRUDENTIAL LIMITS ON UNDERWRITING AND DEALING ACTIVITIES THROUGH SECTION 20 SUBSIDIARIES

The Federal Reserve Board on August 22, 1997, announced modifications to the prudential limits or firewalls that currently apply to bank holding companies engaged in securities underwriting and dealing activities through section 20 subsidiaries. The modifications are effective October 31, 1997.

The Board is eliminating those restrictions that have proved to be unduly burdensome or unnecessary in light of other laws or regulations and is consolidating the remaining restrictions in a series of eight operating standards.

The new operating standards will cover the following areas:

- Capital requirement for bank holding company and section 20 subsidiaries
- Internal controls
- Interlocks restriction
- Customer disclosure
- Credit for clearing purposes
- Funding of securities purchases from a section 20 affiliate
- Reporting requirement
- Application of sections 23A and 23B to foreign banks.

The Board has concluded that the narrower set of restrictions will be fully consistent with safety and soundness and should improve operating efficiencies at section 20 subsidiaries and increase options for their customers.

EXTENSION OF THE FEDERAL RESERVE'S "REGULAR" BILLING DEPOSIT DEADLINE FOR ACH TRANSACTIONS

The Federal Reserve Board on August 29, 1997, announced a five-hour extension of the Federal Reserve Banks' automated clearinghouse (ACH) "regular" billing deposit deadline. ACH operates twenty-four hours a day.

Effective October 1, 1997, the "regular" processing window will begin at 3:00 a.m. Eastern Time and close at 1:00 a.m. rather than 8:00 p.m. The fees assessed to Federal Reserve Bank customers during this regular billing period are 0.9 cents per transaction and a file fee of $1.75 for files of up to 2,500 transactions and 0.7 cents per transaction and a file fee of $6.75 for files of more than 2,500 transactions.

The new "premium" hours will be between 1:00 a.m. and 3:00 a.m. Eastern Time, and the transaction surcharge assessed during this period will remain 0.5 cents on each ACH item deposited with the Reserve Banks.

The change will reduce fees charged to customers originating ACH transactions by approximately $2.1 million annually. This is the fourth time the Federal Reserve has reduced its ACH fees in the past twelve months. These price reductions reflect the efficiencies the Federal Reserve is realizing from its centralized ACH processing environment.

PROPOSED ACTIONS

The Federal Reserve Board on August 1, 1997, requested comment on a proposal to amend its risk-based and tier 1 leverage capital guidelines for state member banks and bank holding companies to address the treatment of servicing assets on both mortgage assets and financial assets other than mortgages (nonmortgages). Comments were requested by October 6, 1997.

The Federal Reserve Board on August 5, 1997, requested comment on a proposal to amend its Regulation D (Reserve Requirements of Depository Institutions) to allow U.S. branches and agencies of foreign banks and Edge and agreement corporations to choose whether to aggregate reserves on a nationwide basis in a single account at one Reserve Bank or to continue to have separate accounts on a same-state–same-District basis as they do today. Comments were requested by September 12, 1997.

The Federal Reserve Board on August 22, 1997, extended the comment period from September 3, 1997, to October 3, 1997, on its proposal to apply sections 23A and 23B of the Federal Reserve Act to transactions between a member bank and any subsidiary that engages in activities that are impermissible for the bank itself and that the Congress has not previously exempted from coverage by section 23A. The extension is granted to give the public additional time to comment on the proposal.

Minutes of the Federal Open Market Committee Meeting Held on July 1–2, 1997

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, July 1, 1997, at 2:30 p.m. and continued on Wednesday, July 2, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Guynn
Mr. Kelley
Mr. Moskow
Mr. Meyer
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, Melzer, and Ms. Minehan, Alternate Members of the Federal Open Market Committee

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

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

Messrs. Beebe, Goodfriend, Hunter, Lindsey, Mishkin, Promisel, Siegman, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Messrs. Madigan and Simpson, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Ms. Johnson, Assistant Director, Division of International Finance, Board of Governors

Messrs. Reifschneider[1] and Small,[1] Section Chiefs, Divisions of Research and Statistics and Monetary Affairs respectively, Board of Governors

Mr. Sichel, Senior Economist, Division of Research and Statistics, Board of Governors

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

Mr. Lebow,[2] and Ms. Lindner,[2] Economists, Division of Research and Statistics, Board of Governors

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

Ms. Holcomb, First Vice President, Federal Reserve Bank of Dallas

Ms. Browne, Messrs. Dewald, Hakkio, Kos, Lang, Rolnick, Rosenblum, and Sniderman, Senior Vice Presidents, Federal Reserve Banks of Boston, St. Louis, Kansas City, New York, Philadelphia, Minneapolis, Dallas, and Cleveland respectively

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

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on May 20, 1997, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets since the meeting on May 20, 1997. There were no System open market transactions in foreign currencies during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open mar-

1. Attended portions of meeting relating to the Committee's review of the economic outlook and establishment of its monetary and debt ranges for 1998.
2. Attended portion of meeting relating to price measurement issues for monetary policy.

ket transactions in government securities and federal agency obligations during the period May 20, 1997, through June 30, 1997. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic outlook, the ranges for the growth of money and debt in 1997 and 1998, and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the economic expansion slowed substantially in the second quarter after having surged in late 1996 and earlier this year. Consumer spending decelerated considerably, but business spending on durable equipment increased substantially further and housing demand appeared to have been well maintained. Employment growth moderated recently, while industrial production continued to rise appreciably. Price inflation remained subdued despite high rates of resource utilization, notably that of labor.

Private nonfarm payroll employment rose at a reduced pace in May after having registered sizable advances over the first four months of the year. Job growth remained brisk in the services sector despite a further drop in employment at temporary help agencies that might have reflected constraints on the availability of workers for hire. Although employment in construction recovered in May from the weather-depressed level in April, the underlying growth in such jobs seemed to have slowed. Employment in manufacturing changed little over April and May after having increased moderately in the first quarter. The average workweek for production or nonsupervisory workers was unchanged in May but was slightly below the average for the first quarter. The civilian unemployment rate fell slightly further to 4.8 percent in May.

Industrial production continued to grow briskly in May. Manufacturing output recorded a substantial gain and mining production rose considerably; however, cooler-than-average weather led to a drop in utility output. Much of the rise in manufacturing reflected a rebound in the production of motor vehicles and parts from strike-depressed levels in April and strength in the output of business equipment, construction supplies, and materials. With output generally keeping pace with the rapid expansion of factory capacity, the rate of utilization of manufacturing capacity remained at a relatively high level.

Personal consumption expenditures, in real terms, rose substantially in May after having changed little on balance over the preceding three months. Spending on services remained on a solid uptrend in May, while aggregate purchases of goods turned up after three months of lackluster spending on nondurable goods and motor vehicles. The unusual weather patterns of late winter and early spring apparently had a depressing effect on consumer expenditures, especially for seasonal items; however, the combination of strong job gains, buoyant sentiment, and increased household net worth pointed to a possible resumption of more robust spending by consumers.

Housing activity appeared to have been generally well maintained in recent months. Although housing starts were down somewhat in May from the relatively elevated average rate for the first four months of the year, this slowing might have been, at least in part, the result of unusually mild winter weather that enabled an early start on spring building activity. The latest information on home sales suggested continued firm demand for single-family housing: Sales of existing homes rose in May and were among the highest monthly totals on record, and sales of new homes in April (latest data available) were down only a little from the brisk pace of earlier months in the year.

Available information suggested further sizable gains in business fixed investment. Shipments of nondefense capital goods edged higher in May after having posted large increases in earlier months of the year. Shipments of computers had been particularly strong this year in conjunction with rapidly falling prices, but shipments of other categories of capital goods also had been robust on balance. Recent data on orders pointed to further brisk growth in coming months. Nonresidential construction activity appeared to have eased recently, with construction-put-in-place slipping in March and April from the elevated pace of the first two months of the year. However, other information suggested that the downturn might be shortlived: Vacancy rates for office space had been declining, prices for commercial real estate had been edging up, and recent data on contracts suggested that building activity would improve in coming months.

Business inventory investment picked up sharply in April from the slow pace in March but, overall, stocks remained at a low level in relation to sales. In manufacturing, much of the increase in stocks occurred in capital goods industries in which production was expanding briskly. In the wholesale sector, a substantial decline in stocks in April more than offset a sizable increase in March, and the aggregate stock–

sales ratio for the sector fell further over the March–April period. Retail inventories rose considerably in April, with notable increases in stocks of apparel and general merchandise. In a departure from the general downtrend of recent months, inventory–sales ratios for most types of retail establishments were up appreciably in April.

The nominal deficit on U.S. trade in goods and services narrowed somewhat in April from a downward-revised average rate in the first quarter. The value of exports in April rose substantially from the first-quarter level, led by increases in exports of machinery and aircraft. The value of imports also rose but less than that of exports; imports were up in most trade categories except petroleum products. Recent information suggested that, on average, economic activity in the major foreign industrial countries continued to grow at a moderate rate in the second quarter. Growth remained robust in Canada and the United Kingdom and was improving in Germany, France, and Italy. Economic activity appeared to have flattened temporarily in Japan after an increase in the consumption tax in April.

Price inflation remained subdued. For a third straight month, consumer prices recorded only a slight increase in May. Favorable developments in food and energy continued to hold down the overall rise and accounted for a much smaller advance in the index of prices of all consumer items over the twelve months ended in May than over the previous twelve months. The decline in core CPI inflation over the same time period was much less, though this measure of inflation also remained relatively restrained. At the producer level, prices of finished goods other than food and energy fell further in May and were little changed over the year ended that month. At earlier stages of processing, producer prices for intermediate materials other than food and energy changed little over the year ended in May, and producer prices at the crude level advanced only slightly. The tight conditions prevailing in labor markets were associated with a somewhat larger increase in average hourly earnings in the twelve months ended in May than in the year-earlier period.

At its meeting on May 20, 1997, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. Because the members saw the potential need for some tightening in monetary policy to counter rising inflationary pressures, perhaps in the relatively near term, the directive included a bias toward the possible firming of reserve conditions during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with moderate growth of M2 and M3 over coming months.

Open market operations were directed throughout the intermeeting period toward maintaining the existing degree of pressure on reserve positions, and the federal funds rate averaged close to the intended level of 5½ percent. Most other market interest rates declined somewhat on balance during the period. Market participants apparently concluded that the likelihood of further policy tightening had decreased substantially in light of incoming data that suggested slowing growth of final demand and continued subdued inflation. Share prices in equity markets rose considerably further.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was up on balance over the intermeeting period; the advance occurred despite a smaller decline on average in long-term interest rates abroad than in the United States. The dollar rose appreciably against the German mark and most other continental European currencies amid growing market concerns that there would be broad participation in the European Monetary Union despite the fact that the major European countries would not be able to comply strictly with the Maastricht fiscal standards and related expectations that the euro would be a weak currency. In contrast, the dollar fell against the Japanese yen and the British pound; the yen moved up as markets focused more closely on recent and prospective increases in Japan's current account surplus, and the pound strengthened in anticipation of further policy tightening by the Bank of England.

Expansion of M2 and M3 slowed sharply in May in association with a swing in household balances related to large tax payments; growth of M2 rebounded in June, but M3 accelerated less. For the year through June, M2 increased at a rate near the upper bound of its range for the year. Rapid growth of M3 over the first half of the year, partly in conjunction with robust expansion of bank credit, placed growth of this aggregate somewhat above the upper bound of its range. The rate of increase in total domestic nonfinancial debt had been a little higher in recent months; for the year to date, this aggregate had grown at a rate near the middle of its range.

The staff forecast prepared for this meeting suggested that the economy would expand at a pace somewhat above that of its estimated potential in the second half of the year but would slow to a rate of increase more in line with that of potential in 1998. Growth of consumer spending, supported by high levels of household wealth and further projected gains in employment and income, was expected to be relatively brisk for some time. Business spending on equipment and structures was anticipated to continue outpacing the overall expansion of the economy, though the differential would tend to narrow in association with the gradual diminution of increases in sales and profits that was expected to occur in the context of moderating economic growth. Housing construction was projected to drift lower over the forecast period. The staff anticipated that fiscal policy and the external sector would exert mild restraint on the expansion of economic activity. With labor compensation gradually accelerating in the context of high resource utilization, core consumer price inflation was forecast to drift slightly higher.

In the Committee's discussion of current and prospective economic developments, members commented on the continuing exceptional performance of the economy, including widespread indications of strength in business activity and subdued inflation. After a surge in late 1996 and earlier this year, the rate of expansion had moderated considerably in recent months, and the members generally expected economic activity to settle into a pattern of growth over the next six quarters that would approximate the economy's estimated output potential. A major factor in that outlook was their expectation of some deceleration in demands for consumer durables and business plant and equipment in light of the substantial buildup of such assets that already had taken place in recent years. However, given the underlying strength of the expansion, favorable financial conditions, and the absence of major imbalances in the economy, the risks of a different outcome were judged to be in the direction of somewhat faster growth than currently projected. The outlook for inflation was subject to particular uncertainty. Despite an economy that had been operating for a considerable period at rates of resource utilization that were very close to, and by some estimates somewhat above, sustainable levels, inflation had remained relatively low and indeed had declined on the basis of some broad measures of prices. Such an outcome was very much welcome, but the reasons for it were not completely understood and appeared to include some factors that might exert only temporary restraint on price increases. Consequently, continuing pressures on resources associated with economic growth in line with the members' current forecasts could well be reflected in rising inflation over time.

In keeping with the practice at meetings when the Committee sets its long-run ranges for the money and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members provided individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the years 1997 and 1998. The forecasts of the rate of expansion in real GDP for 1997 as a whole had a central tendency of 3 to 3¼ percent and for 1998 were centered on a range of 2 to 2½ percent. With regard to the growth of nominal GDP, most of the forecasts were in ranges of 5 to 5½ percent for 1997 and 4½ to 5 percent for 1998. The civilian rate of unemployment associated with these forecasts had a central tendency of 4¾ to 5 percent in the fourth quarters of both years. Projections of the rate of inflation, as measured by the consumer price index, pointed to a sizable moderation this year from the rate in 1996 and a partially offsetting rise in 1998, with prices of food and energy accounting for much of the swing. Specifically, the projections converged on CPI inflation rates of 2¼ to 2½ percent in 1997 and 2½ to 3 percent in 1998.

In their review of the outlook for economic activity in major sectors of the economy, members referred to the generally sluggish pace of retail sales in recent months. It was noted, however, that the slowdown was perhaps in part an adjustment to very strong growth of sales in previous months, and some members commented on anecdotal indications of some pickup in recent weeks. More importantly, underlying trends and fundamentals pointed to prospective growth in consumer expenditures at a pace that was likely to continue to provide key support for further moderate expansion in overall economic activity. In particular, jobs and incomes had continued to post sizable gains; further large increases in stock market prices had raised wealth-to-income ratios sharply; and consumer optimism had risen to new highs. On the other hand, the accumulation of consumer durables that had occurred over the course of the current cyclical advance was likely to exert a retarding influence on the rise in consumer spending. Other somewhat restraining factors included the prospect of some softening in housing demand and related purchases of household goods and the already heavy debt repayment burdens of many consumers. Some members also noted that a possible correction from the currently elevated levels of stock market prices could have adverse effects on consumer sentiment and purchasing power. On balance, growth in personal consumer expenditures was seen as likely to approximate the moderate rate of increase projected in overall domestic demand.

The members viewed the prospects for further growth in business fixed investment as another important supportive factor in the outlook for sustained economic expansion. Current indicators pointed to the continuation of very rapid growth in such spending over the near term, but some moderation was likely over the course of coming quarters in conjunction with the projected slowing in the increase of overall demand and the very large buildup in the stock of capital that already had occurred in recent years. Even so, investment spending was likely to be relatively robust over the projection horizon in the context of continuing incentives to hold down production costs in highly competitive markets and to take advantage of falling prices and wider applications for certain types of new equipment, notably computer-related equipment. The ready availability of both debt and equity finance on favorable terms, an upbeat outlook for sales in many industries, and generally high profit levels were other positive factors. The outlook for nonresidential construction activity also seemed to be relatively favorable. Members referred to declining vacancy rates and rising rents for commercial structures in many parts of the country and noted that construction contracts for new office buildings and hotels recently had turned up on a nationwide basis after a pause earlier this year. In sum, the growth in business fixed investment seemed likely to continue to outpace that of overall demand in coming quarters.

Some restraint on aggregate demand would come from other sectors of the economy—notably government spending, net exports, housing, and perhaps business inventories. None of these factors seemed likely to exert a substantially negative effect, but in total they were expected to help keep the pace of the expansion close to the estimated rate of increase in the economy's potential over coming quarters.

During the course of the Committee's discussion, many of the members commented on the persistence of an impressively benign inflation performance despite widespread indications of very high, and by some measures increasing, levels of capacity use. Indeed, most broad measures of prices pointed to subdued or even declining inflation, and it was difficult to find evidence of rising inflation pressures in "pipeline" price data or the wage structure. The members anticipated that inflation as measured by the consumer price index would decrease appreciably over 1997 as a result of favorable developments in the food and especially the energy sectors of the economy and declining import prices associated with the previous appreciation of the dollar. These positive influences would wane over time, however, and consumer prices were likely to rise at a somewhat faster pace in 1998.

The members agreed that the risks to their price forecasts were in the direction of higher inflation, given already high levels of capacity use and their expectations of appreciable further economic growth. Nonetheless, the relatively low inflation experienced despite a lengthy period of fully employed resources suggested that the timing of a potential upturn in inflation—indeed whether inflation would in fact pick up—could not be predicted with any degree of confidence on the basis of past historical patterns. The reasons for the persistence of a relatively benign inflation performance in the current expansion were not fully understood. They included some temporary factors such as the effect of the rise in the dollar on import prices and the restraint on health care costs. More fundamentally, they presumably also involved the favorable effects on production costs of widespread business restructurings and the large volume of investment in more productive technology in recent years, the impact of both factors on the job security concerns of workers and their willingness to accept reduced increases in compensation, and the effects of an intense degree of competition among domestic and foreign producers in U.S. markets. With regard to the possibility that more robust productivity increases would be holding down production costs, it was noted that a surge in economic activity, such as had occurred in late 1996 and early 1997, tended to be accompanied by above-trend gains in productivity. A slower pace of economic growth in the second quarter and beyond might provide an opportunity to assess whether productivity increases were on a clear uptrend and could help to explain the favorable behavior of prices over an extended period. In any event, it was too early to reach any firm conclusion on this issue or the broader question of whether or when a rise in inflation might materialize under anticipated economic conditions.

The members also discussed a staff study of the relative performance of various price indexes as measures of inflation. Members noted that most broad measures of inflation moved together over extended periods of time, but they did not always do so over short intervals. Differences in construction, coverage, and other factors meant that none of the individual measures was clearly superior in assessing general inflation trends, and several members commented that all measures needed to be monitored.

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 of the monetary and debt aggregates that it had established in February for 1997, and it decided on tentative ranges for those aggregates for 1998. The current ranges set in February for the period from the fourth quarter of

1996 to the fourth quarter of 1997 were unchanged from the ranges for 1996 and included expansion of 1 to 5 percent for M2 and 2 to 6 percent for M3. An unchanged range of 3 to 7 percent also was set in January for growth of total domestic nonfinancial debt in 1997.

All the members favored retaining the current ranges for this year and extending them on a provisional basis to 1998. They anticipated that growth of M2 probably would continue at rates in the upper part of its current range in both years and that of M3 at rates approximating or even slightly above the upper bound of its range, given the Committee's expectations for the performance of the economy and prices. The current ranges were not expected to be guides to money growth under anticipated conditions in the period ahead, but instead could be viewed as anchors or benchmarks for money growth that would be associated with approximate price stability and sustained economic growth, assuming behavior of velocity in line with historical experience. Accordingly, a reaffirmation of those ranges would underscore the Committee's commitment to a policy of achieving price stability over time, and in the view of at least some members, higher ranges could raise questions in this regard.

Over the past few years, in contrast to earlier in the 1990s, the behavior of the broad aggregates, especially that of M2, in relation to nominal GDP and short-term interest rates had displayed a pattern that was in line with historical norms before the 1990s. The members viewed this as an encouraging development in that it raised the possibility of giving more weight at some point to the performance of these aggregates as useful indicators in formulating monetary policy. However, the period of more predictable M2 and M3 behavior was still relatively brief, and such behavior had occurred at a time of generally settled conditions in financial markets and the overall economy. The prospective performance of these aggregates in periods of rapid changes in financial and economic conditions was still an open question, and in light of the uncertainties that were involved the members concluded that it would be premature to place increased reliance on them in the conduct of policy. Accordingly, the Committee decided that despite projected growth of M2 and M3 at rates in the vicinity of the upper limits of the current ranges, prevailing uncertainties made it desirable to retain those ranges as benchmarks for the achievement of price stability rather than to establish higher ranges that seemed more likely to capture expected outcomes. In the circumstances, any tendency for growth of the monetary aggregates to move outside the Committee's ranges would not in itself call for a policy adjustment but would continue to be interpreted in the context of a broad range of business and financial developments bearing on the prospective performance of the overall economy.

The Committee members were unanimously in favor of retaining the current range of 3 to 7 percent for growth of total domestic nonfinancial debt in 1997 and extending that range on a provisional basis to 1998. They took account of a staff projection indicating that growth of the debt aggregate was likely to slow somewhat from its pace in 1995 and 1996, reflecting a small reduction in the expansion of federal government debt. According to the staff projection, growth in the debt measure would be near the midpoint of the existing range over the period through 1998.

At the conclusion of this discussion, the Committee voted to reaffirm the ranges for growth of M2, M3, and total domestic nonfinancial debt that it had established in February for 1997. For the year 1998, the Committee approved provisional ranges for the three aggregates that were unchanged from the 1997 ranges. In keeping with its usual procedure under the Humphrey–Hawkins Act, the Committee would review its preliminary ranges for 1998 early next year, or sooner if interim conditions warranted, in light of their growth and velocity behavior and ongoing economic and financial developments. Accordingly, the Committee voted to incorporate the following statement regarding the 1997 and 1998 ranges in its domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1997 to the fourth quarter of 1998, of 1 to 5 percent for M2 and 2 to 6 percent for M3. The Committee provisionally set the associated range for growth of total domestic nonfinancial debt at 3 to 7 percent for 1998. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None.

In the Committee's discussion of policy for the intermeeting period ahead, all the members favored or could support a proposal to maintain an unchanged policy stance, and they strongly supported the retention of a bias toward restraint. An unchanged policy seemed appropriate with inflation still quiescent and business activity projected to settle into a pattern of moderate growth broadly consistent with the economy's long-run output potential. While the members assessed risks surrounding such a forecast as decidedly tilted to the upside, the slowing of the expansion should keep resource utilization from rising substantially further, and this outlook together with the absence of significant early signs of rising inflationary pressures suggested the desirability of a cautious "wait and see" policy stance at this point. In the current uncertain environment, this would afford the Committee an opportunity to gauge the momentum of the expansion and the related degree of pressure on resources and prices. The risks of waiting appeared to be limited, given that the evidence at hand did not point to a step-up in inflation despite low unemployment and that the current stance of monetary policy did not seem to be overly accommodative, at least on the basis of some measures such as the level of real short-term interest rates. In these circumstances, any tendency for price pressures to mount was likely to emerge only gradually and to be reversible through a relatively limited policy adjustment. Some members commented, however, that in the absence of unanticipated weakness in the economy, some tightening of policy was likely to be needed in the relatively near future, and one expressed the view that a tightening action at this meeting seemed desirable to forestall or limit the risks of intensifying inflationary pressures. However, waiting was an acceptable alternative given the favorable economic news and the persisting uncertainties surrounding the relationship of output to prices.

In their discussion of possible adjustments to policy during the intermeeting period, all the members indicated that they wanted to retain the existing asymmetry toward restraint adopted at the May meeting. An asymmetric directive was consistent with their view that the risks clearly were in the direction of excessive demand pressures in the economy and an associated upward trend in inflation. Such a bias in the directive also would serve the purpose of signaling the Committee's ongoing commitment to curb inflation in the interest of fostering maximum sustainable economic growth and employment. The members agreed that the current environment called for careful monitoring of developments and for prompt action by the Committee if needed to counter rising inflation. Indeed, in the interest of fostering a continuation of sustainable growth of the economy, it would be desirable to tighten on the basis of early signs of potentially intensifying inflation and before higher inflation actually materialized.

At the conclusion of the Committee's discussion, all the members indicated that they could support a directive that called for maintaining the existing degree of pressure on reserve positions and that retained a bias toward the possible firming of reserve conditions during the intermeeting period. Accordingly, in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, the Committee decided that somewhat greater reserve restraint would be acceptable and slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with moderate expansion in M2 and M3 over coming months.

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

The information reviewed at this meeting suggests that the economic expansion slowed substantially in the second quarter after surging in late 1996 and earlier this year. Private nonfarm payroll employment increased at a reduced pace in May, but the civilian unemployment rate fell slightly further to 4.8 percent. Industrial production registered another sizable gain in May. Personal consumption expenditures, in real terms, rose substantially in May after having changed little over the preceding three months. Housing activity appears to have been well maintained in recent months. Available indicators point to further sizable gains in business fixed investment. The nominal deficit on U.S. trade in goods and services narrowed somewhat in April from its downward-revised average rate in the first quarter. Price inflation has remained subdued.

Market interest rates generally have declined somewhat since the day before the Committee meeting on May 20, 1997; share prices in equity markets have risen considerably further. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was up slightly on balance over the intermeeting period.

Growth of M2 and M3 fluctuated sharply from April to May in association with a swing in household balances related to large tax payments; on balance, both aggregates expanded at a moderate pace over the two months, and available data pointed to further moderate growth in June. For the year through June, M2 expanded at a rate near the upper bound of its range for the year and M3 at a rate somewhat above the upper bound of its range. Total domestic nonfinancial debt has continued to expand in recent months and is near the middle of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee reaffirmed at this meeting the ranges it had established in February for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The range for growth of total domestic nonfinancial debt was maintained at 3 to 7 percent for the year. For 1998, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1997 to the fourth quarter of 1998, of 1 to 5 percent for M2 and 2 to 6 percent for M3. The Committee provisionally set the associated range for growth of total domestic nonfinancial debt at 3 to 7 percent for 1998. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None.

It was agreed that the next meeting of the Committee would be held on Tuesday, August 19, 1997.

The meeting adjourned at 11:55 a.m. on July 2.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E (Electronic Fund Transfers). The revisions implement an amendment to the Electronic Fund Transfer Act ("EFTA"), contained in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, that exempts certain electronic benefit transfer ("EBT") programs from the EFTA. Generally, EBT programs involve the issuance of access cards and personal identification numbers to recipients of government benefits so that they can obtain their benefits through automated teller machines and point-of-sale terminals. The Board's amendments to Regulation E exempt needs-tested EBT programs that are established or administered by state or local government agencies. Federally administered EBT programs and state and local employment-related EBT programs (such as state pension programs) remain covered by Regulation E subject to modified requirements.

Effective September 15, 1997, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regulation E)

1. The authority citation for Part 205 is revised to read as follows:

Authority: 15 U.S.C. 1693-1693r.

2. Section 205.15 is amended by revising paragraph (a) to read as follows:

Section 205.15—Electronic fund transfer of government benefits.

(a) *Government agency subject to regulation.* (1) A government agency is deemed to be a financial institution for purposes of the act and this part if directly or indirectly it issues an access device to a consumer for use in initiating an electronic fund transfer of government benefits from an account, other than needs-tested benefits in a program established under state or local law or administered by a state or local agency. The agency shall comply with all applicable requirements of the act and this part, except as provided in this section.

(2) For purposes of this section, the term *account* means an account established by a government agency for distributing government benefits to a consumer electronically, such as through automated teller machines or point-of-sale terminals, but does not include an account for distributing needs-tested benefits in a program established under state or local law or administered by a state or local agency.

FINAL RULE—AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to remove the delegation to the Board's General Counsel to approve provisions of Federal Reserve Bank operating circulars related to uniform services. Under a newly amended supervisory letter, other Board officials will review uniform Reserve Bank operating circulars, in consultation with the General Counsel.

Effective August 21, 1997, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for Part 265 continues to read as follows:

Authority: 12 U.S.C. 248(i) and (k).

Section 265.6[Amended]

2. In section 265.6, paragraph (a)(5) is removed.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Northwest Bancorp, MHC
Warren, Pennsylvania

Northwest Bancorp, Inc.
Warren, Pennsylvania

Order Approving Formation of a Bank Holding Company and Acquisitions by Bank Holding Companies

Northwest Bancorp, MHC ("MHC"), Warren, Pennsylvania, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") and organized in mutual form, has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to reorganize its corporate structure by forming Northwest Bancorp, Inc. ("Bancorp"), as a majority owned subsidiary stock bank holding company that would own all the voting shares of MHC's subsidiary bank, Northwest Savings Bank ("Bank"), all of Warren, Pennsylvania. Bancorp also has requested the Board's approval to become a bank holding company under section 3 of the BHC Act.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 3513 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Bank is the 19th largest depository institution in Pennsylvania, controlling approximately $1.5 billion in deposits, representing less than 1 percent of all deposits in depository institutions in the state.[1] Based on all the facts of record, including the fact that the transaction represents a corporate reorganization to form a second-tier bank holding company, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market, and that competitive considerations are consistent with approval.

In every 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 and banks concerned, and the convenience and needs of the communities to be served. MHC owns approximately 69 percent of the voting shares of Bank. The remaining 31 percent of Bank's shares are owned by members of the public, including minority shareholders who serve as senior management of Bank and members of MHC's board of trustees. Shareholders of Bank would exchange their stock for voting shares of Bancorp, and would own the same percentage of shares of Bancorp as they currently own of Bank.[2]

When the Board approved the formation of MHC in 1994, the Board noted that, because MHC did not own all the voting shares of Bank, equity could be transferred from the mutual owners of the holding company to the minority shareholders of Bank at the expense of the mutual owners if MHC were the only shareholder to waive dividends from Bank.[3] The Board concluded that such a result could present adverse considerations under the financial and managerial resources and future prospects and convenience and needs factors required to be reviewed under the BHC Act.[4] After carefully reviewing all the facts of record, including MHC's commitments requiring Bank to retain any dividends waived, and the fulfillment of the conditions imposed by the Federal Deposit Insurance Corporation ("FDIC") and the Pennsylvania Department of Banking, the Board concluded that these factors were consistent with approving the formation of MHC.[5]

The formation of Bancorp as a subsidiary stock company between MHC and Bank potentially raises the same adverse considerations discussed in the *Northwest Order*. Bancorp, for example, as a company controlled by MHC, could pay a dividend to insider minority shareholders, notwithstanding MHC's dividend waiver commitment, by issuing special classes of stock with dividend rights to the minority shareholders. In addition, insider minority shareholders could increase the value of their shares at no cost through the repurchase of MHC stock by Bancorp, or by repurchases of insider minority shareholdings at above market prices. The Board is also concerned that the preference to purchase new shares of Bank or shares of MHC that was provided to Bank's depositors by the *Northwest Order* could be circumvented through the sale of new shares of Bancorp.[6]

To address these concerns, MHC and Bancorp have made a number of commitments set forth in the Appendix. In particular, MHC or its subsidiaries will not issue any securities that would give the holder a right to acquire equity securities or convey an interest in the retained earnings of the issuer to a person other than MHC without the Board's approval. Bancorp also will seek the Board's approval before repurchasing any equity securities from MHC, will repurchase equity securities from shareholders other than MHC only at the current market price, and will

1. All banking data are as of September 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings and loan associations.

2. Bancorp would be formed through a series of transactions that would occur simultaneously. Bancorp would initially be formed as a wholly owned subsidiary of Bank. Bancorp would then charter an interim savings bank as a wholly owned subsidiary. Bank would merge with the interim savings bank and, as the surviving institution, become a wholly owned subsidiary of Bancorp. The shareholders of Bank would then exchange their Bank stock for Bancorp stock on a one-for-one basis and Bancorp would own all the voting stock of Bank.

3. *See Northwest Bancorp, MHC*, 80 *Federal Reserve Bulletin* 1131 (1994) ("*Northwest Order*").

4. The Board noted that a waiver of dividends by MHC could reduce or impair its ability to serve as a source of strength for Bank. The Board also concluded that a decision by MHC's board of trustees to execute such a waiver, without a corresponding waiver by the minority shareholders, raised a potential conflict of interest because, as minority shareholders, board members had a financial interest in the waiver. The potential conflict was of particular concern in a company that was organized in mutual form because, unlike a stock company whose management may be replaced by its shareholders, state law did not provide a mechanism for management of a mutual holding company to be changed by its mutual owners. *See Northwest Order* at 1132–33.

5. The commitments and conditions discussed in the *Northwest Order* are specifically incorporated by reference as commitments and conditions in connection with the Board's action on this proposal.

6. The Office of Thrift Supervision's ("OTS") regulations require that if a stock thrift subsidiary of a mutual holding company issues stock, the thrift must first offer the stock to its depositors before offering shares to the public, including stock issuances to fund an acquisition. FDIC regulations require the FDIC to take into account the extent to which a proposal to convert a state chartered savings bank to stock form complies with the OTS regulations, including stock issuances and depositor preference rules. MHC has agreed to commitments that are consistent with the OTS's depositor preference rules and the commitments in the *Northwest Order*.

maintain detailed records of all stock repurchases. Finally, Bank's depositors will be accorded the same preference to purchase shares that is provided by the *Northwest Order* for any sale, transfer or issuance of shares of Bank or Bancorp to any person other than MHC. The Board believes that these commitments permit the Board to monitor and address the issues raised when a mutual holding company owns less than all the voting shares of a savings bank through a subsidiary stock holding company. In this light, and based on all the facts of record, including consultations with federal and state banking supervisory agencies, the Board concludes the financial and managerial resources and future prospects of MHC, Bancorp, and Bank are consistent with approval, as are the convenience and needs and other supervisory factors that the Board must consider under section 3 of the BHC Act.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of the proposal is expressly conditioned on compliance with all the commitments made by the applicants in connection with the applications, including the commitments and conditions discussed in the order, and is conditioned on receipt by the applicants of all necessary approvals from all relevant regulators, and compliance with the requirements imposed by those regulators. For purposes of this action, the commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective August 18, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

APPENDIX

(1) MHC will not sell, transfer, or otherwise dispose of any of its shares in Bancorp, or Bank to any person (including an Employee Stock Ownership Plan) and Bancorp will not sell, transfer, or otherwise dispose of any of its shares of Bank without the prior approval of the Board. Bancorp, Bank, or any other direct or indirect subsidiary of MHC will not issue equity securities or any securities that would accord the holder the right to acquire equity securities or that would bestow upon the holder an interest in the retained earnings of the issuer to persons other than MHC, unless MHC and Bancorp seek prior approval of the Board and the Board approves the issuance;

(2) In any conversion of MHC from mutual to stock form, the holding company will file an application for approval of the conversion with the Board and will comply with the rules and regulations of the Office of Thrift Supervision ("OTS") as if Bank were a savings association and MHC and Bancorp were savings and loan holding companies, respectively, except that such rules shall be administered by the Board;

(3) In connection with commitments 1 and 2, MHC and Bancorp agree with the following:

A. In any sale, transfer or issuance of shares of Bank or Bancorp to any person other than MHC, the depositors of Bank will be accorded the same stock purchase priorities given to depositors of a mutual savings association in connection with such association converting to stock form, unless such condition is waived by the Board. In making such sale, or transferring or issuing such shares, MHC and Bancorp and their management will comply with any fiduciary duty they owe.

B. The Board will take into account the extent to which the proposed transactions conform with the provisions and purpose of the regulations of the OTS (12 C.F.R. Parts 563b and 575) and the FDIC (12 C.F.R. 303.15 and 333.4), as currently in effect at the time the Board reviews the required materials related to the proposed transactions. Any nonconformity with those provisions will be closely scrutinized. Conformity with the OTS and FDIC requirements, however, will not be sufficient for Board regulatory purposes if the Board determines that the proposed transaction would pose a risk to the institution's safety and soundness, violate any law or regulations, or present a breach of fiduciary duty.

(4) Bancorp commits to seek the Board's prior approval before repurchasing any equity securities from MHC. Bancorp commits that any repurchases of equity securities from shareholders other than MHC shall be at the current market price for such share repurchase. Bancorp shall maintain detailed records of all stock repurchases for review by the Board;

(5) MHC and Bancorp commit not to incur debt without receiving prior approval from the Board; and

(6) MHC and Bancorp commit not to pledge the stock of Bancorp in support of any borrowing without receiving prior approval from the Board.

Santa Barbara Bancorp
Santa Barbara, California

Order Approving the Acquisition of a Bank, the Merger of Banks, and Establishment of Branches

Santa Barbara Bancorp, Santa Barbara ("Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Citizens State Bank of Santa Paula, Santa Paula ("Citizens Bank"), both in California.

Bancorp's subsidiary bank, Santa Barbara Bank and Trust, Santa Barbara, California ("SB Bank"), also has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Citizens Bank, and under section 9 of the Federal Reserve Act (12 U.S.C. 321) (the "FRA") to establish branches at the existing offices of Citizens Bank set forth in the Appendix.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 35,397 (1997)). As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General ("Department of Justice"). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3(c) of the BHC Act, the Bank Merger Act, and the FRA.

Bancorp is the 35th largest depository institution in California, controlling deposits of approximately $1 billion, representing less than 1 percent of total deposits in depository institutions in the state.[1] Citizens Bank is the 252nd largest depository institution in California, controlling approximately $68 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state. On consummation of the proposal, Bancorp would remain the 35th largest depository institution and continue to control less than 1 percent of total deposits in depository institutions in the state.

SB Bank and Citizens Bank compete directly in the Oxnard-Ventura, California, banking market.[2] SB Bank is the eighth largest depository institution in the banking market, controlling deposits of approximately $68 million, representing 2.4 percent of total deposits in depository institutions in the market ("market deposits"). Citizens Bank is the ninth largest depository institution in the Oxnard-Ventura market, controlling deposits of approximately $67.6 million, representing 2.4 percent of market deposits. On consummation of the proposal, SB Bank would become the fifth largest depository institution in the market, controlling deposits of approximately $135.6 million, representing approximately 5 percent of market deposits. Twenty-one competitors would remain in the Oxnard-Ventura banking market.

The Herfindahl–Hirschman Index ("HHI") for the banking market would increase by 12 points to 1469.[3] The increase in market concentration as measured by the HHI would be well within the Department of Justice Merger Guidelines. The Department of Justice has advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Oxnard-Ventura banking market or any other relevant banking market.

Based on these and all the facts of record, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or on the concentration of banking services in the Oxnard-Ventura banking market or any other relevant market.

Other Factors

The BHC Act and the Bank Merger Act also require the Board, in acting on an application, to consider the financial and managerial resources of the companies and banks involved, the convenience and needs of the communities to be served, and certain other supervisory factors.

A. Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Bancorp, SB Bank, and Citizens Bank, and other supervisory factors in light of all the facts of record. The facts include supervisory reports of examination assessing the financial and managerial resources of the organizations, and confidential financial information provided by Bancorp. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act and the Bank Merger Act, including the financial and managerial resources and future prospects of the institutions involved, are consistent with approval of the proposal.

B. Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. In reviewing convenience and needs considerations, the Board notes that SB Bank provides a range of financial services including mortgage, consumer, agricultural and small business loans.

1. In this context, depository institutions include commercial banks, savings banks, and savings associations. State deposit, market share, and rank data are as of June 30, 1996, and incorporate structural changes through May 1997. Market share data are based on a calculation in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

2. The Oxnard-Ventura banking market is approximated by the Oxnard-Ventura RMA and the towns of Fillmore, Ojai, Piru, Port Hueneme and Santa Paula, all in California.

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 between 1000 and 1800 is considered to be moderately concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other nondepository financial entities.

SB Bank also provides financing for affordable housing and community development. Bancorp has indicated that SB Bank plans to continue to offer credit products currently offered by Citizens Bank and may adopt portions of Citizen Bank's program for helping to meet community credit needs into SB Bank's program after consummation of the proposal. Moreover, Bancorp expects that the acquisition of Citizens Bank would strengthen SB Bank's ability to provide financial services throughout the combined service areas, including service areas comprised primarily of low- and moderate-income ("LMI") individuals and small businesses.

The Board also has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA performance records of the institutions involved are reviewed below in light of all the facts of record, including comments received on the proposal.

CRA Performance Examinations. As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[4]

SB Bank received a "satisfactory" rating from the Federal Reserve Bank of San Francisco ("Reserve Bank") at its most recent examination for CRA performance, as of July 15, 1996 ("SB Bank Examination"). Citizens Bank received an "outstanding" rating from the Reserve Bank at its most recent examination for CRA performance, as of March 10, 1997.

CRA Performance Record of SB Bank.

Lending. Examiners considered the overall lending activities of SB Bank to be very responsive to community credit needs. They noted that LMI census tracts comprised 37 percent of the bank's delineated community and that 41 percent of its loans were made to borrowers with zip codes in LMI areas during the period from July 1994 to July 1996 covered by the SB Bank Examination. Examiners also considered the geographic distribution of SB Bank's loans to be good and favorably noted that 92 percent of the bank's loans were made within its delineated community.

The SB Bank Examination concluded that residential mortgage lending to LMI borrowers in the bank's delineated community was particularly difficult because of the high cost of housing in Santa Barbara County. To address housing-related credit needs, SB Bank offers a number of residential mortgage products[5] and actively participates in programs that provide affordable housing to LMI individuals. Overall, the bank estimates that it made 17 loans totalling approximately $22.6 million to 9 affordable housing organizations and developers since 1996. The bank has, for example, provided financing to the Santa Barbara Housing Authority totalling approximately $5.9 million since 1996. In addition, SB Bank has made approximately $1 million in loans since 1996 through the Santa Barbara County Home Buyers Assistance Program for the South Coast Region. SB Bank also is affiliated with the Coastal Housing Partnership which offers a loan program with flexible underwriting guidelines called the Housing for Employees Loan Program. Since 1996, the bank has made 65 loans, totalling approximately $1.6 million through the program. SB Bank also provides financing to other developers specializing in the construction of affordable housing for LMI individuals in Santa Barbara and Ventura Counties.[6]

The SB Bank Examination also concluded that the bank was very responsive to the credit needs of small businesses. One SB Bank product, for example, offered small business loans in amounts less than $35,000 within 24 hours after completion of a one-page application. In addition, the bank's Community Banking Group focused on the credit needs of small businesses with less than $1 million in gross revenues. Examiners found that SB Bank made more than 1000 commercial loans, totalling approximately $17.3 million, for amounts of less than $100,000, and 12 loans, totalling $11.1 million, for agricultural purposes, during the examination period. The SB Examination noted that although loans secured by mixed-use property were difficult to obtain in the community, SB Bank made 5 such loans totalling $2.5 million. In addition, examiners noted that the bank made 17 loans, totalling approximately $652,000 to start-up businesses.[7] In 1996, SB Bank originated 696 small business loans, totalling approximately $52.4 million. SB Bank also made business development loans through its affiliation with the California Coastal Rural Development Corporation,[8] and participated in a number of small business organizations, including Women's Economic Ventures, Santa Barbara

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

5. Examiners noted that SB Bank offered 50 different residential mortgage loans and had made 496 mortgage loans totalling $103 million during the examination period. Examiners concluded that SB Bank's overall lending levels reflect responsiveness to the community's credit needs.

6. SB Bank has operated in Ventura County for approximately two years and would expand its presence in the county through the acquisition of Citizens Bank. SB Bank has developed programs for LMI residents in Ventura County similar to the programs offered in Santa Barbara County.

7. SB Bank estimates that since 1996, the bank made 14 business development loans totalling approximately $698,000 to 13 small businesses.

8. Examiners noted that SB Bank made 13 small business loans totalling $1 million in affiliation with this non-profit small business development organization.

Hispanic Chamber of Commerce, and Ventura County Economic Development.

Marketing and Ascertainment. The SB Examination found that the bank's marketing program informed all segments of the community of general financial products and services offered, including those that had been developed to address identified community credit needs. Moreover, examiners considered the bank's ascertainment efforts to be satisfactory in light of management's regular contact with various community organizations and its formal call program. The examiners reported that senior management satisfactorily responded to local input regarding community credit needs and the changing marketplace.

SB Bank established a Hispanic Marketing Committee to focus on the credit needs of Hispanic residents within its delineated community. In 1996, the bank made 116 small business loans, totalling $4.9 million, in the seven census tracts with the largest Hispanic populations in bank's delineated community. In addition, SB Bank has Spanish-speaking employees in 19 of its 21 branches, with 46 of its 224 employees available for Spanish-speaking customers.[9] SB Bank also stated that it would more prominently display brochures in Spanish that describe the products and services available in all its branches.

Branch Locations. The SB Bank Examination found that SB Bank's branches were readily accessible to all segments of SB Bank's community, that office hours and services were tailored toward the convenience and needs of the community, and that the bank periodically reviewed the effectiveness of its branches. Since the SB Bank Examination, the bank's branch closing policies have been modified to include the consideration of the impact of a branch closing on the community before closing the branch. SB Bank has not closed a branch since it was chartered 37 years ago, and it does not anticipate branch closings as a result of the proposal.[10]

Comments on the proposal. The Board has carefully reviewed comments contending that SB Bank's efforts in lending and outreach to LMI and minority residents, particularly Hispanic residents, are inadequate.[11] These concerns are based, in large measure, on data filed by SB Bank under the Home Mortgage Disclosure Act (12 U.S.C. 2801 *et seq.*) ("HMDA").[12]

The Board has reviewed the 1994, 1995, and 1996 HMDA data reported by SB Bank in light of the comments. These data reflect some disparities in the rate of loan originations, denials, and applications by racial group or income level. The Board is concerned when the record of an institution indicates such disparities, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because these data cover only a few categories of housing-related lending. Moreover, HMDA data provide only limited information about the covered loans.[13] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

In light of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance with the fair lending laws by SB Bank. The SB Examination found no evidence of prohibited discrimi-

9. The two branches without Spanish speaking employees are located in areas with small Hispanic populations.

10. The Board previously has noted that federal banking law addresses branch closings by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch. *See* section 42 of the Federal Deposit Insurance Corporation Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closing (58 *Federal Register* 49,083 (1993)). The statute, however, does not authorize the federal regulators to prevent the closing of any branch. Similarly, the BHC Act and the Bank Merger Act do not make approval of a proposal contingent on an applicant's commitment to keep open all branches of the resulting institution. Instead, branch closings resulting from a proposed acquisition are reviewed insofar as they affect the general availability of bank services and offices as one of the several factors the Board considers in assessing the effect of the acquisition on the convenience and needs of the community to be served. *See Westamerica Bank*, 83 *Federal Reserve Bulletin* 614 (1997).

11. The commenters are The California Reinvestment Committee, the Santa Clara Valley Citizens for Economic Vitality and the Board of Supervisors of Ventura County. The Board also has received submissions from commenters and SB Bank regarding information provided to the commenters by SB Bank after the close of the comment period. The comments discuss efforts by commenters to resolve issues raised in their timely comments through commitments to increase lending to affordable housing projects, small businesses, community development projects, and to increase other CRA-related activities. Although the Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community, the Board concludes that the substance of the comments does not involve matters required to be considered by the Board. Neither the CRA nor the Agency CRA Statement require an insured depository institution to enter into commitments with community representatives. In reviewing an application under the BHC Act and the Bank Merger Act, the CRA and the Agency CRA Statement instead require the Board to focus on the established record of performance of the institutions involved and the programs and policies that the institutions have in place to assist in meeting the credit needs of their entire communities. In this case, the facts of record indicate that SB Bank has programs to help meet the credit needs of its community.

12. Commenters also maintain SB Bank should establish a branch in Piru, California, to serve the unmet banking needs of the LMI residents in this small rural community. As discussed above, the SB Bank Examination found that the bank's branches were readily accessible to all segments of SB Bank's community. Moreover, SB Bank would acquire and keep open a branch of Citizens Bank located in Fillmore, California, which is approximately seven miles from Piru. The record indicates that residents in this area of California regularly drive to work in Valencia and Ventura which are located 10 miles and 33 miles, respectively, from Piru. In this light, Piru residents would continue to have reasonable access to banking services from SB Bank after consummation of the proposal.

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

nation or illegal credit practices, and found the bank to be in substantial compliance with antidiscrimination laws and regulations.[14] The record also indicates that SB Bank has taken a number of steps to ensure compliance with the fair lending laws. Examiners found, for example, that the board of directors and senior management have developed adequate policies and training programs supporting nondiscrimination in lending and credit activities. As a part of these programs, bank personnel receive periodic training in fair lending policy and compliance bulletins and articles regarding fair lending issues.

Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the public comments received, responses to those comments, and the CRA performance records of SB Bank and Citizens Bank, including relevant reports of examination.[15] Based on a review of the entire record, and for the reasons discussed in this order, the Board has concluded that convenience and needs considerations, including the CRA records of performance of SB Bank and Citizens Bank, are consistent with approval of this proposal.

C. FRA Factors

SB Bank also has applied under section 9 of the FRA to establish branches at the offices of Citizens Bank listed in the appendix. The Board has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to the FRA and, for the reasons discussed in this order, finds those factors to be consistent with approval.

Conclusion

For these reasons, and in light of all the other facts of record, the Board has determined that the application should be, and hereby is, approved.[16] The Board's approval is expressly conditioned on compliance with all the commitments made in connection with the applications. The commitments relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective August 21, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

APPENDIX

Branches of SB Bank to be established at Citizens Bank locations:

1. 948 East Main Street, Santa Paula, California 93060
2. 537 West Harvard Boulevard, Santa Paula, California 93060

14. Commenters point out that examiners noted widespread violations of technical provisions of Regulation C and HMDA in the SB Examination. In considering the overall managerial record and convenience and needs factor in this case, the Board has carefully reviewed these violations in light of information regarding the type and scope of the violations, the response of SB Bank to the findings, and additional supervisory information. The Board concludes that SB Bank's response adequately addresses the issues raised by examiners at this time. If future examinations by the Reserve Bank indicate that additional steps are necessary, the Board retains sufficient supervisory authority to require corrective action.

15. Commenters contend that SB Bank's CRA performance rating should have been less than satisfactory in light of certain remarks made by examiners in the SB Examination. Commenters also maintain that the acquisition of Citizens Bank by a bank with a lower CRA performance rating raises concerns about the possible adverse impact the acquisition will have on the community currently served by Citizens Bank. Although the SB Bank Examination noted some areas in which bank could improve its CRA performance, the examiners rated the bank's overall performance as "satisfactory." In addition, SB Bank has initiated measures that satisfactorily respond to the examiners' comments. Moreover, SB Bank's record of CRA performance indicates that the convenience and needs of the communities currently served by Citizens Bank would continue to be served after consummation of the proposal in a manner consistent with the requirements of the BHC Act, the Bank Merger Act, and the CRA.

16. Commenters have requested that the Board hold a public hearing or meeting on this proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority. In addition, neither the Bank Merger Act nor the FRA require a public meeting on an application.

Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the proposal and to provide an opportunity for testimony. *See* 12 C.F.R. 225.25(a)(2), 262.3(e), and 262.25(d). The Board has carefully considered commenters' requests for a hearing or meeting in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit views, and have, in fact, provided written submissions that have been considered by the Board in acting on this proposal. The requests fail to demonstrate why these written submissions do not adequately present commenters' allegations. After a careful review of all the facts of record, the Board has concluded that these requests fail to identify any genuine dispute about facts that are material to the Board's decision or any other basis on which a hearing or meeting would be warranted. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in the proposal, and is not otherwise warranted in this case. Accordingly, the request for a public hearing or meeting on the proposal is hereby denied.

3. 316 Central Avenue, Fillmore, California 93015

Orders Issued Under Section 4 of the Bank Holding Company Act

CoreStates Financial Corporation Philadelphia, Pennsylvania

Order Approving a Notice to Engage in Certain Nonbanking Activities

CoreStates Financial Corporation, Philadelphia, Pennsylvania ("CoreStates"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to engage in the following nonbanking activities through its wholly owned subsidiary, CoreStates Securities Corporation, Philadelphia, Pennsylvania ("Company"):

(1) Underwriting and dealing in, to a limited extent, certain municipal revenue bonds (including certain unrated municipal revenue bonds), 1–4 family mortgage-related securities, consumer receivable-related securities, and commercial paper (collectively, "bank-ineligible securities");

(2) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));

(3) Buying and selling all types of securities on the order of customers as a "riskless principal," pursuant to section 225.28(b)(7)(ii) of Regulation Y (12 C.F.R. 225.28(b)(7)(ii));

(4) Acting as agent in the private placement of all types of securities, pursuant to section 225.28(b)(7)(iii) of Regulation Y (12 C.F.R. 225.28(b)(7)(iii));

(5) Providing other transactional services, pursuant to section 225.28(b)(7)(v) of Regulation Y (12 C.F.R. 225.28(b)(7)(v)); and

(6) Providing investing and trading services, pursuant to section 225.28(b)(8)(ii) of Regulation Y (12 C.F.R. 225.28(b)(8)(ii).

In addition, CoreStates proposes that Company engage in extending credit and servicing loans, activities related to extending credit, leasing personal and real property, and management consulting and counseling activities that are related to Company's underwriting and dealing, private placement, riskless principal, and other securities activities. These activities would be conducted in accordance with the Board's Regulation Y.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 32,117 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

CoreStates, with total consolidated assets of approximately $45.3 billion, is the 21st largest banking organization in the United States.[2] CoreStates operates bank subsidiaries in Pennsylvania, New Jersey, and Delaware, and engages through its subsidiaries in a broad range of permissible nonbanking activities. Company is, and will continue to be, registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is, and will continue to be, subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

Underwriting and Dealing in Bank-Ineligible Securities

The Board has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed activities of underwriting and dealing in bank-ineligible securities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[3] CoreStates has committed that Company will conduct the underwriting and dealing activities using the same methods and procedures and subject to the same prudential limitations established by the Board in the Section 20 Orders.[4]

The Board also has previously determined that conduct of the proposed activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[5] CoreStates has committed that Com-

1. Sections 225.28(b)(1), (b)(2), (b)(3), and (b)(9) of Regulation Y (12 C.F.R. 225.28(b)(1), (b)(2), (b)(3), and (b)(9)).

2. Asset and ranking data are as of March 31, 1997.

3. *See Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996) (collectively, "Section 20 Orders").

4. In connection with its proposal, CoreStates proposes to underwrite and deal in unrated municipal revenue bonds. CoreStates has committed that Company will not underwrite unrated municipal revenue bonds until the Federal Reserve System has reviewed Company's policies and procedures with respect to such activities. In conducting this activity, Company will in each case conduct an independent credit review to determine that the securities are of investment grade quality. CoreStates also has provided other commitments previously relied on by the Board in authorizing a section 20 company to underwrite and deal in unrated municipal revenue bonds. *See Letter Interpreting Section 20 Orders*, 81 *Federal Reserve Bulletin* 198 (1995); *BOK Financial Corporation*, 83 *Federal Reserve Bulletin* 510 (1997).

5. *See* Section 20 Orders. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Sec-

pany will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's revenue limit.[6]

Other Activities Approved by Regulation

As noted above, Company proposes to engage in providing credit, servicing loans, and activities related to extending credit; leasing personal or real property; providing financial and investment advisory services; providing riskless principal, private placement and other transactional services; providing investing and trading services; and providing management consulting and counseling services.[7] The Board previously has determined by regulation that each of the proposed activities is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[8] CoreStates and Company will conduct these activities in accordance with the limitations set forth in Regulation Y, and the Board's orders and interpretations relating to each of these activities.[9]

Proper Incident to Banking Standard

To approve this notice, the Board also must consider whether performance of the proposed activities is a proper incident to banking, that is, whether the activities proposed "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[10] As part of its evaluation of these factors, the Board considers the financial condition and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[11] The Board has carefully examined the financial resources, management expertise, and risk management policies of CoreStates and its subsidiaries. Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval.

The Board expects that the *de novo* entry of Company into the market for the proposed services would provide added convenience to CoreStates's customers and would increase the level of competition among existing providers of these services. As noted above, CoreStates has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities in accordance with the prudential framework established by the Board's Section 20 Orders. Under the framework and conditions established in this order and the Section 20 Orders, the Board concludes that Company's proposed limited conduct of underwriting and dealing in bank-ineligible securities is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices that would outweigh the public benefits. Similarly, the Board finds no evidence that Company's riskless principal, private placement, and other nonbanking activities—conducted under the framework and conditions established in this order and Regulation Y—would likely result in any significant adverse effects that would outweigh the public benefits of the proposal. Accordingly, the Board has determined that performance of the proposed activities by CoreStates are a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

Based on all the facts of record, and subject to the commitments made by CoreStates, as well as the terms and conditions set forth in this order and in the Board's orders and regulations noted above, the Board has determined that the notice should be, and hereby is, approved. Approval of the proposal also is conditioned on compliance by CoreStates and Company with the commitments made in connection with the notice, the conditions referenced in this order, and the above-cited Board regulations and orders. The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. In approving the proposal, the Board has relied on all the facts of record and all the representations and

tion 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989) and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996) and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

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

7. As provided in the Section 20 Orders, no corporate reorganization of any subsidiary engaged in underwriting and dealing in bank-ineligible securities may be consummated without prior Board approval. CoreStates has stated that Company will not engage in any additional activities or transfer assets or businesses into Company without first consulting with the Board.

8. *See* 12 C.F.R. 225.28(b)(1), (b)(2), (b)(3), (b)(6), (b)(7)(ii), (b)(7)(iii), (b)(7)(v), (b)(8)(ii), and (b)(9).

9. CoreStates also proposes that Company enter into a dual-employee arrangement with a third party insurance agent to sell annuity products. CoreStates has committed that the dual-employee arrangement will be consistent with the BHC Act and the restrictions and limitations previously established by the Board on such insurance sales arrangements. *See, e.g.*, Letter dated December 6, 1995, from J. Virgil Mattingly, Jr., to Russell J. Bruemmer, Esq.

10. 12 U.S.C. § 1843(c)(8).

11. *See* 12 C.F.R. 225.24; *see also The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

commitments made by CoreStates. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective August 4, 1997.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members. Voting for this action: Chairman Greenspan and Governors Phillips and Meyer. Absent and noting voting: Vice Chair Rivlin and Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

INDEX OF ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (April 1, 1997-July 31, 1997)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Agricultural Bank of China, Beijing, People's Republic of China	To establish a representative office in New York, New York	May 14, 1997	83, 617
Allied Irish Banks, plc, Dublin, Ireland First Maryland Bancorp, Baltimore, Maryland	Dauphin Deposit Corporation, Harrisburg, Pennsylvania Dauphin Bank and Trust Company, Harrisburg, Pennsylvania	May 19, 1997	83, 607
Amboy Bancorporation, Old Bridge, New Jersey	The Community Bank of New Jersey, Freehold, New Jersey	April 14, 1997	83, 507
AMCORE Financial, Inc., Rockford, Illinois	Country Bancshares Corporation, Mount Horeb, Wisconsin Belleville Bancshares Corporation, Belleville, Wisconsin State Bank of Mount Horeb, Mount Horeb, Wisconsin Montello State Bank, Montello, Wisconsin State Bank of Argyle, Argyle, Wisconsin Citizens State Bank, Clinton, Wisconsin Belleville State Bank, Belleville, Wisconsin	June 16, 1997	83, 666
AmSouth Bank of Alabama, Birmingham, Alabama	AmSouth Bank of Florida, Tampa, Florida AmSouth Bank of Georgia, Rome, Georgia AmSouth Bank of Tennessee, Chattanooga, Tennessee AmSouth Bank of Walker County, Jasper, Alabama	June 1, 1997	83, 528
Banc One Corporation, Columbus, Ohio Banc One Oklahoma Corporation, Oklahoma City, Oklahoma	Liberty Bancorp, Inc., Oklahoma City, Oklahoma Liberty Bank & Trust Company of Oklahoma City, N.A., Oklahoma City, Oklahoma Liberty Bank & Trust Company of Tulsa, N.A., Tulsa, Oklahoma	April 29, 1997	83, 520

Index of Orders Issued—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Banc One Corporation, Inc., Columbus, Ohio	First USA, Inc., Dallas, Texas First USA Federal Savings Bank, Wilmington, Delaware	May 14, 1997	83, 602
Banco Popular de Puerto Rico, Hato Rey, Puerto Rico	Roig Commercial Bank, Humacao, Puerto Rico	May 27, 1997	83, 612
Bank SinoPac, Taipei, Taiwan SinoPac Bancorp, Los Angeles, California	Far East National Bank, Los Angeles, California	June 11, 1997	83, 669
BOK Financial Corporation, Tulsa, Oklahoma	Alliance Securities Corporation, Tulsa, Oklahoma	April 28, 1997	83, 510
Commerzbank AG, Frankfurt am Main, Federal Republic of Germany	CAM Acquisition, LLC, Wilmington, Delaware Montgomery Asset Management, L.P., San Francisco, California Montgomery Services, LLC, San Francisco, California	June 16, 1997	83, 678
Crestar Financial Corporation, Richmond, Virginia	Crestar Securities Corporation, Richmond, Virginia	April 14, 1997	83, 512
Exchange Bankshares Corporation of Kansas, Atchison, Kansas	The Farmers and Merchants State Bank, Effingham, Kansas	June 30, 1997	83, 671
First Bank System, Inc., Minneapolis, Minnesota	U.S. Bancorp, Portland, Oregon U.S. National Bank of Oregon, Portland, Oregon U.S. Bank of Washington, N.A., Seattle, Washington U.S. Bank of Nevada, Reno, Nevada U.S. Bank of Utah, Salt Lake City, Utah U.S. Bank of Idaho, Boise, Idaho U.S. Bank of California, Sacramento, California First State Bank of Oregon, Canby, Oregon Sun Capital Bank, St. George, Utah Business & Professional Bank, Woodland, California	June 23, 1997	83, 689
G.B. Financial Services, Inc., Greenbush, Minnesota	Border Bancshares, Inc., Greenbush, Minnesota Border State Bank, Roseau, Minnesota	April 21, 1997	83, 509
Marshall & Ilsley Corporation, Milwaukee, Wisconsin Marshall & Ilsley Bank, Milwaukee, Wisconsin	Security Capital Corporation, Milwaukee, Wisconsin Security Bank SSB, Milwaukee, Wisconsin	June 30, 1997	83, 672

Index of Orders Issued—Continued

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Mellon Bank Corporation, Pittsburgh, Pennsylvania	Buck Consultants, Inc., New York, New York	June 16, 1997	83, 681
Mercantile Bancorporation Inc., St. Louis, Missouri Ameribanc, Inc., St. Louis, Missouri	Roosevelt Financial Group, Inc., Chesterfield, Missouri Roosevelt Bank, Chesterfield, Missouri	June 4, 1997	83, 683
National Canton Bancshares, Inc., Canton, Illinois	Sturm Investment, Inc., Denver, Colorado The Union National Bank of Macomb, Macomb, Illinois	June 11, 1997	83, 676
NationsBank Corporation, Charlotte, North Carolina NB Holdings Corporation, Charlotte, North Carolina	First National Security Company, DeQueen, Arkansas Calvin B. Taylor Bankshares, Inc., Berlin, Maryland First Perry Bancorp, Inc., Pinckneyville, Illinois The First National Bank in Falfurrias, Falfurrias, Texas	May 12, 1997	83, 593
Shoreline Financial Corporation, Benton Harbor, Michigan	SJS Bancorp, Inc., St. Joseph, Michigan SJS Federal Savings Bank, St. Joseph, Michigan SJS Financial Corporation, St. Joseph, Michigan	April 21, 1997	83, 515
Southern National Corporation, Winston-Salem, North Carolina	United Carolina Bancshares Corporation, Whiteville, North Carolina United Carolina Bank, Whiteville, North Carolina United Carolina Bank of South Carolina, Greer, South Carolina	May 29, 1997	83, 596
Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands ABN AMRO North America, Inc., Chicago, Illinois	Standard Federal Bancorporation, Inc., Troy, Michigan Standard Federal Bank, Troy, Michigan Standard Brokerage Services, Inc., Troy, Michigan	April 10, 1997	83, 518
Westamerica Bank, San Rafael, California	ValliWide Bank, Fresno, California	May 27, 1997	83, 614

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
AMFED Financial, Inc., Minneapolis, Minnesota	Norwest Bank Nevada, F.S.B., Las Vegas, Nevada; Norwest Bank Nevada, National Association, Las Vegas, Nevada	Minneapolis	July 28, 1997
Bank of Elmwood Employee Stock Ownership Plan and Trust, Racine, Wisconsin	Elmwood Financial Corporation, Racine, Wisconsin	Chicago	August 8, 1997
Banterra Corp., Eldorado, Illinois	1st Bancorp Vienna, Inc., Vienna, Illinois; The First State Bank of Vienna, Vienna, Illinois	St. Louis	July 23, 1997
Big Lake Financial Corporation, Okeechobee, Florida	CNB Financial Corporation, Clewiston, Florida; Clewiston National Bank, Clewiston, Florida	Atlanta	August 21, 1997
Bryan Family Management Trust, Bryan, Texas; Bryan-Heritage Limited Partnership, Bryan, Texas	The First National Bank of Bryan, Bryan, Texas	Dallas	July 24, 1997
Commerce Bancshares, Inc., Kansas City, Missouri; CBI-Kansas, Inc., Kansas City, Missouri	CNB Bancorp, Inc., Independence, Kansas	Kansas City	August 14, 1997
The Commercial Bancorp, Inc., Ormond Beach, Florida	Commercial Bank of Volusia County, Ormond Beach, Florida	Atlanta	August 20, 1997
Community Bankshares, Inc., Denver, Colorado	Upper Rio Grande Bank Corporation, Del Norte, Colorado	Kansas City	August 6, 1997
Community First Bancshares, Inc., Butler, Missouri	Citizens Bank, Appleton City, Missouri	Kansas City	August 15, 1997
Community National Bancorporation, Waterloo, Iowa	Community National Bank, Waterloo, Iowa	Chicago	August 1, 1997
Edison Bancshares, Inc., Fort Myers, Florida	Edison National Bank, Fort Myers, Florida	Atlanta	August 1, 1997
First Fairland Bancshares, Inc., Fairland, Oklahoma	Fairland Holding Company, Inc., Neosho, Missouri	Kansas City	August 8, 1997
First Midwest Bancorp, Inc., Itasca, Illinois; FMB Acquisition Corporation, Itasca, Illinois	SparBank, Inc., McHenry, Illinois; McHenry State Bank, McHenry, Illinois	Chicago	July 31, 1997
First National Bank Shares, Ltd., Great Bend, Kansas	BankWest, Castle Rock, Colorado	Kansas City	August 6, 1997
Harris Financial, Inc., Harrisburg, Pennsylvania; Harris Financial, MHC, Harrisburg, Pennsylvania	Harris Savings Bank, Harrisburg, Pennsylvania	Philadelphia	August 19, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Hibernia Corporation, New Orleans, Louisiana	Unicorp Bancshares-Texas, Inc., Orange, Texas OrangeBank, Orange, Texas	Atlanta	August 14, 1997
Hometown Independent Bancorp, Inc., Morton, Illinois	Morton Community Bank, Morton, Illinois	Chicago	August 20, 1997
Lexington B&L Financial Corp., Lexington, Missouri	Lafayette Bancshares, Inc., Lexington, Missouri Lafayette County Bank of Lexington/Wellington, Lexington, Missouri B&L Bank, Lexington, Missouri	Kansas City	August 7, 1997
Marquette Bancshares, Inc., Minneapolis, Minnesota	Marquette Bank Rochester, N.A., Rochester, Minnesota	Minneapolis	August 14, 1997
Maypearl Bancshares, Inc., Maypearl, Texas Maypearl Holdings, Inc., Wilmington, Delaware	First State Bank, Maypearl, Texas	Dallas	August 19, 1997
Northwest Suburban Bancorp, Inc., Arlington Heights, Illinois	Mount Prospect National Bank, Mt. Prospect, Illinois	Chicago	August 4, 1997
Norwest Corporation, Minneapolis, Minnesota	The Bank of the Southwest, N.A., Pagosa Springs, Colorado	Minneapolis	August 7, 1997
Otto Bremer Foundation, St. Paul, Minnesota Bremer Financial Corporation, St. Paul, Minnesota	Halo Bancorporation, Inc., Devils Lake, North Dakota	Minneapolis	August 20, 1997
Peoples Community Bancshares, Inc., Colquitt, Georgia	Farmers Bank of Malone, Malone, Florida	Atlanta	August 14, 1997
People's Community Capital Corporation, Aiken, South Carolina	People's Community Bank of South Carolina, Aiken, South Carolina	Richmond	August 21, 1997
Progress Bancshares, Inc., Sullivan, Missouri	Progress Bank of Sullivan, Sullivan, Missouri	St. Louis	August 15, 1997
Progressive Bancorp, Inc., Pekin, Illinois	Pekin Savings, s.b., Pekin, Illinois	Chicago	August 19, 1997
Provident Bancorp, Inc., Cincinnati, Ohio FGBI Acquisition Corp., Cincinnati, Ohio	Florida Gulfcoast Bancorp, Inc., Sarasota, Florida Enterprise National Bank of Sarasota, Sarasota, Florida	Cleveland	July 31, 1997
RCB Holding Company, Inc., Claremore, Oklahoma	Northeastern Oklahoma Banshares, Inc., Inola, Oklahoma	Kansas City	July 31, 1997
Ready Bank of Fort Walton Beach Holding Company, Inc., Fort Walton Beach, Florida	Ready Bank of West Florida, Fort Walton Beach, Florida	Atlanta	July 25, 1997
Southwestern Bancshares, Inc., Oklahoma City, Oklahoma	Southwestern Bank & Trust Company, Oklahoma City, Oklahoma	Kansas City	August 19, 1997
Sterling Bancshares, Inc., Houston, Texas	First Houston Bancshares, Inc., Houston, Texas Houston National Bank, Houston, Texas	Dallas	August 7, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Stockmens Financial Corporation, Rushville, Nebraska	BankWest, Castle Rock, Colorado	Kansas City	August 6, 1997
TNB Bancorporation, Inc., Brenham, Texas TNB Bancorporation of Delaware, Inc., Wilmington, Delaware	Texas National Bank, Brenham, Texas	Dallas	August 1, 1997
Triangle Bancorp, Inc., Raleigh, North Carolina	Bank of Mecklenburg, Charlotte, North Carolina	Richmond	August 6, 1997
United Community Banks, Inc., Blairsville, Georgia	First Clayton Bancshares, Inc., Clayton, Georgia First Clayton Bank & Trust Company, Clayton, Georgia	Atlanta	August 20, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
BB&T Corporation, Winston-Salem, North Carolina BB&T Financial Corporation of Virginia, Winston-Salem, North Carolina	Virginia First Financial Corporation, Petersburg, Virginia	Richmond	August 21, 1997
Caisse Nationale de Credit Agricole, Paris, France Credit Agricole Group, Paris, France	Credit Agricole Indosuez, Paris, France Indosuez Investment Management Services, Inc., Menlo Park, California	Chicago	August 1, 1997
Central Bancshares, Inc., Kansas City, Missouri	Cash Now L.L.C., Grandview, Missouri Cash Now, Inc., Kansas City, Kansas	Kansas City	August 8, 1997
Citizens Bancshares Company, Chillicothe, Missouri	To engage *de novo* in the purchasing and servicing of accounts receivable through a joint venture	Kansas City	August 4, 1997
First National Bancshares, Inc., East Lansing, Michigan	Finance Company of North America, LLC, East Lansing, Michigan	Chicago	August 12, 1997
Mellon Bank Corporation, Pittsburgh, Pennsylvania APT Holdings, Inc., Pittsburgh, Pennsylvania	Money Station, Inc., Columbus, Ohio	Cleveland	August 5, 1997
Middleburg Bancorp, Inc., Middleburg, Kentucky	Lincoln Financial Bancorp, Inc., Stanford, Kentucky Lincoln Federal Savings Bank, Liberty, Kentucky	St. Louis	August 5, 1997
Northwest Wisconsin Bancorp, Inc., Chippewa Falls, Wisconsin BCB Bancorp, Inc., Chippewa Falls, Wisconsin	Heartland Data Center, Inc., Cameron, Wisconsin	Minneapolis	August 14, 1997

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa	Family Loan, Inc., Stockbridge, Georgia	Minneapolis	August 13, 1997
Norwest Corporation, Minneapolis, Minnesota Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa	Fidelity Acceptance Corporation, Kansas City, Missouri	Minneapolis	August 7, 1997
P.C.B. Bancorp, Inc., Largo, Florida	Anchor Savings Bank, F.S.B., St. Petersburg, Florida	Atlanta	August 13, 1997
Peoples Bancorp, Inc., Marietta, Ohio	Gateway Bancorp, Inc., Catlettsburg, Kentucky	Cleveland	August 8, 1997
Pioneer Bancshares, Inc., Chattanooga, Tennessee	Pioneer Bank, f.s.b., Chattanooga, Tennessee	Atlanta	August 21, 1997
Royal Bank of Canada, Montreal, Quebec, Canada	Integrion Financial Network, LLC, Atlanta, Georgia VISA Interactive, Inc., Herndon, Virginia	New York	August 14, 1997
Royal Bank of Canada, Montreal, Quebec, Canada	RBC Dominion Securities Corporation, New York, New York	New York	August 4, 1997
SBT Bankshares, Inc., Colorado Springs, Colorado	State Bank & Trust Mortgage, L.L.C., Colorado Springs, Colorado	Kansas City	August 21, 1997
Stichting Administratiekantoor ABN AMRO Holding, Amsterdam, The Netherlands Stichting Prioriteit ABN AMRO Holding, Amsterdam, The Netherlands ABN AMRO Holding N.V., Amsterdam, The Netherlands ABN AMRO Bank N.V., Amsterdam, The Netherlands ABN AMRO North America, Inc., Chicago, Illinois	Integrion Financial Network, LLC, Atlanta, Georgia VISA Interactive, Inc., Herndon, Virginia	Chicago	August 14, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Area Bancshares Corporation, Owensboro, Kentucky	Cardinal Bancshares, Inc., Lexington, Kentucky The Vine Street Trust Company, Lexington, Kentucky HNB Bank, National Association, Harlan, Kentucky First and Peoples Bank, Springfield, Kentucky Jefferson Banking Company, Louisville, Kentucky	St. Louis	July 30, 1997

Sections 3 and 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
	Alliance Bank, FSB, Somerset, Kentucky Mutual Service Corporation, Somerset, Kentucky		
F.N.B. Corporation, Hermitage, Pennsylvania	Sun Bancorp, Inc., Selinsgrove, Pennsylvania	Cleveland	August 15, 1997

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Ambassador Bank of the Commonwealth, Allentown, Pennsylvania	Wilbur Savings Bank, Bethlehem, Pennsylvania	Philadelphia	August 14, 1997
Bank of Mecklenburg, Charlotte, North Carolina	Triangle-Mecklenburg Interim Bank, Charlotte, North Carolina	Richmond	August 6, 1997
Colonial Bank, Montgomery, Alabama	Dadeland Bank, Miami, Florida	Atlanta	August 20, 1997
Colonial Bank, Montgomery, Alabama	First Independence Bank of Florida, Fort Myers, Florida	Atlanta	August 6, 1997
Community Bank & Trust Company, Neosho, Missouri	Citizens State Bank, Galena, Kansas	Kansas City	August 12, 1997
Fifth Third Bank Cincinnati, Cincinnati, Ohio	Great Lakes National Bank, Hamilton, Ohio	Cleveland	July 31, 1997
Fifth Third Bank Columbus, Columbus, Ohio	Great Lakes National Bank, Hamilton, Ohio	Cleveland	July 31, 1997
First Virginia Bank-Southwest, Roanoke, Virginia	Premier Bank-South, National Association, Wytheville, Virginia	Richmond	August 6, 1997
Omni Bank, Macomb, Illinois	Farmers State Bank, Ferris, Illinois	Chicago	July 31, 1997
The Provident Bank, Cincinnati, Ohio	The Provident Bank of Kentucky, Alexandria, Kentucky	Cleveland	August 14, 1997
Provident Bank of Florida, Apollo Beach, Florida	Enterprise National Bank, Sarasota, Florida	Atlanta	July 31, 1997
Resource Bank, Virginia Beach, Virginia	Eastern American Bank, F.S.B., Herndon, Virginia	Richmond	August 7, 1997
Tiskilwa State Bank, Tiskilwa, Illinois	Tampico National Bank, Tampico, Illinois The First National Bank of Manlius, Manlius, Illinois	Chicago	July 31, 1997
UnionBank, Streator, Illinois	UnionBank/Sandwich, Sandwich, Illinois	Chicago	July 31, 1997

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.

Eliopulos v. Board of Governors, No. 97–1442 (D.C. Cir., filed July 17, 1997). Petition for review of a Board order dated June 23, 1997, approving the application of First Bank System, Inc., Minneapolis, Minnesota, to acquire U.S. Bancorp, Portland, Oregon, and thereby acquire U.S. Bancorp's banking and nonbanking subsidiaries.

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

Inner City Press/Community on the Move v. Board of Governors, No. 97–1394 (D.C. Cir., filed June 12, 1997). Petition to review a Board order dated May 14, 1997, approving the application of Banc One Corporation, Inc., Columbus, Ohio, to merge with First USA, Inc., Dallas, Texas. On June 16, 1997, petitioners moved for a stay pending appeal. The motion was denied on June 27, 1997. On August 11, 1997, the Board filed a motion to dismiss the petition.

Vickery v. Board of Governors, No. 97–1344 (D.C. Cir., filed May 9, 1997). Petition for review of a Board order dated April 14, 1997, prohibiting Charles R. Vickery, Jr., from further participation in the banking industry.

Wilkins v. Board of Governors, No. 3:97CV331 (E.D. Va., filed May 2, 1997). Customer dispute with bank. On June 11, 1997, the Board filed a motion to dismiss.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act.

Research Triangle Institute v. Board of Governors, No. 97–1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim.

Jones v. Board of Governors, No. CV97–0198 (W.D. Louisiana, filed January 30, 1997). Complaint alleging violations of the Fair Housing Act. The case was dismissed on May 29, 1997.

The New Mexico Alliance v. Board of Governors, No. 96–9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order. The motion for a stay was denied by the 10th Circuit on January 3, 1997; on January 6, 1997, petitioners' application for emergency stay was denied by the Supreme Court.

Artis v. Greenspan, No. 1:96CV02619 (D.D.C., filed November 19, 1996). Employment discrimination action. On May 30, 1997, the court granted the Board's motion to dismiss the action. The plaintiff filed a notice of appeal on August 25, 1997.

Snyder v. Board of Governors, No. 96–1403 (D.C. Cir., filed October 3, 1996). Petition for review of Board order dated September 11, 1996, prohibiting John K. Snyder and Donald E. Hedrick from further participation in the banking industry. On May 8, 1997, the court of appeals granted the Board's motion to dismiss the petition. Petitioners' request for rehearing or rehearing *en banc* was denied on July 31, 1997.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Artis v. Greenspan, No. 96-CV-02105 (D. D.C., filed September 11, 1996). Class complaint alleging race discrimination in employment. On December 20, 1996, the Board moved to dismiss the action. On June 30, 1997, the court granted the motion and dismissed the case. The plaintiffs filed a notice of appeal on August 25, 1997.

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On January 24, 1997, the agencies filed a motion to dismiss the action.

Long v. Board of Governors, No. 96–9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act. Oral argument was heard on May 12, 1997, and on June 30, 1997, the court affirmed the Board's decision.

Inner City Press/Community on the Move v. Board of Governors, No. 96–4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case was consolidated for oral argument and decision with *Lee v. Board of Governors,* No. 95–4134 (2d Cir.); oral argument was held on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

Lee v. Board of Governors, No. 95-4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors,* took place on January 13, 1997. On July 2, 1997, the court of appeals dismissed the petition for review.

In re Subpoena Duces Tecum, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. On August 7, 1997, the court granted in part and denied in part the motions to compel.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Decision Issued by the Board of Governors

In the Matter of

Edward Towe, Former President and Director, and
Thomas E. Towe, Former Director and
Chairman of the Board of Directors

First National Bank and Trust
Wibaux, Montana

Docket Nos.
OCC-AA-EC-93-42
OCC-AA-EC-93-43

Final Decision

This is an administrative proceeding pursuant to section 8(e) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. § 1818(e), in which the Office of the Comptroller of the Currency of the United States of America ("OCC") seeks to prohibit Respondents Edward and Thomas E. Towe from further participation in the affairs of any federally-supervised financial institution as a result of their conduct during their former affiliation with First National Bank and Trust, Wibaux, Montana (the "Bank"). As required by statute, the OCC has referred the action to the Board of Governors of the Federal Reserve System (the "Board") for final decision.

The proceeding comes before the Board in the form of a 219-page Recommended Decision by Administrative Law Judge ("ALJ") Arthur L. Shipe, issued following an administrative hearing held between November 1994 and August 1995. In the Recommended Decision, the ALJ found that the OCC's Enforcement Counsel had established all of the requirements for an order of prohibition: that both respondents had engaged in misconduct from which they gained and the Bank lost, and that reflected culpability inconsistent with their continued participation in banking. The ALJ therefore recommended that both respondents be prohibited from participating in banking without the approval of the appropriate regulatory agencies. Respondents filed 424 pages of exceptions to the recommended decision in which they concede most of the underlying conduct but argue that it was reasonable and legitimate.

Based on a review of the record and the arguments raised by the Towes, the Board adopts the recommended decision and rejects the Towes' exceptions for the reasons stated by the ALJ, except as specifically noted in this Final Decision.

I. Statement of the Case

A. Statutory and Regulatory Framework

1. *Standards for Prohibition Order*

Under the FDI Act, the ALJ is responsible for conducting an administrative hearing on a notice of intent to prohibit. 12 U.S.C. § 1818(e)(4). Following the hearing, the ALJ issues a recommended decision that is referred to the Board, and the parties may file exceptions to the ALJ's recommendations. The Board makes the final findings of fact, conclusions of law, and determination whether to issue an order of prohibition. *Id.*; 12 C.F.R. 263.40.

To issue a prohibition order under the FDI Act, the Board must make each of three findings:

(1) There must be a specified type of *misconduct*—violation of law, regulation, or final cease-and-desist order, unsafe or unsound practice, or breach of fiduciary duty;

(2) The misconduct must have a prescribed *effect*—financial gain to the respondent or financial loss or other damage to the institution or prejudice to the institution's depositors;[1] and

(3) The misconduct must involve *culpability* of a certain degree—personal dishonesty or willful or continuing disregard for the safety or soundness of the institution.

1. The standards for the issuance of an order of prohibition were amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73, 103 Stat. 183 (1989), effective August 9, 1989. Prior to that date, the statute required that the loss to the institution be "substantial" and that the prejudice to the depositors be "serious." While the conduct in this case began before the statutory changes and continued thereafter, the ALJ's conclusions of law applied the higher pre-FIRREA standard in each instance, and therefore more than satisfied the post-FIRREA standards for prohibition.

B. Procedural History

The OCC initiated this proceeding on March 24, 1993 with the issuance of an assessment of civil money penalties and a notice that it would seek an order of prohibition against the Towes. Recommended Decision ("RD") 1. Both actions were addressed in a common hearing before the ALJ and by the ALJ's Recommended Decision. The FDI Act assigns authority for a final decision regarding prohibition to the Board and the final decision as to civil money penalties to the Comptroller. 12 U.S.C. § 1818(h), (i). The Board takes official notice that on July 25, 1997, the Comptroller issued a final Decision and Order adopting almost all of the ALJ's recommendations and assessing a penalty of $10,000 against Edward Towe and $25,000 against Thomas Towe.

II. Discussion

After reviewing the exceptions to the Recommended Decision of the ALJ, the Board adopts the findings and conclusions of the ALJ, except as otherwise indicated in this Order.

A. Factual Overview

Edward Towe and his son Thomas Towe have extensive banking backgrounds. By the early 1970's, each was a director of every bank in a chain of 13 state and national banks, and Edward Towe was president of all but two. Recommended Finding of Fact ("RFF") 3. Thomas Towe, an attorney, performed most of the legal work for these banks and has practiced generally in the areas of banking law and taxation. RFF 4.

Prior to January 1987, Edward Towe served as a director of the Bank, but neither he nor the Towe family exercised exclusive control of the Bank. On January 15, 1987, the Towe family gained exclusive control of the Bank, a national bank subject to the OCC's supervision.[2] Edward Towe became its president, and Thomas Towe became chairman of the Bank's board of directors and served as its legal counsel. RD 5–6. Accordingly, both Edward and Thomas Towe were subject to the OCC's supervisory jurisdiction no later than January 15, 1987. During 1990, Edward Towe was given proxies to vote over 66 percent of the Bank's shares, a figure that increased to 82 percent in 1991. RFF 165. Thus, during these years at least Edward Towe controlled the Bank for purposes of section 23A of the Federal Reserve Act, 12 U.S.C. § 371c.[3]

The record in this action establishes repeated instances on the part of both Edward and Thomas Towe of self-dealing, conflicts of interest, unsafe and unsound banking practices, and a willingness to use the Bank for the Towes' personal ends. The Towes arranged for payments to be made to Edward Towe and his wife in a manner intended to avoid an IRS wage levy, knowingly exposing the Bank to IRS penalties and resulting in false statements in the Bank's books. Edward Towe operated a family-owned company, Grant Investments, from the Bank's premises and used Bank personnel to service loans made by Grant without providing adequate compensation to the Bank. Assets were transferred back and forth between Grant and the Bank in transactions known only to Edward Towe, who "agreed" to both sides of these transactions, and who gave Grant superior rights in collateral held by the Bank. In the so-called "Jacobson Transaction," Edward Towe involved the Bank in a transaction the sole purpose of which was to cloud the title to property of a former business partner with whom he was feuding, leading to a lawsuit against the Bank. Edward and Thomas Towe arranged for a swap of worthless checks, drawn on accounts at the Bank, in order to deceive the IRS into believing that a family foundation had liquidated its interest in Grant Investments. On the advice of Thomas Towe, the Bank repeatedly violated the terms of a final cease-and-desist order. These and other transactions, described in more detail below and in the Recommended Decision, amply demonstrate that the requirements for orders of prohibition against Edward Towe and Thomas Towe have been established.[4]

B. Disguised Payments to Edward and Florence Towe

Beginning in 1986, the IRS served levies on the Bank directing it to pay over to the IRS any wages, salary or other income for which the Bank was obligated to Edward Towe or his wife, Florence Towe. RFF 5. In response, Edward Towe ceased to collect director's fees from the Bank. When the Towe family acquired exclusive control of the Bank and Edward Towe became its president in January 1987, the Bank, at Edward Towe's direction and with Thomas Towe's knowledge and assistance, decided not to pay Edward Towe a salary, but instead arranged for the Bank to compensate him in a variety of ways disguised as something other than salary in an effort to fall outside the terms of the IRS levies. These practices, involving the

2. While Edward Towe directly owned only director's qualifying shares in the Bank, the remainder of the Bank's shares were largely owned by family members or by entities that Towe controlled. Grant Investments owned about 15.6 percent of the total shares outstanding, family trusts owned more than 50 percent, and Edward Towe's sisters owned an additional 31 percent. RFF 315–317. Edward Towe exercised control at shareholders meetings in 1990 and 1991 through proxies executed in his favor representing a majority of the voting stock. RFF 165–171.

3. The Board rejects Respondents' argument that the shares Edward Towe controlled by proxy are irrelevant for purposes of the control provisions of section 23A. *See* 1 F.R.R.S. 3–1144, 3–1146.2.

4. The Board bases its conclusion as to Thomas Towe upon his status as chairman of the Bank's board, and not on his role as counsel to the Bank. Because Thomas Towe did not maintain a clear distinction between his two capacities with respect to arranging or assisting the transactions at issue (as opposed to his representation of the Bank in litigation as counsel), he bears responsibility as chairman for those actions.

manipulation and falsification of Bank records, exposed the Bank to a suit by the IRS seeking damages, penalties, and interest for the failure to honor the levies, which was eventually settled for a $20,000 payment by the Bank. RFF 36; Ex. 711.

The disguised payments purported successively to be reimbursement for travel expenses, "subsistence," and consulting fees, and were designed to funnel money to the Towes in circumvention of the IRS levies rather than to purchase services that would benefit the Bank. RFF 28, 31, 34, 35. From January 1987 until about August 1988, the Bank issued monthly travel expense checks to Edward Towe totalling over $6,000, purporting to compensate him for travel to and from directors' meetings in Wibaux from his former home in Texas. In fact, Edward Towe incurred no significant travel expenses on behalf of the Bank during this period. For almost all of that time, from January 1987 until mid-1988, Edward Towe travelled to directors meetings from his home in a Bank-owned apartment located directly above the Bank, where he and his wife lived rent-free, with all utilities paid for by the Bank. RFF 6, 7.[5] When OCC examiners questioned the travel payments, the Bank redesignated the payments as "subsistence," and continued to pay them in the same amounts as before from September 1988 until January 1989.[6] The month following the last of these payments, Florence Towe began to be paid $300 per month in "consulting fees", though she had no contract with the Bank, did not report to the Bank's board, and performed no additional services beyond the "public relations" work previously performed for free. RFF 24–28. Additionally, the Bank paid Edward Towe a $5,000 "consulting fee" on December 18, 1989. RFF 29. These consulting fees were intended to provide living expenses to the Towes that would not be subject to the IRS levies. The making of these payments by the Bank was initially suggested by Thomas Towe, who advised the board of directors to approve them, but failed to disclose to the other board members that he was simultaneously representing his parents in connection with the IRS levies.

The Board adopts the ALJ's conclusion that as a result of the Bank's payments to Edward Towe, Edward and Thomas Towe engaged in unsafe and unsound practices and breaches of their fiduciary duty as directors and officers of the Bank. Specifically, the Board finds that, by causing the Bank to make travel and similar reimbursement payments to Edward Towe for expenses that he never incurred, and to pay him and his wife for services that were already obligated to be provided or were in fact already being provided without fee to the Bank, the Towes caused the Bank to expend funds with no corresponding benefit to the Bank. In addition, the Towes' conduct was also unsafe and unsound because it subjected the Bank to a substantial risk of financial loss in that it would have to pay penalties and fines to the IRS for violation of the levy on Edward Towe's salary from the Bank. That liability was realized when the Bank paid $20,000 to the IRS to settle the penalty case.

The Board rejects Respondents' exceptions to the ALJ's conclusions on this point that: the total compensation package to Edward Towe was not unreasonable in amount; that the payment represented permissible tax avoidance rather than evasion; and that in any event Edward Towe was entitled to payment by the Bank for at least the subsistence payments that he received as part of the reimbursed travel expenses because Wibaux was not his legal residence. Except. 162–200. Respondents' assertions about the amount of the reimbursements miss the point. What is important is not whether the amount of money paid by the Bank to Edward Towe was too much, but whether he was entitled to receive any travel reimbursement payments and consulting fees. As explained above, there is no basis for concluding that Edward Towe incurred any travel costs on behalf of the Bank or performed any services for the Bank that he was not already required to perform as the president. Moreover, there is no factual basis to support the claim that Edward Towe was entitled to "subsistence" (or "per diem") payments from the Bank for "temporary" service as bank president. He was not "temporarily transferred" by the Bank from his home in Texas to Wibaux, Montana. Instead, he came out of retirement and moved to Wibaux to work at the Bank after the Towe family assumed control of that institution. RD 5; *cf.* Rev. Rul. 75-432 (95-2 CCH 21,780 ¶ 8500.069 (discussing temporary assignments).

The Board rejects Respondents' assertions that the payments constituted permissible tax avoidance. As a general matter, it is not unsafe or unsound or otherwise improper for a bank to arrange a transaction in a manner so as to minimize the tax consequences, provided the transaction complies with all other applicable legal requirements. Here, however, in the Board's judgment, the payment scheme devised by the Towes was not even a facially plausible tax avoidance device. First, in making the payments to Edward Towe, the Bank was not attempting to minimize its own tax liability, but instead to prevent collection of taxes owed by a Bank insider. Second, the scheme involved the false characterization on the Bank's books of the purpose of payments made by the Bank, which itself is a violation of law.

C. Self Dealing Through Commingled Bank and Towe Interests

1. *Bank Services to Grant Investments Fund*

Grant Investments Fund ("Grant") was an investment partnership organized in 1955 by Towe family members for the purpose of making and buying personal and commercial loans. It was owned by numerous Towe family members and trusts. Edward Towe acted as general manager of Grant and it is uncontested that Edward Towe controlled Grant for purposes of section 23A of the Federal Reserve

5. When Edward and Florence Towe moved into a house in Wibaux in mid-1988 within 10 miles of the Bank, the Bank continued to pay their utility expenses. RFF 8.

6. No other member of the board was paid "subsistence" or travel payments for non-travel.

Act, 12 U.S.C. § 371c. RFF 164; *see* Exceptions at 235–39.[7] Edward Towe operated Grant "with virtually unrestrained latitude" from his office as president of the Bank, using Bank resources. RD 11–12. Grant made loans primarily to Bank borrowers, many of whom were insufficiently creditworthy to qualify for new or additional bank loans. RD 12. Grant also made loans to Thomas Towe. RFF 138–139.

Grant's operations were tightly intertwined with those of the Bank. Grant used Bank resources in its operations, including operating rent-free from Edward Towe's office at the Bank, and using note forms bearing the Bank's name, which led to confusion among borrowers as to the identity of their creditor. Moreover, at Edward Towe's direction, the Bank provided all of the loan servicing for Grant Investment loans: the Bank received and collected payments on the various Grant loans, processed the payments, maintained documents connected to the loans, issued demands for payment, recovered collateral on defaulted loans, and provided collection services. These services were originally provided without compensation to the Bank and without any formal agreement between Grant and the Bank; later, Grant began to pay a minimal and below-market amount for loan processing. RD 13; RFF 245–251. In addition, Edward Towe arranged that all Grant Investment partners would receive free checking accounts from the Bank. RFF 230–233. These practices violated section 23B of the Federal Reserve Act, 12 U.S.C. § 371c-1, and constituted a breach of Edward Towe's fiduciary duty to the Bank.

2. *"Bank Related" Loans by Grant*

Grant was in the business of lending to "unbankable" clients, making loans to individuals or companies that could not obtain financing from the Bank either because of violation of loan limits or because they would not qualify for Bank lending. RFF 259. In numerous cases, Edward Towe categorized these loans as "bank-related." The relevance of that categorization was that Grant obtained priority over the Bank on whatever collateral the Bank had from the borrower, and would generally get repaid first out of whatever proceeds were obtained from the borrower or the collateral. The subordination "agreement" between the Bank and Grant pursuant to which these payments were made existed solely in Edward Towe's mind, was never reduced to writing, and was not approved by the Bank's board. RFF 272–275. Essentially, however, it meant that Grant was protected by the Bank's collateral for any loan it made up to the value of that collateral, even if that meant that the Bank would suffer a loss on the loan.

Grant loans were generally considered "bank-related" if the borrower was a Bank borrower, and the categorization of a particular loan could change at the whim of Edward Towe. Although the Respondents argue in their exceptions that "bank related" loans were made for the benefit of the Bank, Edward Towe's own testimony refutes that position. RFF 279–282; Tr. 4423. Over a 5½ year period, Grant made 79 "bank-related" loans totalling $205,000. RFF 275.

An example is the so-called "Preiss loan." David Preiss had borrowed $96,959 from the Bank, secured by commercial property known as the Stockman Lounge. Preiss began experiencing financial difficulty in 1986 and 1987. The Bank could not make additional loans to Preiss because he had become an unacceptably high credit risk. Edward Towe caused Grant, however, to make Preiss a series of unsecured loans totalling approximating $10,000 for working capital. These additional loans were evidenced by notes bearing the Bank's name, and Preiss was unaware that he was borrowing from Grant Investments rather than the Bank. Later, Edward Towe caused the Bank to transfer the collateral for Preiss's Bank loans from the Bank to Grant Investments. He achieved this by physically altering a quitclaim deed to substitute Grant for the Bank as the grantee. Edward Towe did not deny that he made the alteration. Tr. 5379-5381.

Ultimately, Preiss became bankrupt. The Stockman Lounge property was resold, with the Bank funding 100 percent of the new sale price. Grant's loans to Preiss were repaid out of the proceeds of the second loan, but the Bank was never made whole for its original loan. Further, the new buyers defaulted and the Bank was forced to write off its second loan on the property, although Grant subsequently purchased that note from the Bank. RD 22.

Another example involves property known as the Glendive House, which the Bank had acquired through foreclosure. There, too, the Bank made an initial loan, Grant made additional loans that did not reduce the balance on the Bank's loan, the borrowers defaulted, the Bank repossessed and financed the resale of the property, Grant was made whole from the new loan proceeds while the Bank was not, and the second loan defaulted, causing significant losses. RD 23–25.

Respondents argue with respect to the "Bank related" loans that the transactions were intended to help the Bank by enabling borrowers to pay off Bank loans and that the terms of those transactions were governed by an "unwritten agreement" or "oral understanding" subordinating the Bank's claims to Grant's claims to the proceeds of the sale of collateral. Except. 216–263. The Board rejects these arguments. While the ALJ found that Grant did indeed help the Bank in some instances, as in its purchase of the second note in the case of the Preiss loan, that help was offset by instances where Grant benefited at the expense of the Bank. Moreover, Grant can be found to have "helped" the Bank only by isolating one portion of the constantly cycling mix of transactions between the Bank and Grant. The Towes' actions are hardly mitigated by the fact that Grant relieved the Bank of some portion of its loss after they had, by forgery, caused Grant to obtain security that properly belonged to the Bank, and then funded the payment to Grant with the proceeds of another bad loan.

7. Accordingly, at least in 1990 and 1991, the Bank and Grant were "affiliates" for purposes of sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1. *See* 12 U.S.C. § 371c(b)(1), b(3)(A).

More important, as the ALJ acknowledged, is that these transactions, whether or not they conferred some transient benefit on the Bank, constituted egregious unsafe and unsound banking practices. By arranging, with himself, to subordinate the Bank's secured position to another lender with respect to all "bank-related" loans, and by authorizing himself to categorize a given loan as "bank-related," Edward Towe prevented the impartial review of this arrangement by the Bank. While it is conceivable that there might have been transactions in which a disinterested Bank officer would have concluded that the Bank's interests would be served by subordinating its security interest to a third-party lender, no such review was possible. The agreement was not reduced to writing, but originated with and remained in the mind of Respondent Edward Towe, as did the identification of a given loan as "bank-related." RD 23.[8] There was no independent review by Bank personnel other than Edward Towe to determine if the transaction was equivalent to one on an arms' length basis. In any event, the agreement in which Edward Towe allegedly represented both the Bank and Grant was frequently unfavorable to the Bank and caused the Bank to make concessions that were not financially or economically justified.

A bank insider who engages in self-dealing transactions runs a high risk of breaching fiduciary duties and of engaging in unsafe and unsound banking practices. In some cases, such conflicts may be cured by full disclosure of the existence of conflicts and approval by a majority of the non-interested members of the Board of directors. Such approval is not possible, of course, where the terms of the transaction have not been reduced to writing and remain subject to change at the whim of the insider. *See Greenberg v. Board of Governors,* 968 F.2d 164, 171 (2d Cir. 1992) (minutes of board of directors meetings silent as to conflict relationship). Moreover, an agreement that exists wholly in the mind of a single person cannot be said to have any legal meaning whatsoever.

Furthermore, the Towes' commingling of their family business interests with those of the Bank breached their fiduciary responsibilities to the Bank (and to the family interests). "The threshold inquiry in assessing whether a director violated his duty of loyalty is whether the director has a conflicting interest in the transaction. Directors are considered to be 'interested' if they either 'appear on both sides of a transaction [] or expect to derive any personal financial benefit from it in the sense of self-dealing, as opposed to a benefit which devolves upon the corporation or all stockholders generally." *In re Seidman,* 37 F.3d 911, 934 (3d Cir. 1994), *quoting In re Bush,* OTS AP 91-16 at 11, 15-16. Here, as Respondents admit, Edward Towe was repeatedly "on both sides of a transaction," in breach of his fiduciary responsibility to the Bank.

3. *Condominiums*

In another set of transactions, involving condominium properties that the Bank had acquired upon default of the loans that financed their construction, Respondents used Grant to create the false appearance that the Bank had sold the condominiums in compliance with banking regulations concerning "other real estate owned" ("OREO"). RD 28-35. Those regulations required the Bank to dispose of the condominiums within five years, and, in order for such sales to be recognized, prohibited the Bank from financing more than 90 percent of the sale transactions. 12 C.F.R. 7.3025 (1988).

The Bank entered into a scheme to make it appear that the Bank had complied with the applicable regulations by selling the foreclosed condominium properties. In particular, the Bank made a series of loans on extremely favorable terms to marginally creditworthy or uncreditworthy borrowers to purchase the condominiums, leading to repeated defaults and resales. Initially, the Bank required only a $200 cash down payment for the condominium units, far less than 10 percent of the purchase price of the condominiums, and financed the remainder of the purchase price. The ALJ found, and the record shows, that the Bank extended credit to any purchaser who applied for a loan, without examining the borrower's credit condition. As a result, the condominium loans experienced an extraordinarily high default rate, increasing the Bank's losses and requiring the Bank repeatedly to reacquire title to the condominium units.

Edward and Thomas Towe engaged in conduct that further increased the Bank's risk with respect to the foreclosed condominium properties.

(a) *Diversion of Down Payments.* From 1989 until 1991, down payments made by purchasers buying condominiums from the Bank were deposited into an account controlled by Edward Towe, which was used for the buyers' real estate expenses associated with the condominiums and to make unrecorded loans to condominium buyers, rather than being credited to the Bank. RD 40-41. When the Bank's board reviewed expenses each month, it was not shown the expenses paid out of the down payment account. RFF 372.

(b) *Down Payment Loans.* When informed of an upcoming OCC examination, Edward Towe attempted to disguise the Bank's near-100 percent financing of the sales. He caused Grant to loan each purchaser of a Bank condominium an amount equal to ten percent of the purchase price of each unit, which was applied to reduce the principal amount of the existing Bank loans. RD 31. This gave the appearance that the borrowers had made a 10 percent down payment, when they had not, and thus that the sales would be

8. Respondents' argument that the agreement was nonetheless enforceable has the flavor of a Gilbert and Sullivan farce: "Just because Edward Towe is on both sides of an agreement doesn't mean that no agreement exists at all. Both parties had the capacity to enter into a contract, both parties intended to enter into a contract, and there certainly was a mutual meeting of the minds. Thus all of the elements of an agreement exist." Except. at 222. Moreover, the question is not whether the agreement was enforceable, but whether it was a good deal for the Bank—a determination no one at the Bank had an opportunity to review since the agreement was not in writing or known to anyone other than Edward Towe.

deemed to comply with the regulatory requirements.[9] The down payment loans also made the borrowers' financial condition appear stronger than it actually was and created the appearance that the loans were performing. RD 32.

After Grant had extended these retroactive down payment loans, any payments received from borrowers were applied to the Grant loans rather than to the Bank loans. Edward Towe testified that Grant's preferred status was the product of an agreement that he made with himself to subordinate the Bank's position to Grant's. RD 32; Tr. 5778. There is no evidence in the record that there was any independent review of this agreement on behalf of the Bank or that the Bank obtained any benefit for the subordination of its position with regard to these loans. Edward and Thomas Towe then falsified the loan ledgers, reconstructing them to conceal aspects of these transactions, including the fact that the proceeds of the loans from Grant had been applied to reduce the principal amount of the Bank loans. RD 32–35; RFF 492.

(c) *Sham Mortgage Insurance.* In December 1988, the OCC informed the Bank that the condominiums were still considered to be OREO, despite the down payment loans from Grant. The Bank therefore purchased the down payment loans from Grant and tried another way to remove the condominiums from OREO status. The Bank paid Grant $16,084, representing full principal and interest on the down payment loans. Defaults on these loans following the Bank's acquisition resulted in losses of over $11,000. RD 33.

Under OCC regulations, a bank may finance in excess of 90 percent of the purchase price of foreclosed OREO property and still consider the transaction to be an effective sale if private mortgage insurance covers the amount of the bank's loan in excess of 90 percent of the purchase price. As part of this new attempt to establish effective sales of the condominiums, Edward and Thomas Towe arranged for another family entity, Towe Farms, to issue what appeared to be private mortgage insurance to condominium purchasers to cover 10 percent of the loan amount. In reality, as the ALJ found, the mortgage insurance was a complete sham. RD 36. The Bank was rarely reimbursed despite the high default rate, and in those cases where Towe Farms did make payments under the policies, the Bank frequently reimbursed Towe Farms for the payments. In other cases, Towe Farms' liability to the Bank was "waived" by Edward Towe. RD 35- 37.[10] Thomas Towe owned 13.5 percent of Towe Farms, and understood that Towe Farms's losses on the mortgage insurance would be subject to indemnity by Towe Farms' shareholders. RFF 526.[11]

The Towes' conduct with respect to the loans to finance the purchases of foreclosed condominium properties constituted unsafe and unsound practices and breaches of their fiduciary duty to the Bank. The making of loans to less than creditworthy borrowers without adequate review, the diversion of the small down payments made by the borrowers, the subordination of the Bank's loans to the Grant down payment loans, and the Bank's reimbursement of Towe Farms for mortgage insurance payments all exacerbated the Bank's losses with respect to the condominium properties. In addition, the loans to finance the condominium purchases failed to comply with the OCC's regulations.

4. *Sham Transactions*

(a) *Jacobson Sham Transaction.* Edward Towe, with Thomas Towe's knowledge, caused the Bank to engage in a sham transaction with the purpose of clouding the title of property part-owned by a former business partner, with whom he was feuding. The former partner, Ellis Jones, had built his personal home on land in which he owned an undivided half-interest. Towe family interests owned the other undivided half-interest, which was so encumbered by IRS liens as to be worthless. RD 16. Edward Towe, through Grant, conveyed the Towes' interest in the property to a nominee, John Jacobson. Towe then caused the Bank to purport to loan Jacobson $53,000 secured by the property, evidenced by a mortgage that included the Jones home. One day later, the $53,000 was repaid to the Bank by Jacobson through Grant, and Grant took the Jacobson loan and the mortgage. RD 18.

The net effect was to cloud Jones's title to the property, which led to a lawsuit, settled by the Bank after paying Thomas Towe $5371 in legal fees. Thomas Towe objected to the transaction at a board meeting because it would expose the Bank to a lawsuit for slander of title, but Edward Towe insisted on proceeding with the transaction. RFF 93–94.

This sham transaction[12] had no prospect of producing a

9. In addition, Grant applied funds to delinquent condominium loans to create the appearance that the loans were performing. RD 32. Given the relationship between the Bank and Grant, it cannot be assumed that Grant's down payment loans actually shifted any risk of loss with respect to the condominium loans from the Bank to Grant.

10. Although actual private mortgage insurance on the condominium loans would have required substantial premiums, neither the Bank nor the borrowers paid Towe Farms for issuing its mortgage insurance. This may explain why, despite defaults on 38 covered mortgage loans, Towe Farms paid out only three times (excluding those payments that were fully reimbursed by the Bank), with total payments of $4715. RFF 508–509, 522.

11. In 1989 the OCC informed the Bank that it needed to document the legal and financial capacity of Towe Farms to issue private mortgage insurance, and noted that Montana law requires a certificate of authority to transact insurance. Thomas Towe's response was to call the Montana Insurance Commissioner's office to ask if a "guarantee" was subject to the insurance laws. When told that it was not, Thomas Towe ended his research into the issue. RFF 515–519.

12. Among the indicia that this was a sham transaction were that: Jacobson did not file a financial statement or loan application; no title search was performed; the collateral was not appraised; Jacobson did not pay property taxes or secure insurance for the property; Jacobson never made a single payment of principal or interest; and Edward Towe did not believe that Jacobson had the money to pay the loan. RFF 68–74.

benefit to the Bank,[13] in fact caused the Bank a loss at least in the form of unnecessary legal fees, and displayed Edward Towe's willingness to misuse the Bank for personal ends. In their exceptions to the ALJ's findings, Respondents do not dispute the facts concerning the transaction or even its motivation, but argue that it caused no harm and did not constitute wrongdoing. Except. at 200–201. Respondents argue that in the settlement of the ensuing litigation with Jones, Jones dropped the slander of title claim and the Bank was able to make a settlement of unrelated claims that Thomas Towe regarded as favorable. Except. at 202.

The Board rejects those exceptions. The manipulation of a bank for a self-dealing transaction is an unsafe or unsound practice when it is motivated by spite as well as when it is motivated by venality.[14] As the Board has previously observed:

> The safety or soundness element addresses the *nature*, rather than the degree, of the departure from ordinary standards of prudent banking. Conduct departing from such standards represents an unsafe or unsound banking practice when it is of a kind that, if continued, would present an abnormal risk—i.e., risks other than those inherent in doing business—of harm or loss to the bank.

In re Van Dyke, No. AA-EC-87-88 (June 13, 1988), slip op. at 26, *aff'd, Van Dyke v. Board of Governors,* 876 F.2d 1377, 1380 (8th Cir. 1989); *see Greene County Bank v. FDIC,* 92 F.3d 633, 636 (8th Cir. 1996) (unsafe or unsound practice is conduct deemed contrary to accepted standards of banking operation which might result in abnormal risk or loss to a banking institution or shareholder).

The Jacobson transaction exposed the Bank to substantial financial loss for slander of title, and caused actual loss in the form of whatever settlement value was exchanged for the dropping of the claim.[15] Furthermore, the transaction cost the Bank a portion of the $5,7103 in legal fees paid to Thomas Towe.

(b) *New Year's Day Sham Transaction.* Edward Towe's tax problems included a claim by the IRS that Grant was Edward Towe's alter ego and that, as such, it had engaged in acts of self-dealing in 1989, 1990, and 1991. RFF 113. At the end of 1991, Edward Towe was under pressure from the IRS to cause the Towe Foundation to liquidate its investment in Grant by the end of the year or be subject to a $50,000 penalty for an additional year of self-dealing. RFF 113–115.

On January 1, 1992, in order to give the appearance of complying with that requirement, Edward Towe, with the knowledge and consent of Thomas Towe, effected a circular transaction between the Towe Foundation and Grant accounts at the Bank. Edward Towe deposited a check drawn on Towe Foundation's account, in the amount of $994,500, into Grant's account; simultaneously, he deposited a check in the same amount, drawn on Grant's account, into Towe Foundation's account. Neither account had sufficient funds to pay the checks; Grant's account had a balance of $3007, and Towe Foundation's account had a balance of $11,036. Edward Towe admitted that part of the purpose of the transaction was to produce Bank documents that Thomas Towe could use to show to the IRS that the Towe Foundation's investment in Grant had been liquidated. RFF 111–125.

The Board rejects Respondents' argument that the transaction represented a legitimate assignment of assets from Grant to the Towe Foundation in lieu of cash, and that the exchange of checks was merely Edward Towe's idiosyncratic bookkeeping method of recording the transaction. Even though Grant eventually transferred some assets to Towe Foundation, that was not the transaction reflected by the exchange of checks, and it was those cancelled checks that were used to demonstrate to the IRS that Towe Foundation had liquidated its investment in Grant.

The Board finds that the Bank's involvement in this transaction, which was designed to mislead the IRS, exposed the Bank to possible financial penalties. Accordingly, Edward and Thomas Towe engaged in an unsafe and unsound transaction and a breach of fiduciary duty by entering into the transaction.

5. *Violations of Cease and Desist Order*

In 1986, before the Towes assumed control, the Bank consented to the issuance of a cease and desist order, which continued in effect throughout the time relevant to the Notice. Among other things, the Order required the Bank to revise and implement its lending policy, adopt and implement written policies and procedures governing charge-offs and recognition of losses, establish a loan review system, adopt and implement policies governing supervision and control of non-accrual loans, and refrain from extending credit without obtaining and analyzing current and satisfactory credit information.

From January 1987 until June 1992, during the time the Towes were in control, the Bank operated in continuous violation of the Order in a host of respects including: failing to adhere to workout programs; failing to comply with the Bank's loan policy; failing to recognize quarterly losses; and failing to require current and satisfactory credit information. RD 50. OCC examiners severely criticized these failures in reports in January and September 1987, 1988, 1989, and 1991. *Id.* The board of directors failed to take effective action to comply because Thomas Towe

13. Edward Towe conceded that the transaction was not intended to benefit the Bank. RD 18; RFF 100.

14. Notwithstanding Respondents' arguments that there was nothing wrong with the use of the Bank to gain revenge against Jones (Except. at 214–15), such practices are clearly contrary to generally accepted standards of prudent operation and, if continued, could pose an abnormal risk to the institution. They therefore meet the standard for "unsafe or unsound banking practice."

15. The Bank settled claims brought by Jones totalling $28,000 for $9000, and it is impossible to determine what portion of the payment was associated with the slander of title claim. Similarly, it cannot be determined what portion of the legal fees are properly attributed to the transaction.

repeatedly reassured the board that the Bank was in compliance with almost all provisions of the Order.

The Board rejects Respondents' exception arguing that because the Order used the word "adherence" with respect to one article of the Order, but not others, the Order should be read as excusing non-adherence to the plans, policies, programs and systems that the Order concededly required the Bank to "adopt and implement," or "establish." Except. 378–384. In construing the terms of the Order, the Board draws upon its institutional experience in requiring the establishment of such programs through cease and desist orders. When an institution displays problems of sufficient severity to warrant the imposition of a cease and desist order, it is imperative that action be taken through such programs to address identified problems in a manner endorsed by and monitored by the supervisor. Thomas Towe's construction of the Order, which implicitly reads it as requiring only empty formalities, is at odds with banking reality. The requirement of "adoption" or "establishment" and "implementation" of such programs in a cease and desist order therefore necessarily connotes "adherence" to the programs thus established.

When the OCC appointed a conservator for the Bank in June 1992, these violations of the Order were cited, among other things, as grounds for the conservatorship. When challenged by the Bank, the OCC's findings were upheld by the courts, which expressly rejected the contention that the Order required only "adoption," not actual implementation, of the policies specified. *First Nat'l Bank & Trust v. Dep't of Treasury,* 63 F.2d 894, 899 (9th Cir. 1995)(Bank's argument "without merit" because it would "render the [Order] meaningless").

The very fact that Thomas Towe maintains this untenable argument before the Board undermines his argument that he has been singled out for punishment as an "effective advocate for the Bank." Except. 378. It instead shows a resistance to fundamental principles of banking and bank regulation inconsistent with service as a bank director.

The Board also rejects the argument that Respondents could delegate their responsibility for compliance with the Order to another bank officer. Except. 398–400. The Board has previously observed:

> A cease and desist order is the most important tool available to federal banking agencies to ensure that banking organizations operate in a safe and sound manner and in conformance with law and regulation . . . The Board believes that these orders must be treated with seriousness by the officers and directors of the companies against which they are issued, because they are meant to assure that banks operate in a safe and sound manner and do not put at risk the resources of the federal safety net and the taxpayers. Under these circumstances, the Board must expect and demand that [bank] officers and directors take particular care to ensure that the provisions of such orders are fulfilled.

In re Northwest Indiana Bancshares, Inc. (September 7, 1990) at 32–33, *aff'd sub nom. Stanley v. Board of Governors,* 940 F.2d 267 (7th Cir. 1991). For these reasons, directors may not simply delegate away their responsibilities for compliance.

The violations of the cease and desist order unquestionably caused loss to the Bank. As an example, the condominium loans were made in violation of the loan policies the cease and desist order required the Bank to adopt. The 1991 examination classified around $300,000 in condominium loans as "loss."

Basis For Prohibition

The Board adopts the ALJ's recommended conclusions that the conduct of each of the Respondents satisfies all of the requirements for an order of prohibition.

1. *Misconduct*

a. *Unsafe and Unsound Banking Practices*
Respondents participated in a host of unsafe and unsound banking practices reflected by self-dealing transactions including: the disguised payment of compensation to Edward Towe; the commingling of the business operations of the Bank and the other family interests; and the sham transactions, which represented the manipulation of Bank resources for personal reasons rather than for legitimate Bank business. Each of these practices is contrary to prudent principles of banking operation and, if continued, could result in abnormal risk of harm or loss to the Bank.

b. *Breaches of Fiduciary Duty*
All of the transactions and practices represented conflicts of interest between the Respondents' Bank and non-Bank duties, and thus breaches of the Respondents' fiduciary duties to the Bank (and to the family interests for which they were fiduciaries.) The surreptitious payment of compensation to Edward Towe benefitted him while putting the Bank at significant risk, and the sham transactions were undertaken to serve personal interests rather than those of the Bank. Respondents' actions in connection with Grant Investments also showed repeated willingness to subordinate the Bank's interests to those of other entities. Respondents appeared not to recognize the existence of these conflicts and took no action to avoid or cure them.

c. *Violations of Law, Regulations, and Orders*
Various of the transactions also reflected violations of law and regulation. For example, the transfer of low-quality assets between the Bank and the affiliated Towe family interests, particularly Grant Investments, violated sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1). The provision of free or below-market Bank services to Grant also violated section 23B. The Bank's failure legitimately to dispose of the condominiums within the five-year holding period, and its failure accurately to report its continued holding of this real estate, constituted violations of 12 C.F.R. 7.3025 and 12 U.S.C. § 29 and 161. Edward and Thomas Towe also participated in the Bank's violation of the 1986 cease and desist order.

2. *Effects*

These practices, violations, and breaches unquestionably caused both gain to the Respondents and financial and other loss to the Bank. Respondents received financial gain in a number of the transactions and practices, including the disguised compensation payments (Edward Towe received the payments that otherwise would have gone to the IRS); the New Years Day sham transaction (Edward Towe received gain through the avoided IRS penalty); and the commingled Grant/Bank transactions (Grant, an affiliate of Respondents, gained at the expense of the Bank). In addition, the Bank suffered substantial financial loss through a number of the transactions and practices, including the disguised compensation payments (which exposed it to the IRS suit that was ultimately settled for $20,000), the provision of free or below-market services to Grant, the commingled transactions which caused it repeatedly to throw good money after bad while Grant was paid off, the diversion of condominium down payments from the Bank into the account Edward Towe used to pay condominium buyers' expenses, and the violations of the cease and desist order that caused losses on the condominium loans, among others.

3. *Culpability*

The record amply reflects that Respondents repeatedly displayed willful disregard for the safety or soundness of the Bank in every one of the transactions or practices, consciously placing the interests of themselves and of their other family interests ahead of the interests of the Bank. The Board also adopts the ALJ recommended conclusion that both respondents engaged in "continuing disregard for the safety and soundness of the institution," a standard that captures conduct reflecting recklessness or indifference with respect to an institution's safety. *See Brickner v. FDIC,* 747 F.2d 1198, 1203 n.6. (8th Cir. 1984); *Grubb v. FDIC,* 34 F.3d 956, 962 (10th Cir. 1994).

Furthermore, a number of the practices also meet the alternative requirement of personal dishonesty in that they served the purpose of deception. These practices include the disguised compensation payments, the surreptitious down payment loans, and the New Years Day sham transaction. In addition, Edward Towe's admitted physical alteration of the terms of the Preiss deed further evidenced personal dishonesty.

Accordingly, all of the elements required for issuance of an order of prohibition have been amply met.[16]

Procedural Exceptions

Administrative law judges are normally accorded wide discretion in dealing with procedural issues before and during the hearing. The ALJ's decisions here were well within his authority under the Uniform Rules of Procedure governing the hearing, and Respondents' procedural exceptions are therefore denied. *See* 12 C.F.R. 19.5.

Conclusion

For the foregoing reasons, the Board orders that the attached Orders of Prohibition issue.

By Order of the Board of Governors, this 18th day of August, 1997.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

Order of Prohibition

WHEREAS, pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "Act")(12 U.S.C. § 1818(e)), the Board of Governors of the Federal Reserve System ("the Board") is of the opinion, for the reasons set forth in the accompanying Final Decision, that a final Order of Prohibition should issue against EDWARD TOWE and THOMAS E. TOWE;

NOW, THEREFORE, IT IS HEREBY ORDERED that:

(1) In the absence of prior written approval by the Board, and by any other Federal financial institution regulatory agency where necessary pursuant to section 8(e)(7)(B) of the Act (12 U.S.C. § 1818(e)(7)(B)), EDWARD TOWE and THOMAS E. TOWE are hereby prohibited:

(a) From participating in the conduct of the affairs of any bank holding company, any insured depository institution or any other institution specified in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));

(b) From soliciting, procuring, transferring, attempting to transfer, voting or attempting to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in subsection 8(e)(7)(A) of the Act (12 U.S.C. § 1818(e)(7)(A));

(c) from violating any voting agreement previously approved by the appropriate Federal banking agency; or

16. The Board denies Respondents' exception relating to the ALJ's amended recommendation as to the term of prohibition, revising his initial recommendation of a term-limited order to one with an indefinite term. In a recent case the Board expressed doubt that it has the authority to order any term of prohibition other than indefinite. *See In re Vickery,* 83 *Federal Reserve Bulletin* 535, 541 (1997). In any event, the Board would be disinclined on the facts of this case to issue any term of prohibition other than indefinite.

The Board also declines to issue an advisory opinion on the application of the Order of Prohibition to Thomas Towe's law practice, as he requests in his motion for clarification. The Board notes that the FDI Act specifically distinguishes between persons generally participating in the conduct of the affairs of a bank, and an independent contractor, such as an attorney. 12 U.S.C. § 1813(u)(3)-(4). *See Cavallari v. Office of the Comptroller of the Currency,* 57 F.3d 127 (2d Cir. 1995) (finding attorney to be an institution-affiliated party under 12 U.S.C. § 1813(u)(4)). Thomas Towe should seek any more specific guidance he desires from the appropriate financial institution regulatory agency.

(d) From voting for a director, or from serving or acting as an institution-affiliated party as defined in section 3(u) of the Act, (12 U.S.C. § 1813(u)), such as an officer, director, or employee.

2. This Order, and each provision hereof, is and shall remain fully effective and enforceable until expressly stayed, modified, terminated or suspended in writing by the Board.

This Order shall become effective upon the expiration of thirty days after service is made.

By Order of the Board of Governors, this 18th day of August, 1997.

Board of Governors of the
Federal Reserve System

WILLIAM W. WILES
Secretary of the Board

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SYMBOLS AND ABBREVIATIONS

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

GENERAL INFORMATION

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

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

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1996		1997		1997				
	Q3	Q4	Q1	Q2	Mar.	Apr.	May	June	July
Reserves of depository institutions[2]									
1 Total	−16.4	−17.2	−8.3	−14.3	−17.0	−21.9	−9.7	1.5^{r}	−5.6
2 Required	−16.5	−18.5	−8.4	−15.0^{r}	−20.7	−18.6	−15.8	.5^{r}	−3.8
3 Nonborrowed	−17.6	−16.2	−7.2	−16.0	−19.9	−24.5	−9.3	−1.6^{r}	−6.7
4 Monetary base[3]	5.3	5.1	5.6	3.3	3.5	1.6	3.6	4.7	7.4
Concepts of money, liquid assets, and debt[4]									
5 M1	−6.5	−7.3	−.7	−5.5	−6.0	−11.3	−2.7	6	−1.0
6 M2	3.4	5.1	6.1	4.3	5.2	6.1	−.1	4.6	4.5
7 M3	5.5	8.2	8.2	7.1^{r}	7.9	9.5^{r}	2.0^{r}	5.9^{r}	11.0
8 L	6.5	7.2	6.7	7.7	8.2^{r}	10.3^{r}	3.1^{r}	6.4	n.a.
9 Debt	5.2^{r}	5.0	4.5	4.9	5.3	5.9	3.9^{r}	2.6	n.a.
Nontransaction components									
10 In M2[5]	7.7	10.3	8.7	8.1	9.6	12.7	.9^{r}	6.2	6.5
11 In M3 only[6]	13.4^{r}	19.6^{r}	15.6^{r}	16.8^{r}	16.8^{r}	21.3^{r}	8.9^{r}	10.1^{r}	32.7
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.0	17.0	14.0	10.7	17.1	17.6	−3.2	5.7	9.3
13 Small time[7]	3.7	4.7	2.9	5.9	5.1	5.6	6.2	11.6	12.6
14 Large time[8,9]	19.1	22.9	12.8	23.7	25.5	35.4	4.6	25.6	47.1
Thrift institutions									
15 Savings, including MMDAs	2	8	2.7	5.8	2.3	9.7	7.7	.0	−1.6
16 Small time[7]	−.3	3.0	.1	−3.1	−10.5	−4.1	3.4	−4.1	−13.3
17 Large time[8]	9.0	9.1	12.8	5.1	1.5	7.3	−1.5	11.7	21.6
Money market mutual funds									
18 Retail	16.3	17.2	16.3	14.7	19.9	24.5	−4.2	12.1	12.6
19 Institution-only	20.7	19.8	15.5	12.5	25.1	−.8	.0	28.1	19.6
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	−4.0^{r}	3.0^{r}	8.5^{r}	5.2^{r}	−10.1^{r}	16.2^{r}	3.6^{r}	−12.4^{r}	41.9
21 Eurodollars[10]	9.7^{r}	48.2^{r}	40.6^{r}	30.8^{r}	21.0^{r}	45.3^{r}	61.7^{r}	−50.5^{r}	7.5
Debt components[4]									
22 Federal	3.8	3.2	1.8	.7	4.7	2.4	−3.9	−3.9	n.a.
23 Nonfederal	5.7^{r}	5.6	5.4^{r}	6.3	5.6^{r}	7.2^{r}	6.6^{r}	4.8	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Includes both overnight and term.

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

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	May	June	July	June 18	June 25	July 2	July 9	July 16	July 23	July 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	448,786	449,169r	448,800	447,486	450,254r	456,507	449,824	450,680	446,383	447,439
U.S. government securities[2]										
2 Bought outright—System account[3]	405,099	407,635	410,681	407,195	409,750	409,846	411,184	411,118	410,818	409,823
3 Held under repurchase agreements	10,616	7,801	3,618	6,331	7,427	11,652	3,575	5,039	1,713	3,315
Federal agency obligations										
4 Bought outright	1,970	1,563	1,220	1,496	1,496	1,422	1,236	1,222	1,209	1,209
5 Held under repurchase agreements	680	862	814	659	457	831	1,513	1,096	163	350
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	66	94	105	9	69	425	21	10	27	216
8 Seasonal credit	176	243	330	221	295	304	294	303	347	378
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	150	474r	497	1,278	−27r	608	754	197	566	127
11 Other Federal Reserve assets	30,028	30,497	31,534	30,297	30,787	31,419	31,246	31,694	31,540	32,021
12 Gold stock	11,051	11,050	11,050	11,050	11,050	11,050	11,050	11,049	11,049	11,050
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,260r	25,311r	25,369	25,310r	25,322r	25,335	25,349	25,363	25,377	25,391
ABSORBING RESERVE FUNDS										
15 Currency in circulation	448,766r	451,823r	456,114	451,814r	451,528r	453,544	458,067	456,881	455,217	454,417
16 Treasury cash holdings	320	343	336	344	344	344	346	345	334	321
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	11,513	8,848	4,750	6,831	11,868	12,577	3,902	4,919	5,212	4,877
18 Foreign	175	182	175	172	208	177	171	190	168	172
19 Service-related balances and adjustments	7,117	7,185	7,309	7,146	7,122	7,559	7,285	7,251	7,293	7,361
20 Other	356	366	319	374	338	324	324	321	311	316
21 Other Federal Reserve liabilities and capital	15,132	15,497	15,354	15,198	15,194	15,467	15,172	15,359	15,343	15,670
22 Reserve balances with Federal Reserve Banks[4]	10,918	10,487r	10,063	11,168	9,223r	12,100	10,155	11,026	8,130	9,947

Factor	End-of-month figures			Wednesday figures						
	May	June	July	June 18	June 25	July 2	July 9	July 16	July 23	July 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	447,054	463,676r	448,947	450,774	457,103r	451,816	449,141	450,131	446,018	453,652
U.S. government securities[2]										
2 Bought outright—System account[3]	405,124	410,914	407,839	407,451	409,719	411,461	410,155	411,733	409,877	408,992
3 Held under repurchase agreements	7,453	15,456	6,326	9,211	13,140	3,360	3,415	4,840	1,650	8,927
Federal agency obligations										
4 Bought outright	1,970	1,496	1,209	1,496	1,496	1,236	1,236	1,209	1,209	1,209
5 Held under repurchase agreements	1,847	1,117	743	966	1,400	1,725	1,470	500	190	975
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	353	1,587	14	9	393	1,142	107	4	1	1,286
8 Seasonal credit	219	307	398	268	309	296	291	328	365	392
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	103	461r	959	811	−703r	1,848	1,253	128	948	−585
11 Other Federal Reserve assets	29,986	32,338	31,459	30,562	31,349	30,747	31,214	31,388	31,778	32,456
12 Gold stock	11,051	11,050	11,051	11,050	11,050	11,050	11,050	11,049	11,050	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,284r	25,335r	25,405	25,310r	25,322r	25,335	25,349	25,363	25,377	25,391
ABSORBING RESERVE FUNDS										
15 Currency in circulation	451,141r	453,624r	455,103	452,468r	452,834r	456,813	458,689	456,880	455,703	455,465
16 Treasury cash holdings	330	343	311	344	343	346	347	336	323	311
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,174	16,368	5,014	9,050	19,285	5,253	4,645	6,562	4,942	5,153
18 Foreign	177	178	175	167	468	172	170	265	163	170
19 Service-related balances and adjustments	7,124	7,559	7,139	7,146	7,122	7,559	7,285	7,251	7,293	7,361
20 Other	325	321	325	371	337	340	303	317	308	316
21 Other Federal Reserve liabilities and capital	16,037	15,517	14,785	14,940	15,166	14,971	15,101	15,167	15,138	15,540
22 Reserve balances with Federal Reserve Banks[4]	12,281	15,350r	11,752	11,846	7,120r	11,945	8,200	8,965	7,777	14,979

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

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1994	1995	1996	1997						
	Dec.	Dec.	Dec	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	11,710	11,455	11,515	12,308	10,916	10,291	9,854
2 Total vault cash[3]	40,378	42,094	44,426	47,172	43,375	42,116	41,381	41,111	42,398	43,129
3 Applied vault cash[4]	36,682	37,460	37,848	38,932	36,588	36,029	35,571	35,081	36,319	36,530
4 Surplus vault cash[5]	3,696	4,634	6,578	8,240	6,788	6,087	5,810	6,030	6,079	6,599
5 Total reserves[6]	61,340	57,900	51,243	50,642	48,043	47,543	47,879	45,997	46,610	46,383
6 Required reserves	60,172	56,622	49,819	49,419	47,012	46,383	46,869	44,757	45,330	45,179
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	1,223	1,031	1,160	1,010	1,240	1,280	1,204
8 Total borrowings at Reserve Banks[8]	209	257	155	45	42	156	261	243	367	409
9 Seasonal borrowings	100	40	68	19	21	37	88	173	243	330
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	Apr. 9	Apr. 23	May 7	May 21	June 4	June 18	July 2[r]	July 16	July 30	Aug. 13
1 Reserve balances with Reserve Banks[2]	12,620	12,516	11,493	10,547	11,030	9,782	10,639	10,560	9,007	10,251
2 Total vault cash[3]	41,640	40,986	41,838	40,879	40,929	43,447	41,664	42,756	43,703	43,250
3 Applied vault cash[4]	35,916	35,359	35,551	34,780	35,176	36,911	36,009	36,565	36,559	36,665
4 Surplus vault cash[5]	5,724	5,627	6,288	6,099	5,753	6,536	5,655	6,191	7,144	6,585
5 Total reserves[6]	48,536	47,874	47,043	45,326	46,205	46,693	46,648	47,125	45,566	46,916
6 Required reserves	47,313	47,209	45,619	44,280	44,821	45,417	45,398	45,739	44,561	45,576
7 Excess reserve balances at Reserve Banks[7]	1,223	665	1,424	1,046	1,384	1,276	1,250	1,386	1,005	1,340
8 Total borrowings at Reserve Banks[8]	344	228	219	189	336	222	547	314	484	426
9 Seasonal borrowings	61	86	127	169	210	205	300	299	363	371
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 9/5/97	Effective date	Previous rate	On 9/5/97	Effective date	Previous rate	On 9/5/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.60	8/28/97	5.55	6.10	8/28/97	6.05
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.60	8/28/97	5.55	6.10	8/28/97	6.05

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
In effect Sept. 5, 1997	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

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

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

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	0	0	0	4,006	0	596
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	380,327	405,296	426,928	34,211	40,346	33,997	31,720	33,160	47,456	33,022
4 For new bills	380,327	405,296	426,928	34,211	40,346	33,647	31,720	33,160	47,456	33,022
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	733	390	524	0	0	818	0	0	383	494
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512	2,259	2,481	5,086	3,143	2,006	5,666	1,476
9 Exchanges	−31,949	−35,407	−41,394	−1,950	−550	−2,864	−1,534	−2,100	−4,229	−2,250
10 Redemptions	2,337	1,776	2,015	0	607	0	0	376	0	0
One to five years										
11 Gross purchases	9,916	5,366	3,898	0	0	1,125	2,861	1,924	1,102	2,797
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−6,004	−34,646	−25,022	−2,259	−2,481	−4,926	−3,143	−2,006	−4,685	−1,476
14 Exchanges	26,458	26,387	31,459	1,950	550	1,874	1,534	1,700	2,479	2,250
Five to ten years										
15 Gross purchases	3,575	1,432	1,116	0	0	0	0	0	734	499
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,145	−3,093	−5,469	0	0	1,236	0	0	−981	0
18 Exchanges	4,717	7,220	6,666	0	0	890	0	400	1,750	0
More than ten years										
19 Gross purchases	3,606	2,529	1,655	0	0	0	1,117	0	988	906
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−918	−2,253	−20	0	0	−1,396	0	0	0	0
22 Exchanges	775	1,800	3,270	0	0	450	0	0	0	0
All maturities										
23 Gross purchases	35,314	20,649	17,094	0	0	1,943	3,978	5,930	3,206	5,292
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,676	2,015	0	607	0	0	376	0	0
Matched transactions										
26 Gross purchases	1,700,836	2,197,736	3,092,399	272,117	285,667	250,867	288,373	303,056	287,229	293,506
27 Gross sales	1,701,309	2,202,030	3,094,769	273,872	283,240	254,741	288,073	301,177	287,826	293,008
Repurchase agreements										
28 Gross purchases	309,276	331,694	457,568	85,924	74,422	48,805	60,425	102,578	46,552	60,286
29 Gross sales	311,898	328,497	450,359	73,501	86,673	45,747	60,718	62,685	89,477	47,070
30 Net change in U.S. Treasury securities	29,882	16,875	19,919	10,669	−10,430	1,127	3,984	47,326	−40,316	19,006
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	942	1,003	409	12	187	27	17	24	0	474
Repurchase agreements										
34 Gross purchases	52,696	36,851	75,354	7,796	17,668	9,795	14,300	10,178	7,954	9,228
35 Gross sales	52,696	36,776	74,842	8,947	17,995	9,454	14,830	10,285	7,096	9,131
36 Net change in federal agency obligations	−942	−928	103	−1,163	−514	314	−547	−131	858	−377
37 Total net change in System Open Market Account	**28,940**	**15,948**	**20,021**	**9,506**	**−10,944**	**1,441**	**3,437**	**47,195**	**−39,458**	**18,629**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

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

Millions of dollars

Account	Wednesday, 1997					End of month, 1997		
	July 2	July 9	July 16	July 23	July 30	May 31	June 30	July 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,050	11,050	11,049	11,050	11,051	11,051	11,050	11,051
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	473	459	468	471	477	531	492	484
Loans								
4 To depository institutions	1,438	398	332	366	1,679	571	1,894	411
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	1,236	1,236	1,209	1,209	1,209	1,970	1,496	1,209
8 Held under repurchase agreements	1,725	1,470	500	190	975	1,847	1,117	743
9 **Total U.S. Treasury securities**	**414,821**	**413,570**	**416,573**	**411,527**	**417,919**	**412,577**	**426,370**	**414,165**
10 Bought outright[2]	411,461	410,155	411,733	409,877	408,992	405,124	410,914	407,839
11 Bills	196,077	194,772	196,947	195,091	194,207	194,437	195,531	193,053
12 Notes	161,122	161,122	160,524	160,524	160,524	157,770	161,122	160,524
13 Bonds	54,261	54,261	54,261	54,261	54,261	52,916	54,261	54,261
14 Held under repurchase agreements	3,360	3,415	4,840	1,650	8,927	7,453	15,456	6,326
15 **Total loans and securities**	**419,220**	**416,674**	**418,615**	**413,292**	**421,782**	**416,965**	**430,878**	**416,529**
16 Items in process of collection	8,916	7,988	7,241	6,424	5,733	4,188	2,400	4,833
17 Bank premises	1,251	1,252	1,259	1,259	1,258	1,243	1,251	1,257
Other assets								
18 Denominated in foreign currencies[3]	17,972	17,979	17,986	17,992	17,999	18,080	17,970	17,204
19 All other[4]	11,696	12,213	12,267	12,400	13,074	10,727	13,295	12,976
20 **Total assets**	**479,778**	**476,815**	**478,084**	**472,088**	**480,574**	**471,985**	**486,536**	**473,534**
LIABILITIES								
21 Federal Reserve notes	432,297	434,145	432,321	431,119	430,862	426,718	429,124	430,492
22 **Total deposits**	**25,498**	**21,051**	**24,009**	**20,080**	**28,624**	**25,268**	**40,087**	**23,646**
23 Depository institutions	19,732	15,932	16,865	14,668	22,984	19,592	23,219	18,132
24 U.S. Treasury—General account	5,253	4,645	6,562	4,942	5,153	5,174	16,368	5,014
25 Foreign—Official accounts	172	170	265	163	170	177	178	175
26 Other	340	303	317	308	316	325	321	325
27 Deferred credit items	7,011	6,518	6,586	5,751	5,549	3,962	1,808	4,611
28 Other liabilities and accrued dividends[5]	4,779	4,691	4,663	4,575	4,929	5,187	5,029	4,919
29 **Total liabilities**	**469,585**	**466,405**	**467,580**	**461,525**	**469,963**	**461,135**	**476,048**	**463,667**
CAPITAL ACCOUNTS								
30 Capital paid in	5,055	5,063	5,074	5,079	5,087	4,828	5,050	5,087
31 Surplus	4,496	4,496	4,496	4,496	4,496	4,496	4,496	4,317
32 Other capital accounts	642	852	934	988	1,028	1,527	943	462
33 **Total liabilities and capital accounts**	**479,778**	**476,815**	**478,084**	**472,088**	**480,574**	**471,985**	**486,536**	**473,534**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	630,606	628,414	627,882	629,980	631,119	643,549	632,925	634,814
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	541,847	541,156	540,855	540,941	541,296	536,348	542,199	541,783
36 LESS: Held by Federal Reserve Banks	109,550	107,010	108,534	109,821	110,434	109,630	113,075	111,291
37 Federal Reserve notes, net	432,297	434,145	432,321	431,119	430,862	426,718	429,124	430,492
Collateral held against notes, net								
38 Gold certificate account	11,050	11,050	11,049	11,050	11,051	11,051	11,050	11,051
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	412,047	413,896	412,072	410,869	410,611	406,468	408,874	410,241
42 **Total collateral**	**432,297**	**434,145**	**432,321**	**431,119**	**430,862**	**426,718**	**429,124**	**430,492**

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997					1997		
	July 2	July 9	July 16	July 23	July 30	May 30	June 30	July 31
1 **Total loans**	**1,438**	**398**	**332**	**366**	**1,677**	**571**	**1,894**	**412**
2 Within fifteen days[1]	1,191	180	209	310	1,610	466	1,726	193
3. Sixteen days to ninety days	248	218	123	56	73	105	169	218
4 **Total U.S. Treasury securities[2]**	**414,821**	**413,570**	**416,573**	**411,527**	**417,919**	**412,577**	**426,370**	**414,165**
5 Within fifteen days[1]	12,768	17,059	19,827	15,482	16,820	8,778	23,839	9,419
6 Sixteen days to ninety days	95,093	89,047	87,937	94,167	92,691	100,730	94,494	88,758
7 Ninety-one days to one year	128,617	129,122	131,778	124,847	131,377	127,057	129,694	139,787
8 One year to five years	95,315	95,315	94,034	94,004	94,004	94,392	95,315	93,174
9 Five years to ten years	39,017	39,016	39,016	39,016	39,016	38,516	39,016	39,016
10 More than ten years	44,011	44,011	44,011	44,011	44,011	43,105	44,011	44,011
11 **Total federal agency obligations**	**2,961**	**2,706**	**1,709**	**1,399**	**2,184**	**3,797**	**2,613**	**2,130**
12 Within fifteen days[1]	1,752	1,497	500	354	1,154	2,301	1,392	922
13 Sixteen days to ninety days	269	329	349	200	185	434	281	185
14 Ninety-one days to one year	210	150	145	130	130	315	210	130
15 One year to five years	416	416	401	401	401	416	416	401
16 Five years to ten years	290	290	290	290	290	307	290	290
17 More than ten years	25	25	25	25	25	25	25	25

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

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

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec	1995 Dec	1996 Dec.	1996	1997						
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	60.55	59.40	56.39	50.06	50.06	49.52	49.01	48.31	47.43	47.05	47.11	46.89
2 Nonborrowed reserves[4]	60.46	59.20	56.13	49.91	49.91	49.47	48.97	48.16	47.17	46.81	46.74	46.48
3 Nonborrowed reserves plus extended credit[5]	60.46	59.20	56.13	49.91	49.91	49.47	48.97	48.16	47.17	46.81	46.74	46.48
4 Required reserves	59.48	58.24	55.11	48.64	48.64	48.29	47.98	47.15	46.42	45.81	45.83	45.68
5 Monetary base[6]	386.88	418.48	434.52	452.67	452.67	454.14	456.28	457.62	458.24	459.61	461.42	464.25
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.52	51.52	50.67	48.12	47.69	48.09	46.26	46.93	46.76
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	51.37	50.62	48.08	47.53	47.83	46.02	46.56	46.35
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.37	51.37	50.62	48.08	47.53	47.83	46.02	46.56	46.35
9 Required reserves[8]	61.31	59.96	56.74	50.10	50.10	49.44	47.09	46.53	47.08	45.02	45.65	45.56
10 Monetary base[9]	390.59	422.51	439.03	456.72	456.72	455.55	452.56	455.26	458.17	458.30	461.82	465.59
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	51.24	50.64	48.04	47.54	47.88	46.00	46.61	46.38
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	51.09	50.60	48.00	47.39	47.62	45.75	46.24	45.97
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	51.09	50.60	48.00	47.39	47.62	45.75	46.24	45.97
14 Required reserves	61.80	60.17	56.62	49.82	49.82	49.42	47.01	46.38	46.87	44.76	45.33	45.18
15 Monetary base[12]	397.62	427.25	444.45	463.49	463.49	462.71	459.64	462.22	465.06	465.23	468.80	472.62
16 Excess reserves[13]	1.06	1.17	1.28	1.42	1.42	1.22	1.03	1.16	1.01	1.24	1.28	1.20
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.16	.05	.04	.16	.26	24	.37	.41

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Apr.	1997 May	1997 June	1997 July
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.0	1,065.1	1,062.7	1,063.2	1,062.3
2 M2	3,486.6	3,502.1	3,655.0	3,834.3	3,905.0	3,904.7	3,919.8	3,934.4
3 M3	4,254.4	4,327.3r	4,592.5r	4,933.0r	5,067.5	5,075.8r	5,100.8r	5,147.5
4 L	5,167.8	5,308.4r	5,697.6r	6,098.7r	6,254.9r	6,270.9r	6,304.2	n.a.
5 Debt	12,508.7	13,150.9	13,866.9r	14,614.0r	14,857.8r	14,905.9r	14,937.8	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	403.7	406.1	407.7	410.3
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.3	8.2	8.0	8.2
8 Demand deposits[5]	385.2	384.1	391.1	402.4	395.4	395.6	397.3	396.4
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	257.7	252.8	250.1r	247.4
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,753.3	2,839.9	2,842.0r	2,856.6	2,872.1
11 In M3 only[8]	767.8	825.3r	937.5r	1,098.7r	1,162.5	1,171.1r	1,181.0r	1,213.2
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	947.9	945.4	949.9	957.3
13 Small time deposits[9]	468.3	503.2	576.0	592.0	598.9	602.0	607.8	614.2
14 Large time deposits[10, 11]	271.9	298.4	344.7	412.3	439.7	441.4	450.8r	468.5
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	373.1	375.5	375.5	375.0
16 Small time deposits[9]	314.3	314.3	357.7	353.7	350.8	351.8	350.6	346.7
17 Large time deposits[10]	61.5	64.7	75.1	79.2	82.5	82.4	83.2	84.7
Money market mutual funds								
18 Retail	354.9	384.3	455.2	536.6	569.2	567.2	572.9	578.9
19 Institution-only	209.5	198.5	246.9	299.3	311.6	311.6	318.9	324.1
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	194.0r	202.1r	202.7r	200.6r	207.6
21 Eurodollars[12]	66.4	80.8r	88.7r	113.9r	126.5r	133.0r	127.4r	128.2
Debt components								
22 Federal debt	3,323.3	3,492.2	3,638.8	3,780.4	3,806.8	3,794.3	3,782.1	n.a.
23 Nonfederal debt	9,185.4	9,658.7	10,228.1r	10,833.6r	11,051.1r	11,111.6r	11,155.7	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.0	1,071.6	1,051.8	1,062.5	1,063.9
25 M2	3,506.6	3,522.5	3,675.3	3,852.8	3,922.0r	3,887.2	3,917.3r	3,939.2
26 M3	4,274.8	4,347.4r	4,612.0r	4,950.0r	5,075.1	5,057.6r	5,097.0r	5,145.3
27 L	5,197.7	5,338.8r	5,729.5r	6,128.1r	6,266.7r	6,247.4r	6,288.7	n.a.
28 Debt	12,510.7	13,152.4	13,867.3r	14,612.1r	14,820.9r	14,857.6r	14,890.6	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	403.4	406.1	408.4	411.4
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.2	8.2	8.2	8.7
31 Demand deposits[5]	401.8	400.3	407.3	418.8	396.4	387.3	396.3	398.1
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	263.6r	250.2	249.5r	245.6
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,749.8	2,850.4	2,835.4	2,854.8r	2,875.4
34 In M3 only[8]	768.2	824.9r	936.6r	1,097.2r	1,153.1r	1,170.4r	1,179.7r	1,206.1
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	949.4	943.7	952.7r	960.7
36 Small time deposits[9]	466.8	501.5	573.8	589.8	600.6	603.2	608.2	614.8
37 Large time deposits[10, 11]	272.0	298.9	345.7	413.7	435.7	443.6	451.1r	466.0
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	373.7	374.8	376.6	376.3
39 Small time deposits[9]	313.3	313.2	356.3	352.4	351.8	352.5	350.8	347.1
40 Large time deposits[10]	61.5	64.8	75.4	79.5	81.8	82.8	83.3	84.2
Money market mutual funds								
41 Retail	355.0	385.0	456.3	538.1	574.8	561.1	566.5	576.5
42 Institution-only	210.6	199.8	248.2	300.5	309.2	307.0	313.1	321.0
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	188.8r	200.8r	205.3r	205.8r	208.3
44 Eurodollars[12]	67.6	81.8r	89.4r	114.7r	125.6r	131.8r	126.5r	126.5
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,810.3	3,781.3	3,766.2	n.a.
46 Nonfederal debt	9,181.2	9,653.5	10,221.4r	10,824.2r	11,010.6r	11,076.3r	11,124.5	n.a.

Footnotes appear on following page

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1995 Dec.	1996 Dec.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a	2.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.08	4.03	4.03	4.05	4.02	4.01	4.07	4.09	4.08
4 92 to 182 days	4.68	4.63	4.60	4.63	4.63	4.62	4.67	4.72	4.77	4.79[r]	4.76
5 183 days to 1 year	5.02	5.00	4.99	5.00	5.01	5.02	5.08	5.13	5.15	5.16	5.15
6 More than 1 year to 2½ years	5.17	5.22	5.23	5.22	5.25	5.27	5.36	5.46	5.45	5.44	5.41
7 More than 2½ years	5.40	5.46	5.48	5.46	5.49	5.51	5.60	5.69	5.68	5.69	5.63
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.92	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	2.82	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.67	4.66	4.75	4.73	4.80	4.83	4.81	4.82	4.87
11 92 to 182 days	4.95	5.02	5.03	5.02	5.05	5.04	5.06	5.13	5.15	5.13[r]	5.13
12 183 days to 1 year	5.18	5.28	5.29	5.28	5.31	5.31	5.37	5.43	5.45	5.47	5.44
13 More than 1 year to 2½ years	5.33	5.53	5.56	5.53	5.58	5.59	5.69	5.75	5.77	5.72	5.74
14 More than 2½ years	5.46	5.72	5.76	5.72	5.77	5.78	5.84	5.91	5.91	5.90[r]	5.89
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a	167,503	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	896,820	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Personal	615,113	n.a	713,672	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a	183,148	n.a.	n.a.	n.a.	n.a	n.a	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,931	32,044	32,931	32,799	32,796	34,853	34,485	32,561	31,464[r]	30,115
20 92 to 182 days	93,941	92,301	92,503	92,301	94,955	95,235	93,804	92,432	91,234	91,512[r]	90,765
21 183 days to 1 year	183,834	201,449	201,281	201,449	201,491	202,329	203,336	207,006	209,296	211,961[r]	211,772
22 More than 1 year to 2½ years	208,601	213,198	214,405	213,198	213,875	212,970	214,066	226,159	220,795	228,783[r]	231,833
23 More than 2½ years	199,002	199,906	198,539	199,906	198,077	197,958	200,282	199,147	198,694	197,903[r]	195,665
24 IRA and Keogh plan deposits	150,067	151,275	151,389	151,275	150,442	150,356	151,931	151,105	151,192	152,639[r]	152,137
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	9,710	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 Savings deposits[2,3]	68,643	n.a.	68,102	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	64,369	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a	3,733	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,428	2,405	2,428	2,542	2,535	2,656	2,698	2,738	2,684	2,596
30 92 to 182 days	12,140	13,013	13,074	13,013	13,112	13,099	13,377	13,463	13,731	13,747[r]	13,629
31 183 days to 1 year	25,686	28,792	29,329	28,792	29,503	29,510	30,002	30,076	29,661	29,804[r]	29,850
32 More than 1 year to 2½ years	27,482	29,095	28,573	29,095	29,163	29,699	31,028	31,616	31,664	32,126[r]	32,730
33 More than 2½ years	22,866	22,254	21,823	22,254	21,828	21,877	21,731	21,640	21,391	21,472[r]	21,171
34 IRA and Keogh plan accounts	21,408	21,365	20,627	21,365	20,405	20,423	20,860	20,860	20,683	20,595[r]	20,557

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. Owing to statistical difficulties associated in part with the implementation of sweep accounts, estimates for NOW and savings accounts are not available beginning December 1996.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

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

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 9	July 16	July 23	July 30
	Seasonally adjusted											
Assets												
1 Bank credit	3,685.6	3,803.8	3,840.4	3,860.1	3,900.9	3,909.2	3,932.4	3,963.0	3,946.3	3,958.6	3,962.1	3,984.7
2 Securities in bank credit	984.7	1,004.4	1,020.1	1,014.2	1,034.0	1,015.7	1,012.5	1,032.5	1,026.1	1,029.6	1,031.3	1,044.0
3 U.S. government securities	708.2	706.4	703.6	708.3	723.6	723.3	726.4	727.2	733.5	724.3	721.7	727.7
4 Other securities	276.5[r]	298.0	316.5	305.9	310.4	292.4	286.1	305.3	292.5	305.3	309.7	316.3
5 Loans and leases in bank credit[2]	2,700.9	2,799.4	2,820.3	2,845.9	2,866.9	2,893.5	2,920.0	2,930.5	2,920.2	2,929.0	2,930.7	2,940.6
6 Commercial and industrial	744.7	785.4	793.7	798.0	805.2	811.0	817.9	822.1	819.9	822.7	821.2	823.9
7 Real estate	1,104.8	1,134.7	1,140.3	1,153.9	1,166.9	1,177.7	1,187.1	1,191.6	1,189.9	1,190.2	1,192.6	1,194.0
8 Revolving home equity	80.1	85.7	86.5	87.9	89.7	90.9	92.4	93.3	93.0	93.2	93.4	93.6
9 Other	1,024.7	1,049.0	1,053.8	1,066.0	1,077.2	1,086.8	1,094.8	1,098.3	1,096.9	1,097.0	1,099.1	1,100.4
10 Consumer	511.8	521.5	520.5	518.1	516.2	519.1	521.7	521.4	520.9	521.1	521.9	522.0
11 Security[3]	77.9	82.4	83.9	88.2	89.7	89.1	94.0	95.3	91.3	94.9	94.1	100.8
12 Other loans and leases	261.7	275.5	282.0	287.7	288.9	296.6	299.3	300.1	298.2	300.2	301.0	300.0
13 Interbank loans	197.7	198.9	204.7	220.0	216.0	218.6	191.7	186.1	179.2	193.6	189.0	182.8
14 Cash assets[4]	220.5	232.2	233.4	239.9	246.4	244.0	248.3	244.8	237.8	248.8	244.2	248.5
15 Other assets[5]	247.7	256.2	265.0	272.8	277.3	277.7	282.7	277.8	277.5	279.1	277.9	277.7
16 **Total assets[6]**	**4,294.0**	**4,435.0**	**4,487.4**	**4,536.6**	**4,584.0**	**4,593.0**	**4,598.2**	**4,614.4**	**4,583.3**	**4,622.8**	**4,616.0**	**4,636.5**
Liabilities												
17 Deposits	2,743.0	2,871.9	2,892.6	2,916.1	2,949.7	2,937.3	2,971.8	2,992.4	2,983.5	3,000.7	2,990.7	2,992.0
18 Transaction	743.9	715.1	705.1	699.8	701.9	690.1	694.5	688.7	673.7	694.8	691.6	696.1
19 Nontransaction	1,999.1	2,156.8	2,187.6	2,216.3	2,247.8	2,247.2	2,277.3	2,303.6	2,309.7	2,305.9	2,299.1	2,295.9
20 Large time	447.3[r]	526.7	542.3	548.5	567.8	563.2	580.5	599.7	599.3	597.2	599.2	604.0
21 Other	1,551.8[r]	1,630.1	1,645.2	1,667.8	1,679.9	1,684.0	1,696.7	1,703.9	1,710.5	1,708.7	1,699.9	1,691.9
22 Borrowings	701.1	724.2	735.2	747.9	763.7	766.9	737.6	736.5	728.5	731.3	735.4	749.0
23 From banks in the U.S.	287.1	300.6	304.9	313.0	313.2	302.8	271.2	266.5	264.0	270.8	260.0	269.5
24 From others	414.0	423.6	430.3	434.8	450.6	464.0	466.4	470.0	464.6	460.5	475.4	479.5
25 Net due to related foreign offices	257.4	222.3	217.7	209.1	211.5	233.7	229.4	215.3	220.5	225.4	209.1	207.6
26 Other liabilities	219.9	268.5	286.2	277.6	270.3	262.5	263.2	277.3	270.1	272.1	279.9	289.8
27 **Total liabilities**	**3,921.5**	**4,086.9**	**4,131.7**	**4,150.7**	**4,195.2**	**4,200.3**	**4,201.9**	**4,221.5**	**4,202.5**	**4,229.4**	**4,215.0**	**4,238.5**
28 Residual (assets less liabilities)[7]	372.6	348.1	355.7	385.9	388.8	392.7	396.2	392.9	380.8	393.4	401.0	398.0
	Not seasonally adjusted											
Assets												
29 Bank credit	3,682.8	3,802.5	3,833.2	3,850.5	3,900.4	3,913.9	3,936.1	3,958.7	3,945.8	3,952.2	3,951.5	3,980.4
30 Securities in bank credit	983.3	995.8	1,016.7	1,016.9	1,036.4	1,024.8	1,018.9	1,029.7	1,024.5	1,023.6	1,026.0	1,043.9
31 U.S. government securities	705.8	700.4	702.3	712.9	726.3	725.8	726.2	723.1	726.8	719.3	718.2	726.2
32 Other securities	277.5	295.4	314.4	304.0	310.2	299.0	292.8	306.7	297.7	304.4	307.9	317.7
33 Loans and leases in bank credit[2]	2,699.5[r]	2,806.7	2,816.5	2,833.7	2,863.9	2,889.1	2,917.2	2,928.9	2,921.3	2,928.5	2,925.5	2,936.5
34 Commercial and industrial	745.8[r]	783.1	793.3	800.6	812.5	817.8	821.4	823.4	823.3	823.9	821.7	822.6
35 Real estate	1,104.8	1,136.7	1,137.2	1,147.9	1,162.4	1,173.3	1,185.5	1,191.7	1,190.6	1,190.9	1,191.8	1,193.5
36 Revolving home equity	80.1	85.7	86.1	87.1	88.9	90.6	92.4	93.3	93.0	93.3	93.4	93.7
37 Other	1,024.7	1,051.0	1,051.1	1,060.8	1,073.5	1,082.6	1,093.1	1,098.4	1,097.6	1,097.6	1,098.4	1,099.8
38 Consumer	509.7	527.2	521.2	513.5	513.7	517.0	518.8	519.0	516.9	518.3	520.1	521.2
39 Security[3]	76.5	81.6	85.0	87.8	90.2	89.5	93.6	93.8	89.4	93.6	92.4	99.6
40 Other loans and leases	262.6	278.1	279.8	283.8	285.1	291.4	298.0	301.1	301.1	301.8	299.5	299.6
41 Interbank loans	195.2	208.7	209.1	216.4	214.4	214.2	189.2	183.8	181.7	191.1	181.8	179.3
42 Cash assets[4]	217.3	242.5	234.5	230.8	241.7	241.8	244.9	241.1	240.3	245.0	228.9	246.0
43 Other assets[5]	249.4	256.8	264.9	268.2	275.0	280.0	282.8	279.8	280.9	279.1	276.1	281.9
44 **Total assets[6]**	**4,287.5**	**4,454.7**	**4,485.8**	**4,509.8**	**4,574.9**	**4,593.2**	**4,596.0**	**4,606.4**	**4,591.7**	**4,610.4**	**4,581.3**	**4,630.6**
Liabilities												
45 Deposits	2,734.5	2,875.8	2,877.6	2,904.8	2,947.1	2,928.6	2,967.0	2,983.7	2,991.3	2,990.0	2,958.8	2,982.5
46 Transaction	737.0	726.5	698.1	687.6	705.1	680.2	688.8	682.5	681.2	686.2	664.2	689.8
47 Nontransaction	1,997.4	2,149.2	2,179.5	2,217.3	2,242.0	2,248.4	2,278.2	2,301.2	2,310.1	2,303.8	2,294.6	2,292.6
48 Large time	444.2[r]	525.4	541.9	548.6	563.5	568.1	580.3	595.4	590.7	592.5	597.2	603.0
49 Other	1,553.2[r]	1,623.8	1,637.6	1,668.6	1,678.5	1,680.4	1,697.9	1,705.9	1,719.4	1,711.3	1,697.3	1,689.7
50 Borrowings	714.7	718.6	719.7	728.4	764.7	776.7	756.7	749.8	740.9	747.3	747.1	759.0
51 From banks in the U.S.	296.1	294.8	293.1	301.3	311.9	310.9	284.0	274.4	272.4	279.2	266.4	276.4
52 From others	418.6	423.8	426.6	427.1	452.7	465.8	472.7	475.3	468.5	468.1	480.8	482.6
53 Net due to related foreign offices	252.0	232.7	228.6	218.3	210.1	236.7	220.0	211.5	208.7	217.1	212.9	210.7
54 Other liabilities	218.8	265.8	288.1	275.8	270.6	266.1	265.5	275.6	266.9	270.5	276.8	289.9
55 **Total liabilities**	**3,920.0**	**4,092.8**	**4,114.1**	**4,127.3**	**4,192.5**	**4,208.0**	**4,209.1**	**4,220.6**	**4,207.8**	**4,224.9**	**4,195.6**	**4,242.0**
56 Residual (assets less liabilities)[7]	367.5	361.9	371.7	382.4	382.4	385.2	386.9	385.8	383.9	385.5	385.7	388.6
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	88.7	101.8	90.4	90.1	81.4	76.7	87.8	78.3	82.5	86.5	90.7
58 Revaluation losses on off-balance-sheet items[8]	n.a.	85.0	98.5	86.9	88.0	85.7	81.4	92.4	80.8	86.4	90.4	96.3

Footnotes appear on p. A21.

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

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	July	Jan.	Feb.	Mar.	Apr.	May	June	July	July 9	July 16	July 23	July 30
	Seasonally adjusted											
Assets												
1 Bank credit	3,216.7	3,288.1	3,309.8	3,334.8	3,367.2	3,369.3	3,389.8	3,417.1	3,402.0	3,415.4	3,422.1	3,429.2
2 Securities in bank credit	833.8	834.4	843.2	841.3	855.9	840.1	835.0	847.5	840.6	847.0	849.9	853.8
3 U.S. government securities	628.0	624.6	618.2	624.7	635.7	633.4	634.1	633.6	635.0	632.7	633.7	632.2
4 Other securities	205.8	209.8	225.0	216.6	220.2	206.8	201.0	214.0	205.6	214.3	216.2	221.6
5 Loans and leases in bank credit[2]	2,382.9	2,453.7	2,466.6	2,493.5	2,511.3	2,529.1	2,554.7	2,569.5	2,561.4	2,568.4	2,572.3	2,575.3
6 Commercial and industrial	550.7	571.0	576.5	581.9	588.6	591.3	597.3	601.6	599.2	601.9	602.1	602.6
7 Real estate	1,071.8	1,102.8	1,108.2	1,122.3	1,135.5	1,147.1	1,157.5	1,163.1	1,161.1	1,161.8	1,164.2	1,165.4
8 Revolving home equity	80.1	85.7	86.5	87.9	89.7	90.9	92.4	93.3	93.0	93.2	93.4	93.6
9 Other	991.8	1,017.2	1,021.8	1,034.4	1,045.8	1,056.2	1,065.1	1,069.8	1,068.1	1,068.6	1,070.8	1,071.8
10 Consumer	511.8	521.5	520.5	518.1	516.2	519.1	521.7	521.4	520.9	521.1	521.9	522.0
11 Security[3]	45.9	44.3	44.1	48.4	46.5	45.6	48.0	50.5	49.8	50.6	48.9	52.5
12 Other loans and leases	202.7	214.1	217.2	222.7	224.5	226.0	230.2	233.1	230.5	233.0	235.2	232.8
13 Interbank loans	178.2	176.2	183.8	197.3	197.0	198.0	171.8	166.5	160.7	174.0	168.8	162.9
14 Cash assets[4]	192.2	201.1	200.5	207.6	213.7	210.0	212.6	210.8	204.4	215.0	210.5	214.2
15 Other assets[5]	209.8	218.2	223.9	231.8	238.2	238.8	241.5	234.7	233.7	234.4	236.2	235.1
16 **Total assets**[6]	**3,739.7**	**3,827.7**	**3,862.2**	**3,915.5**	**3,959.8**	**3,959.8**	**3,958.9**	**3,972.1**	**3,943.8**	**3,981.8**	**3,980.7**	**3,984.5**
Liabilities												
17 Deposits	2,563.8	2,646.2	2,654.7	2,673.4	2,691.8	2,685.1	2,713.4	2,721.1	2,710.7	2,732.3	2,720.3	2,717.9
18 Transaction	733.3	704.8	695.4	689.3	691.1	678.8	683.4	677.5	662.4	684.1	680.3	684.7
19 Nontransaction	1,830.5	1,941.4	1,959.3	1,984.1	2,000.7	2,006.3	2,030.1	2,043.6	2,048.4	2,048.2	2,040.1	2,033.2
20 Large time	281.1[r]	313.5	318.1	319.9	323.4	324.9	335.9	342.4	340.5	342.1	342.7	344.2
21 Other	1,549.4	1,627.9	1,641.3	1,664.2	1,677.3	1,681.4	1,694.2	1,701.3	1,707.8	1,706.2	1,697.3	1,689.0
22 Borrowings	577.5	593.9	592.0	607.9	623.7	623.1	596.1	598.8	592.3	593.3	604.0	606.0
23 From banks in the U.S.	256.5	272.6	271.0	278.3	280.4	269.7	240.1	235.9	235.9	238.2	231.9	236.7
24 From others	320.9	321.3	321.0	329.6	343.3	353.4	356.0	362.9	356.4	355.1	372.1	369.3
25 Net due to related foreign offices	79.3	72.0	78.2	68.0	77.1	85.1	80.7	85.3	83.5	92.4	83.0	86.1
26 Other liabilities	151.2	178.6	186.4	183.7	178.3	173.1	173.0	180.7	177.3	176.7	183.0	186.9
27 **Total liabilities**	**3,371.8**	**3,490.7**	**3,511.3**	**3,533.0**	**3,570.9**	**3,566.5**	**3,563.3**	**3,585.8**	**3,563.8**	**3,594.6**	**3,590.3**	**3,596.9**
28 Residual (assets less liabilities)[7]	367.9	337.0	350.9	382.5	388.9	393.4	395.6	386.3	380.0	387.3	390.4	387.6
	Not seasonally adjusted											
Assets												
29 Bank credit	3,212.5	3,289.5	3,302.1	3,325.4	3,366.6	3,371.3	3,393.1	3,412.3	3,403.2	3,409.5	3,410.2	3,423.0
30 Securities in bank credit	832.3	829.6	838.8	843.3	857.9	844.3	840.8	846.0	842.7	843.7	845.0	851.8
31 U.S. government securities	626.7	617.6	615.1	626.3	638.9	635.3	635.2	632.2	633.6	631.2	631.5	631.7
32 Other securities	205.6	212.0	223.7	217.0	219.0	209.0	205.7	213.8	209.1	212.4	213.5	220.1
33 Loans and leases in bank credit[2]	2,380.2	2,459.9	2,463.2	2,482.1	2,508.7	2,527.0	2,552.2	2,566.4	2,560.5	2,565.8	2,565.2	2,571.2
34 Commercial and industrial	550.7	568.8	576.2	584.9	595.2	597.8	600.0	601.7	601.2	601.9	601.1	601.1
35 Real estate	1,072.0	1,104.8	1,105.1	1,116.4	1,131.4	1,142.9	1,155.9	1,163.2	1,161.8	1,162.6	1,163.4	1,165.2
36 Revolving home equity	80.1	85.7	86.1	87.1	88.9	90.6	92.4	93.3	93.0	93.3	93.4	93.7
37 Other	991.9	1,019.2	1,019.1	1,029.3	1,042.5	1,052.3	1,063.6	1,069.9	1,068.8	1,069.3	1,070.0	1,071.5
38 Consumer	509.7	527.2	521.2	513.5	513.7	517.0	518.8	519.0	516.9	518.3	520.1	521.2
39 Security[3]	44.5	43.5	45.2	48.1	47.0	46.0	47.6	48.9	47.9	49.3	47.3	51.3
40 Other loans and leases	203.2	215.6	215.5	219.2	221.3	223.2	229.8	233.5	232.7	233.7	233.3	232.4
41 Interbank loans	175.8	186.1	188.2	193.7	195.4	193.6	169.3	164.2	163.2	171.5	161.6	159.5
42 Cash assets[4]	188.8	211.1	202.4	199.0	209.8	207.8	208.5	207.0	206.8	211.3	195.2	211.5
43 Other assets[5]	212.2	219.6	223.0	227.8	237.3	240.1	241.7	237.6	238.5	235.4	235.1	239.6
44 **Total assets**[6]	**3,732.3**	**3,850.5**	**3,859.9**	**3,890.0**	**3,952.9**	**3,956.3**	**3,955.7**	**3,964.4**	**3,955.0**	**3,970.9**	**3,945.4**	**3,976.7**
Liabilities												
45 Deposits	2,557.2	2,649.9	2,642.8	2,662.3	2,695.6	2,675.9	2,708.2	2,715.4	2,725.7	2,724.4	2,689.6	2,708.9
46 Transaction	726.4	716.2	688.2	677.3	694.8	669.4	677.8	671.2	670.1	675.3	653.0	678.5
47 Nontransaction	1,830.8	1,933.8	1,954.7	1,985.0	2,000.9	2,006.5	2,030.5	2,044.2	2,055.6	2,049.2	2,036.6	2,030.4
48 Large time	279.9	312.1	320.9	319.9	324.9	328.7	335.2	341.0	338.8	340.4	341.8	343.5
49 Other	1,550.8[r]	1,621.6	1,633.7	1,665.1	1,676.0	1,677.8	1,695.3	1,703.3	1,716.9	1,708.8	1,694.8	1,686.8
50 Borrowings	583.5	591.5	583.1	594.3	622.1	633.0	610.2	603.0	594.9	598.8	607.4	608.9
51 From banks in the U.S.	264.2	265.8	261.5	268.2	278.9	278.2	251.2	242.2	241.4	244.7	238.9	241.9
52 From others	319.3	325.6	321.6	326.1	343.2	354.8	359.0	360.8	353.5	354.1	368.6	367.0
53 Net due to related foreign offices	77.1	73.6	79.9	72.5	78.8	92.3	79.6	82.6	76.3	88.0	83.2	87.6
54 Other liabilities	151.7	176.7	185.8	182.0	178.8	174.1	174.4	181.2	177.2	177.7	183.0	187.6
55 **Total liabilities**	**3,369.4**	**3,491.8**	**3,491.7**	**3,511.1**	**3,575.4**	**3,575.4**	**3,572.3**	**3,582.2**	**3,574.0**	**3,589.0**	**3,563.2**	**3,592.9**
56 Residual (assets less liabilities)[7]	362.9	358.7	368.2	378.8	377.5	380.9	383.4	382.1	381.0	381.9	382.2	383.8
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	47.5	55.9	49.0	49.5	42.0	38.5	44.3	41.2	42.8	45.5	48.3
58 Revaluation losses on off-balance-sheet items[8]	n.a.	44.0	50.9	43.2	44.6	43.4	40.2	45.7	41.3	43.9	46.9	51.1
59 Mortgage-backed securities[9]	n.a.	244.9	244.1	246.2	249.5	249.6	249.0	250.2	252.2	251.6	251.4	251.4

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	July[r]	Jan.	Feb.	Mar.	Apr.	May	June	July	July 9	July 16	July 23	July 30
	Seasonally adjusted											
Assets												
1 Bank credit	1,892.5	1,921.1	1,940.0	1,952.0	1,970.3	1,962.3	1,973.9	1,993.6	1,984.2	1,994.0	1,996.4	1,999.8
2 Securities in bank credit	433.8	432.7	443.0	437.5	448.4	431.9	428.1	440.9	435.1	441.0	442.4	446.0
3 U.S. government securities	307.3	303.2	297.8	302.1	311.4	308.2	309.6	308.8	311.4	308.4	308.2	306.5
4 Trading account	20.9	17.3	16.2	18.3	20.3	19.4	23.1	24.9	25.4	25.7	25.1	22.8
5 Investment account	286.3	286.0	281.6	283.8	291.1	288.8	286.4	283.9	286.0	282.7	283.1	283.7
6 Other securities	126.6	129.4	145.2	135.4	137.0	123.7	118.5	132.1	123.7	132.6	134.2	139.5
7 Trading account	58.1	64.6	79.9	69.3	71.9	58.3	51.7	64.1	57.1	65.3	66.3	69.8
8 Investment account	68.5	64.9	65.3	66.0	65.1	65.4	66.8	68.0	66.6	67.4	67.9	69.7
9 State and local government	20.6	20.5	21.1	20.8	20.8	21.1	21.7	22.1	22.2	22.0	22.1	22.2
10 Other	47.9	44.3	44.1	45.2	44.3	44.3	45.1	45.9	44.4	45.3	45.8	47.5
11 Loans and leases in bank credit[2]	1,458.7	1,488.5	1,497.0	1,514.6	1,521.9	1,530.4	1,545.8	1,552.7	1,549.1	1,553.0	1,554.0	1,553.8
12 Commercial and industrial	385.2	398.2	402.1	406.2	411.7	412.8	417.2	419.3	417.8	419.7	419.8	419.4
13 Bankers acceptances	1.6	1.9	1.6	1.7	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.5
14 Other	383.6	396.3	400.5	404.5	410.1	411.2	415.6	417.8	416.3	418.1	418.2	417.9
15 Real estate	594.4	599.4	600.1	606.0	609.3	615.8	620.7	619.9	620.6	619.5	619.8	619.5
16 Revolving home equity	57.1	59.2	59.6	60.4	61.0	61.9	63.2	63.9	63.7	63.9	64.0	64.2
17 Other	537.3	540.2	540.4	545.6	548.3	553.9	557.5	556.0	556.9	555.6	555.8	555.3
18 Consumer	295.2	299.7	301.4	300.0	298.5	299.9	300.2	300.6	300.5	301.0	300.9	300.4
19 Security[3]	41.5	39.8	39.4	43.5	41.9	40.9	43.3	45.7	45.1	45.8	44.1	47.8
20 Federal funds sold to and repurchase agreements with broker–dealers	25.8	23.9	24.0	27.1	23.8	23.3	26.5	28.6	28.3	28.4	27.6	29.8
21 Other	15.7	15.9	15.3	16.5	18.1	17.6	16.9	17.1	16.7	17.5	16.6	18.0
22 State and local government	11.8	11.7	11.6	11.5	11.2	11.1	11.2	11.2	11.2	11.2	11.1	11.1
23 Agricultural	9.1	8.7	8.7	8.7	8.7	8.9	8.8	8.7	8.7	8.6	8.7	8.7
24 Federal funds sold to and repurchase agreements with others	5.6	6.1	5.3	6.2	7.3	5.7	6.3	7.3	7.3	7.1	7.7	6.8
25 All other loans	63.2	61.2	62.7	64.9	64.1	64.8	66.0	65.7	64.1	66.0	67.1	65.1
26 Lease-financing receivables	52.7	63.8	65.8	67.4	69.1	70.5	72.2	74.3	73.8	74.1	74.6	74.9
27 Interbank loans	138.9	129.3	133.8	143.3	148.9	149.6	121.5	115.2	109.7	122.3	117.6	112.3
28 Federal funds sold to and repurchase agreements with commercial banks	93.1	81.4	83.9	92.0	96.8	93.4	69.8	69.5	63.9	77.2	72.4	66.6
29 Other	45.8	47.9	49.9	51.3	52.1	56.3	51.7	45.7	45.8	45.2	45.2	45.7
30 Cash assets[4]	134.9	139.0	135.5	140.4	145.2	143.0	142.8	141.8	138.2	144.0	141.2	144.8
31 Other assets[5]	163.4	169.8	173.3	174.4	179.6	181.4	179.3	172.7	173.0	171.9	174.0	172.2
32 **Total assets[6]**	**2,291.5**	**2,322.7**	**2,346.2**	**2,373.7**	**2,407.3**	**2,399.8**	**2,380.8**	**2,386.6**	**2,368.1**	**2,395.5**	**2,392.6**	**2,392.5**
Liabilities												
33 Deposits	1,414.1	1,447.6	1,445.4	1,453.3	1,465.7	1,455.3	1,469.8	1,462.9	1,459.9	1,470.6	1,460.4	1,457.4
34 Transaction	429.4	402.9	392.7	385.8	385.7	375.1	378.3	371.6	364.2	375.9	372.2	374.6
35 Nontransaction	984.7	1,044.8	1,052.7	1,067.6	1,080.0	1,080.1	1,091.4	1,091.3	1,095.7	1,094.7	1,088.2	1,082.8
36 Large time	142.4	159.7	162.8	163.5	167.8	167.9	176.1	180.7	179.2	180.2	181.0	182.0
37 Other	842.4	885.1	890.0	904.1	912.2	912.2	915.3	910.7	916.5	914.5	907.2	900.7
38 Borrowings	436.0	440.0	439.4	453.1	466.2	466.8	438.6	438.4	434.5	434.4	442.0	442.3
39 From banks in the U.S.	177.3	188.1	187.4	194.0	195.4	184.2	160.4	160.4	161.3	163.4	155.5	160.2
40 From others	258.7	251.9	252.0	259.1	270.8	282.6	278.2	278.1	273.2	271.0	286.5	282.1
41 Net due to related foreign offices	73.6	68.0	74.2	64.1	72.7	80.9	76.9	80.5	78.2	87.5	78.4	81.3
42 Other liabilities	126.0	154.4	161.5	157.4	152.3	146.4	145.8	154.2	150.9	150.4	156.8	160.2
43 **Total liabilities**	**2,049.8**	**2,110.0**	**2,120.5**	**2,127.9**	**2,156.8**	**2,149.4**	**2,131.1**	**2,136.0**	**2,123.5**	**2,142.9**	**2,137.6**	**2,141.2**
44 Residual (assets less liabilities)[7]	241.7	212.7	225.7	245.8	250.4	250.5	249.7	250.6	244.6	252.6	255.0	251.3

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	July[r]	Jan.	Feb.	Mar.	Apr.	May	June	July	July 9	July 16	July 23	July 30
	Not seasonally adjusted											
Assets												
45 Bank credit	1,887.8	1,924.4	1,937.7	1,947.2	1,969.3	1,964.5	1,976.3	1,988.5	1,984.2	1,986.8	1,984.5	1,994.4
46 Securities in bank credit	433.1	429.4	440.3	438.1	447.0	434.3	432.1	440.1	437.3	438.0	438.4	445.8
47 U.S. government securities	306.7	297.5	296.2	302.6	311.5	308.6	308.8	308.2	310.0	307.4	306.9	307.9
48 Trading account	20.0	16.4	16.4	19.4	20.5	19.6	21.6	23.8	23.4	24.4	23.8	23.2
49 Investment account	286.7	281.2	279.8	283.3	290.9	289.0	287.2	284.4	286.6	283.0	283.0	284.7
50 Mortgage-backed securities		181.1	181.9	183.7	186.3	186.1	186.4	187.7	188.4	187.9	187.2	187.2
51 Other		99.6	97.4	99.0	104.2	102.4	100.3	96.2	98.1	95.1	95.9	97.5
52 One year or less	n.a.	27.5	26.2	26.5	28.9	27.4	27.3	25.7	25.4	25.3	25.2	27.1
53 Between one and five years		58.3	56.1	56.2	57.3	56.5	54.3	50.5	53.6	50.5	49.9	48.8
54 More than five years		13.8	15.0	16.3	17.9	18.5	18.7	20.0	19.2	19.3	20.8	21.6
55 Other securities	126.4	131.9	144.1	135.5	135.5	125.7	123.3	131.9	127.3	130.6	131.5	137.9
56 Trading account	58.7	66.5	78.8	69.8	70.7	60.5	56.9	64.8	61.6	64.0	64.7	69.1
57 Investment account	67.7	65.4	65.4	65.7	64.8	65.1	66.4	67.1	65.7	66.6	66.9	68.8
58 State and local government	20.2	20.6	21.1	20.8	20.9	21.2	21.8	21.7	21.6	21.6	21.8	21.9
59 Other	47.4	44.8	44.2	44.9	43.8	43.9	44.6	45.4	44.0	45.0	45.1	46.9
60 Loans and leases in bank credit[2]	1,454.7	1,495.0	1,497.4	1,509.0	1,522.4	1,530.2	1,544.2	1,548.4	1,547.0	1,548.9	1,546.0	1,548.5
61 Commercial and industrial	385.2	396.0	402.1	408.6	417.0	417.9	418.7	419.4	419.1	419.5	419.1	418.7
62 Bankers acceptances	1.5	1.9	1.6	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5
63 Other	383.7	394.2	400.5	407.0	415.5	416.4	417.1	417.9	417.6	418.0	417.6	417.2
64 Real estate	594.1	601.8	599.5	603.1	607.9	613.2	619.3	619.6	621.1	619.6	618.6	618.9
65 Revolving home equity	57.1	59.3	59.4	59.9	60.6	61.8	63.2	63.9	63.7	63.9	64.0	64.2
66 Other	n.a.	331.1	328.4	330.3	336.6	340.4	343.2	343.1	345.4	344.4	343.6	343.4
67 Commercial	n.a.	209.1	209.4	210.7	208.5	208.7	210.5	210.3	212.1	211.3	211.0	211.2
68 Consumer	293.4	304.3	301.2	297.2	296.5	298.2	299.1	298.4	297.7	298.4	298.8	299.0
69 Security[3]	40.2	38.9	40.4	43.2	42.4	41.5	43.0	44.3	43.1	44.7	42.8	46.9
70 Federal funds sold to and repurchase agreements with broker–dealers	25.1	22.9	24.3	26.8	24.8	24.1	26.0	27.9	27.0	28.2	27.3	29.2
71 Other	15.1	16.0	16.1	16.4	17.6	17.4	17.0	16.5	16.1	16.5	15.5	17.7
72 State and local government	11.8	11.5	11.5	11.5	11.2	11.1	11.2	11.2	11.3	11.2	11.2	11.2
73 Agricultural	9.3	8.6	8.4	8.5	8.6	8.9	8.9	8.9	8.9	8.9	9.0	9.0
74 Federal funds sold to and repurchase agreements with others	5.8	6.2	6.1	6.2	7.0	5.8	6.5	7.5	7.4	7.5	7.8	7.0
75 All other loans	62.6	62.9	61.7	63.0	62.8	63.2	65.5	65.1	64.8	65.4	64.9	63.8
76 Lease-financing receivables	52.4	64.8	66.4	67.8	68.9	70.4	72.0	73.8	73.5	73.7	73.9	74.2
77 Interbank loans	139.1	137.9	136.1	139.8	146.9	148.6	121.8	115.5	110.8	122.6	115.6	113.1
78 Federal funds sold to and repurchase agreements with commercial banks	92.5	86.4	85.9	90.0	96.9	94.3	71.2	68.9	64.4	76.2	68.9	66.5
79 Other	46.6	51.5	50.2	49.7	50.0	54.3	50.6	46.7	46.4	46.4	46.7	46.6
80 Cash assets[4]	132.0	146.8	138.2	134.1	142.7	141.0	140.1	138.4	138.3	141.8	129.1	142.7
81 Other assets[5]	165.8	170.1	171.0	171.4	179.7	183.1	181.5	175.6	176.4	174.6	174.9	175.6
82 **Total assets**[6]	**2,286.7**	**2,342.9**	**2,346.7**	**2,355.9**	**2,402.0**	**2,400.7**	**2,383.0**	**2,381.4**	**2,373.1**	**2,389.2**	**2,367.6**	**2,389.3**
Liabilities												
83 Deposits	1,411.0	1,453.9	1,443.4	1,447.2	1,467.3	1,448.6	1,466.5	1,460.6	1,469.3	1,468.2	1,441.1	1,453.8
84 Transaction	424.8	410.5	389.3	378.1	389.1	369.1	374.3	367.5	366.8	370.7	353.9	372.2
85 Nontransaction	986.2	1,043.4	1,054.0	1,069.1	1,078.2	1,079.5	1,092.1	1,093.1	1,102.5	1,097.5	1,087.2	1,081.6
86 Large time	142.0	159.6	164.9	162.6	168.3	170.9	175.9	180.1	178.5	179.7	180.6	182.0
87 Other	844.2	883.7	889.1	906.5	909.9	908.6	916.2	913.0	923.9	917.8	906.6	899.7
88 Borrowings	442.5	435.9	431.8	444.9	467.2	472.8	449.0	442.7	436.4	440.4	445.4	446.5
89 From banks in the U.S.	183.5	181.6	179.7	187.6	194.8	190.3	168.5	165.0	165.3	168.3	160.2	164.4
90 From nonbanks in the U.S	259.0	254.3	252.1	257.3	272.4	282.5	280.5	277.6	271.1	272.1	285.2	282.1
91 Net due to related foreign offices	71.4	69.7	76.0	68.6	74.4	88.1	75.8	77.8	71.0	83.2	78.6	82.8
92 Other liabilities	126.3	152.3	160.5	155.4	152.5	147.7	147.6	154.5	150.8	151.1	156.4	160.6
93 **Total liabilities**	**2,051.2**	**2,111.6**	**2,111.6**	**2,116.1**	**2,161.3**	**2,157.2**	**2,138.9**	**2,135.6**	**2,127.5**	**2,142.9**	**2,121.5**	**2,143.8**
94 Residual (assets less liabilities)[7]	235.6	231.3	235.1	239.8	240.7	243.6	244.1	245.8	245.6	246.3	246.1	245.5
MEMO												
95 Revaluation gains on off-balance-sheet items[8]		47.5	55.9	49.0	49.5	42.0	38.5	44.3	41.2	42.8	45.5	48.3
96 Revaluation losses on off-balance-sheet items[8]		44.0	50.9	43.2	44.6	43.4	40.2	45.7	41.3	43.9	46.9	51.1
97 Mortgage-backed securities[9]		202.7	202.3	203.2	206.1	205.7	203.9	204.0	204.5	204.0	203.6	203.5
98 Pass-through securities	n.a.	138.3	138.6	139.9	142.3	142.9	142.0	142.3	142.6	142.6	142.4	141.4
99 CMOs, REMICs, and other mortgage-backed securities		64.4	63.7	63.4	63.8	62.8	61.9	61.7	61.9	61.4	61.2	62.1
100 Net unrealized gains (losses) on available-for-sale securities[10]		2.7	2.7	2.7	1.8	2.1	2.6	3.1	3.1	3.2	3.1	3.2
101 Offshore credit to U.S. residents[11]	28.8	30.9	32.1	32.9	33.3	33.6	33.4	33.7	33.0	34.0	33.8	33.8

Footnotes appear on p. A21.

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

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997[r]							1997			
	July[r]	Jan.	Feb.	Mar.	Apr.	May	June	July	July 9	July 16	July 23	July 30
	Seasonally adjusted											
Assets												
1 Bank credit	1,329.9	1,372.4	1,375.3	1,388.2	1,395.6	1,404.7	1,412.2	1,418.8	1,413.1	1,416.7	1,421.0	1,424.7
2 Securities in bank credit	400.7	402.2	400.6	404.3	406.8	407.3	405.8	405.4	404.3	404.7	406.2	406.5
3 U.S. government securities	321.5	321.8	320.8	323.1	323.6	324.3	323.5	323.7	322.6	323.3	324.5	324.7
4 Other securities	79.2	80.4	79.9	81.3	83.1	83.0	82.2	81.6	81.6	81.4	81.7	81.8
5 Loans and leases in bank credit[2]	929.2	970.3	974.7	983.9	988.8	997.4	1,006.5	1,013.4	1,008.8	1,012.0	1,014.8	1,018.2
6 Commercial and industrial	166.2	173.5	175.2	176.6	177.5	179.1	180.4	182.5	181.6	182.5	182.5	183.4
7 Real estate	479.8	505.8	510.5	518.6	524.0	528.6	533.8	539.3	536.6	538.4	540.5	542.2
8 Revolving home equity	23.0	26.5	26.9	27.6	28.1	28.4	28.5	28.7	28.6	28.7	28.7	28.8
9 Other	456.8	479.2	483.6	491.1	495.9	500.2	505.2	510.6	508.0	509.8	511.7	513.4
10 Consumer	217.7	223.0	220.3	219.2	218.2	219.7	221.5	220.5	220.1	219.8	220.7	221.3
11 Security[3]	4.6	4.7	4.9	5.1	4.8	4.8	4.9	4.9	4.9	5.0	5.0	4.9
12 Other loans and leases	60.8	63.2	63.7	64.3	64.3	65.2	65.9	66.1	65.7	66.2	66.2	66.4
13 Interbank loans	43.1	50.5	53.6	57.6	52.1	52.2	53.2	54.1	53.6	54.8	54.0	53.4
14 Cash assets[4]	57.9	62.8	65.6	67.7	68.8	67.3	70.0	69.2	66.4	71.2	69.5	69.6
15 Other assets[5]	48.0	50.0	52.1	58.9	59.9	58.7	63.3	63.1	61.9	63.5	63.2	64.0
16 **Total assets[6]**	**1,459.5**	**1,516.2**	**1,527.1**	**1,553.0**	**1,556.7**	**1,563.1**	**1,578.7**	**1,584.9**	**1,574.9**	**1,586.0**	**1,587.3**	**1,591.3**
Liabilities												
17 Deposits	1,156.5	1,205.6	1,216.3	1,227.1	1,227.9	1,230.9	1,244.3	1,257.7	1,250.4	1,261.1	1,259.3	1,259.9
18 Transaction	305.7	303.7	304.3	305.2	305.8	303.8	305.2	305.9	298.3	308.3	308.0	310.2
19 Nontransaction	850.7	901.9	911.9	921.9	922.1	927.1	939.1	951.7	952.2	952.9	951.2	949.7
20 Large time	139.0	154.2	155.7	156.8	155.7	157.1	159.6	161.5	161.1	161.6	161.6	161.9
21 Other	711.7	747.7	756.3	765.2	766.4	770.0	779.5	790.2	791.1	791.3	789.7	787.8
22 Borrowings	142.9	155.5	154.2	156.4	158.4	157.0	157.6	160.3	157.7	158.8	162.0	163.7
23 From banks in the U.S.	79.2	84.5	83.6	84.3	84.7	85.1	79.0	74.9	73.9	74.1	75.7	75.8
24 From others	63.7	71.0	70.6	72.1	73.7	72.0	78.5	85.5	83.8	84.7	86.2	87.9
25 Net due to related foreign offices	5.7	4.0	4.0	3.9	4.4	4.2	3.8	4.8	5.3	4.9	4.6	4.8
26 Other liabilities	25.2	24.3	25.0	26.4	26.1	26.8	27.3	26.5	26.5	26.4	26.3	26.8
27 **Total liabilities**	**1,330.3**	**1,389.4**	**1,399.5**	**1,413.8**	**1,416.7**	**1,419.0**	**1,432.9**	**1,449.3**	**1,439.9**	**1,451.2**	**1,452.1**	**1,455.1**
28 Residual (assets less liabilities)[7]	129.3	126.8	127.6	139.2	140.0	144.1	145.8	135.6	135.0	134.8	135.2	136.2
	Not seasonally adjusted											
Assets												
29 Bank credit	1,330.4	1,370.5	1,369.8	1,383.7	1,395.9	1,404.5	1,413.1	1,419.2	1,414.2	1,417.9	1,421.0	1,424.0
30 Securities in bank credit	399.9	400.7	399.0	405.7	410.2	409.1	407.5	404.6	404.2	404.4	405.3	404.7
31 U.S. government securities	320.7	320.6	319.4	324.2	326.8	325.8	325.4	322.9	322.6	322.9	323.6	322.7
32 Other securities	79.2	80.2	79.6	81.5	83.4	83.2	82.1	81.7	81.5	81.5	81.7	81.9
33 Loans and leases in bank credit[2]	930.4	969.8	970.8	978.1	985.7	995.4	1,005.6	1,014.6	1,010.1	1,013.5	1,015.7	1,019.4
34 Commercial and industrial	166.3	173.6	174.9	177.1	178.7	180.5	181.6	182.5	182.4	182.7	182.2	182.7
35 Real estate	480.2	505.4	507.9	515.6	521.3	527.1	533.6	539.7	536.8	539.1	540.9	542.6
36 Revolving home equity	23.1	26.5	26.7	27.3	27.9	28.3	28.5	28.7	28.6	28.7	28.7	28.9
37 Other	457.2	478.9	481.2	488.3	493.4	498.8	505.1	511.0	508.1	510.4	512.2	513.7
38 Consumer	217.5	224.0	221.1	217.4	217.8	219.2	219.7	220.3	218.9	219.6	221.0	221.9
39 Security[3]	4.5	4.8	5.0	5.1	4.8	4.6	4.7	4.8	5.0	4.8	4.6	4.7
40 Other loans and leases	62.0	62.1	61.8	62.8	63.1	64.0	65.9	67.2	67.0	67.3	66.9	67.5
41 Interbank loans	40.5	51.7	55.6	57.6	52.5	48.8	50.4	51.5	55.0	52.0	48.8	49.1
42 Cash assets[4]	57.5	64.9	64.9	65.5	67.4	67.1	68.6	68.8	68.6	69.7	66.3	69.0
43 Other assets[5]	47.9	51.0	53.5	58.0	58.9	58.2	61.3	63.1	63.3	61.9	61.3	64.9
44 **Total assets[6]**	**1,456.9**	**1,518.7**	**1,524.3**	**1,545.3**	**1,555.1**	**1,558.7**	**1,573.3**	**1,582.3**	**1,581.0**	**1,581.4**	**1,577.1**	**1,586.8**
Liabilities												
45 Deposits	1,153.0	1,203.1	1,206.4	1,222.1	1,230.1	1,228.4	1,242.3	1,254.3	1,255.9	1,255.7	1,247.8	1,254.4
46 Transaction	303.4	307.4	300.5	300.9	306.0	300.5	303.5	303.8	303.3	304.6	299.1	306.3
47 Nontransaction	849.6	895.7	906.0	921.3	924.1	927.9	938.8	950.6	952.6	951.1	948.8	948.1
48 Large time	138.3	152.9	156.4	157.7	156.8	157.9	159.1	160.7	160.0	160.5	161.0	161.4
49 Other	711.3	742.8	749.6	763.6	767.3	770.0	779.7	789.9	792.6	790.6	787.7	786.7
50 Borrowings	142.4	157.2	152.9	151.0	155.8	161.0	161.3	160.3	158.5	158.4	162.0	162.3
51 From banks in the U.S.	80.7	84.3	81.8	80.6	83.8	87.5	82.0	76.4	75.4	75.7	77.9	76.7
52 From others	61.8	72.9	71.2	70.4	72.0	73.5	79.2	83.9	83.1	82.7	84.1	85.6
53 Net due to related foreign offices	5.7	4.0	4.0	3.9	4.4	4.2	3.8	4.8	5.3	4.9	4.6	4.8
54 Other liabilities	25.4	24.5	25.4	26.7	26.3	26.5	26.8	26.7	26.4	26.7	26.7	27.0
55 **Total liabilities**	**1,326.6**	**1,388.8**	**1,388.8**	**1,403.8**	**1,416.7**	**1,420.1**	**1,434.2**	**1,446.2**	**1,446.1**	**1,445.7**	**1,441.2**	**1,448.5**
56 Residual (assets less liabilities)[7]	130.4	129.9	135.5	141.5	138.3	138.6	139.2	136.1	134.9	135.7	136.0	138.2
MEMO												
57 Mortgage-backed securities[9]	n.a.	42.2	41.8	42.9	43.4	43.9	45.1	46.2	46.1	46.0	46.2	46.3

Footnotes appear on p. A21.

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

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1997							1997			
	July	Jan.	Feb.	Mar.	Apr.	May	June[r]	July	July 9	July 16	July 23	July 30
	Seasonally adjusted											
Assets												
1 Bank credit	468.9	515.7[r]	530.5[r]	525.3[r]	533.5[r]	539.8[r]	543.2	550.0	548.2	547.3	544.0	559.5
2 Securities in bank credit	150.9	170.1[r]	176.9[r]	172.9[r]	177.9[r]	175.5[r]	178.0	189.0	189.5	186.7	185.6	194.3
3 U.S. government securities	80.1	81.8	85.4	83.6	87.8	89.9	92.3	93.6	98.5	91.5	88.0	95.4
4 Other securities	70.8	88.3[r]	91.5[r]	89.3[r]	90.1[r]	85.5[r]	85.7	95.4	91.0	95.2	97.7	98.8
5 Loans and leases in bank credit[2]	318.0[r]	345.7	353.6	352.4	355.6	364.3	365.2	360.9	358.8	360.5	358.4	365.2
6 Commercial and industrial	194.0	214.4	217.1	216.1	216.6	219.7	220.5	220.5	220.7	220.7	219.1	221.2
7 Real estate	32.9	31.8	32.0	31.5	31.4	30.6	29.6	28.5	28.8	28.4	28.3	28.6
8 Security[3]	32.0	38.1	39.8	39.7	43.2	43.5	46.0	44.9	41.5	44.3	45.2	48.3
9 Other loans and leases	59.0	61.3	64.7	65.1	64.5	70.5	69.1	67.1	67.8	67.1	65.8	67.1
10 Interbank loans	19.4	22.7	20.9	22.7	18.9	20.6	19.9	19.6	18.5	19.5	20.2	19.8
11 Cash assets[4]	28.3	31.1	32.9	32.4	32.7	34.0	35.7	34.0	33.3	33.8	33.7	34.3
12 Other assets[5]	37.8	38.0[r]	41.1[r]	41.0[r]	39.1[r]	38.8[r]	41.3	43.9	44.6	45.6	42.6	43.4
13 **Total assets**[6]	**554.4**	**607.3[r]**	**625.2[r]**	**621.1[r]**	**624.0[r]**	**633.0[r]**	**639.9**	**647.2**	**644.4**	**645.9**	**640.2**	**656.8**
Liabilities												
14 Deposits	179.3	225.7	238.0	242.7	257.7	252.0	258.2	271.1	272.6	268.3	270.2	274.0
15 Transaction	10.6	10.3	9.7	10.4	10.8	11.2	11.1	11.3	11.4	10.8	11.3	11.4
16 Nontransaction	168.7	215.4	228.2	232.2	246.9	240.8	247.0	259.9	261.2	257.5	258.9	262.5
17 Large time	166.2	213.2	224.3	228.7	244.5	238.4	244.6	257.4	258.7	255.1	256.4	260.1
18 Other	2.4	2.2	4.0	3.6	2.5	2.4	2.4	2.4	2.5	2.4	2.4	2.5
19 Borrowings	123.6	130.3	143.2[r]	140.0[r]	139.8[r]	143.6[r]	141.3	137.5	136.1	137.9	131.2	142.8
20 From banks in the U.S.	30.5	27.9[r]	33.9[r]	34.8[r]	32.8[r]	33.2[r]	31.2	30.6	28.1	32.6	28.1	32.8
21 From others	93.1	102.4[r]	109.3[r]	105.2[r]	107.1[r]	110.5[r]	110.2	107.0	108.0	105.2	103.1	110.0
22 Net due to related foreign offices	178.1	150.3	139.4	141.1	134.6	148.7	148.8	130.2	137.1	133.2	126.3	121.7
23 Other liabilities	68.7	89.9[r]	99.8[r]	94.0[r]	92.0[r]	89.3[r]	91.0	101.9	98.1	100.6	102.2	108.1
24 **Total liabilities**	**549.7**	**596.2[r]**	**620.4[r]**	**617.6[r]**	**624.1[r]**	**633.7[r]**	**639.3**	**640.8**	**643.9**	**640.0**	**629.9**	**646.6**
25 Residual (assets less liabilities)[7]	4.7	11.1	4.8[r]	3.5[r]	−0.1	−0.7[r]	0.6	6.4	0.5	6.0	10.4	10.2
	Not seasonally adjusted											
Assets												
26 Bank credit	470.3	513.0[r]	531.2[r]	525.1[r]	533.6[r]	542.4[r]	543.6	550.5	546.7	546.8	545.5	561.6
27 Securities in bank credit	151.0[r]	166.2[r]	177.9[r]	173.5[r]	178.4[r]	180.4[r]	178.7	188.0	186.0	184.1	185.2	196.3
28 U.S. government securities	79.1	82.8	87.2	86.6	87.3	90.5	91.0	90.9	93.2	88.0	86.7	94.5
29 Trading account	n.a.	17.0	21.4	20.0	18.6	18.8	18.8	18.2	19.5	16.1	14.8	21.9
30 Investment account	n.a.	65.8	65.8	66.6	68.7	71.6	72.2	72.7	73.8	71.9	71.8	72.6
31 Other securities	71.9	83.4[r]	90.7[r]	87.0[r]	91.1[r]	89.9[r]	87.7	97.1	92.7	96.1	98.5	101.8
32 Trading account	n.a.	58.7[r]	65.2	60.4	61.1[r]	59.7[r]	58.9	65.2	61.2	64.2	66.5	68.8
33 Investment account	n.a.	24.8[r]	25.5[r]	26.6[r]	29.9[r]	30.2[r]	28.8	31.9	31.5	31.9	32.0	33.0
34 Loans and leases in bank credit[2]	319.2	346.8	353.3	351.6	355.2	362.0	364.9	362.5	360.7	362.7	360.3	365.3
35 Commercial and industrial	195.0	214.3	217.1	215.7	217.3	220.0	221.3	221.7	222.0	222.0	220.6	221.5
36 Real estate	32.8	31.8	32.1	31.5	30.9	30.3	29.5	28.4	28.7	28.3	28.3	28.3
37 Security[3]	32.0	38.1	39.8	39.7	43.2	43.5	46.0	44.9	41.5	44.3	45.2	48.3
38 Other loans and leases	59.4	62.6	64.4	64.6	63.8	68.3	68.2	67.5	68.4	68.2	66.1	67.1
39 Interbank loans	19.4	22.7	20.9	22.7	18.9	20.6	19.9	19.6	18.5	19.5	20.2	19.8
40 Cash assets[4]	28.5	31.5	32.1	31.8	31.8	34.0	36.4	34.1	33.5	33.8	33.7	34.5
41 Other assets[5]	37.2	37.3[r]	41.9[r]	40.4[r]	37.7[r]	39.9[r]	41.2	43.1	43.3	44.5	41.8	43.2
42 **Total assets**[6]	**555.3**	**604.2[r]**	**625.8[r]**	**619.8[r]**	**621.8[r]**	**636.7[r]**	**641.0**	**647.0**	**641.7**	**644.4**	**640.9**	**658.8**
Liabilities												
43 Deposits	177.2	225.8	234.8	242.5	251.3	252.5	258.6	268.1	265.5	265.4	269.0	273.5
44 Transaction	10.6	10.4	9.9	10.2	10.4	10.7	11.1	11.3	11.1	11.0	11.3	11.3
45 Nontransaction	166.7	215.5	224.9	232.3	241.0	241.8	247.5	256.8	254.3	254.5	257.8	262.1
46 Large time	164.3	213.2	221.0	228.7	238.6	239.4	245.1	254.4	251.9	252.1	255.4	259.7
47 Other	2.4	2.2	3.9	3.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
48 Borrowings	131.3	127.1[r]	136.6[r]	134.1[r]	142.3[r]	143.4[r]	146.3	146.6	145.9	148.2	139.5	149.9
49 From banks in the U.S.	32.0	29.0[r]	31.7[r]	33.2[r]	33.0[r]	32.7[r]	32.9	32.3	31.0	34.4	27.5	34.4
50 From others	99.3	98.2[r]	105.0[r]	100.9[r]	109.3[r]	110.7[r]	113.5	114.3	114.8	113.8	112.0	115.5
51 Net due to related foreign offices	174.9	159.1	148.6	145.8	131.5	144.5	140.6	129.0	132.6	129.2	129.9	123.2
52 Other liabilities	67.2	89.1[r]	102.3[r]	93.8[r]	91.8[r]	92.0[r]	92.0	99.6	94.8	97.9	98.9	107.5
53 **Total liabilities**	**550.6**	**601.1[r]**	**622.4[r]**	**616.2[r]**	**616.9[r]**	**632.5[r]**	**637.5**	**643.3**	**638.8**	**640.9**	**637.3**	**654.1**
54 Residual (assets less liabilities)[7]	4.7	3.1[r]	3.5[r]	3.6[r]	4.8[r]	4.2	3.5	3.7	2.9	3.6	3.5	4.7
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	41.1[r]	45.9[r]	41.4[r]	40.5[r]	39.4[r]	38.2	43.5	40.5	43.2	44.5	45.9
56 Revaluation losses on off-balance-sheet items[8]	n.a.	41.0[r]	47.6[r]	43.7[r]	43.4[r]	42.3[r]	41.2	46.7	43.6	46.6	47.5	49.2

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1997					
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Feb.	Mar.	Apr.	May	June	July
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**813,168**	**836,979**	**838,366**	**855,178**	**864,758**	**889,494**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	387,164	402,291	404,727	413,776	414,475	440,262
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	239,509	246,215	248,920	252,856	256,165	253,971
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	186,495	188,473	184,719	188,546	194,119	195,260
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	10,555	12,421	11,783	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Own bills	9,097	10,707	10,462	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Bills bought from other banks	1,458	1,714	1,321	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	26,364	19,202	17,642	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By basis											
11 Imports into United States	12,209	10,217	10,062	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Exports from United States	8,096	7,293	6,355	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 All other	17,890	14,838	13,417	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan.	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
1997—Mar. 26	8.50	Aug.	7.51	Dec.	8.65	Dec.	8.25
		Sept.	7.75				
		Oct.	7.75			1997—Jan.	8.25
		Nov.	8.15			Feb.	8.25
		Dec.	8.50			Mar.	8.30
						Apr.	8.50
						May	8.50
						June	8.50
						July	8.50
						Aug.	8.50

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1994	1995	1996	1997				1997, week ending				
				Apr.	May	June	July	June 27	July 4	July 11	July 18	July 25
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.51	5.50	5.56	5.52	5.42	5.82	5.48	5.44	5.43
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	4.43	5.93	5.43	5.61	5.61	5.60	5.56	5.61	5.62	5.56	5.55	5.54
4 3-month	4.66	5.93	5.41	5.71	5.69	5.65	5.57	5.63	5.63	5.58	5.56	5.55
5 6-month	4.93	5.93	5.42	5.79	5.78	5.69	5.60	5.65	5.66	5.62	5.60	5.57
Finance paper, directly placed[3,5,7]												
6 1-month	4.33	5.81	5.31	5.51	5.53	5.53	5.49	5.54	5.54	5.48	5.49	5.48
7 3-month	4.53	5.78	5.29	5.61	5.61	5.57	5.50	5.55	5.55	5.51	5.50	5.49
8 6-month	4.56	5.68	5.21	5.60	5.66	5.57	5.50	5.53	5.52	5.50	5.51	5.48
Bankers acceptances[3,5,8]												
9 3-month	4.56	5.81	5.31	5.62	5.62	5.59	5.53	5.58	5.58	5.54	5.53	5.51
10 6-month	4.83	5.80	5.31	5.71	5.71	5.63	5.54	5.61	5.61	5.55	5.55	5.52
Certificates of deposit, secondary market[3,9]												
11 1-month	4.38	5.87	5.35	5.57	5.58	5.57	5.54	5.58	5.58	5.54	5.54	5.53
12 3-month	4.63	5.92	5.39	5.71	5.70	5.66	5.60	5.66	5.66	5.61	5.59	5.59
13 6-month	4.96	5.98	5.47	5.90	5.87	5.78	5.70	5.76	5.78	5.71	5.71	5.68
14 Eurodollar deposits, 3-month[3,10]	4.63	5.93	5.38	5.70	5.69	5.66	5.61	5.63	5.65	5.63	5.63	5.59
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	4.25	5.49	5.01	5.16	5.05	4.93	5.05	4.99	5.04	4.99	5.05	5.08
16 6-month	4.64	5.56	5.08	5.37	5.30	5.13	5.12	5.08	5.09	5.09	5.12	5.15
17 1-year	5.02	5.60	5.22	5.64	5.54	5.38	5.24	5.35	5.32	5.24	5.24	5.25
Auction average[3,5,11]												
18 3-month	4.29	5.51	5.02	5.17	5.13	4.92	5.07	4.94	5.12	4.97	5.05	5.11
19 6-month	4.66	5.59	5.09	5.35	5.35	5.14	5.12	5.05	5.14	5.07	5.09	5.17
20 1-year	5.02	5.69	5.23	5.66	5.64	5.35	5.26	5.35	n.a.	n.a.	n.a.	5.26
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.32	5.94	5.52	5.99	5.87	5.69	5.54	5.65	5.63	5.54	5.56	5.54
22 2-year	5.94	6.15	5.84	6.45	6.28	6.09	5.89	6.04	6.01	5.91	5.90	5.89
23 3-year	6.27	6.25	5.99	6.61	6.42	6.24	6.00	6.20	6.17	6.03	6.02	5.97
24 5-year	6.69	6.38	6.18	6.76	6.57	6.38	6.12	6.33	6.31	6.15	6.14	6.09
25 7-year	6.91	6.50	6.34	6.86	6.66	6.46	6.20	6.42	6.40	6.24	6.22	6.16
26 10-year	7.09	6.57	6.44	6.89	6.71	6.49	6.22	6.45	6.42	6.26	6.23	6.18
27 20-year	7.49	6.95	6.83	7.20	7.02	6.84	6.56	6.80	6.78	6.61	6.57	6.52
28 30-year	7.37	6.88	6.71	7.09	6.94	6.77	6.51	6.73	6.72	6.56	6.52	6.46
Composite												
29 More than 10 years (long-term)	7.41	6.93	6.80	7.18	7.00	6.82	6.55	6.78	6.76	6.60	6.55	6.50
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.77	5.80	5.52	5.66	5.48	5.33	5.33	5.24	5.29	5.24	5.23	n.a.
31 Baa	6.17	6.10	5.79	5.85	5.67	5.53	5.53	5.43	5.48	5.41	5.38	n.a
32 *Bond Buyer* series[14]	6.18	5.95	5.76	5.88	5.70	5.53	5.35	5.53	5.53	5.38	5.32	5.28
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.26	7.83	7.66	7.99	7.86	7.68	7.42	7.63	7.62	7.47	7.43	7.37
Rating group												
34 Aaa	7.97	7.59	7.37	7.73	7.58	7.41	7.14	7.36	7.35	7.19	7.15	7.09
35 Aa	8.15	7.72	7.55	7.93	7.80	7.62	7.36	7.56	7.55	7.41	7.38	7.31
36 A	8.28	7.83	7.69	7.98	7.86	7.68	7.42	7.62	7.61	7.47	7.43	7.38
37 Baa	8.63	8.20	8.05	8.34	8.20	8.02	7.75	7.96	7.94	7.79	7.76	7.70
38 A-rated, recently offered utility bonds[16]	8.29	7.86	7.77	8.23	8.01	7.85	7.62	7.84	7.72	7.62	7.59	7.52
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.82	2.56	2.19	1.98	1.85	1.77	1.66	1.76	1.71	1.70	1.65	1.64

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1996		1997						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	388.75	391.61	403.58	418.57	416.72	401.00	433.36	457.07	480.94
2 Industrial	315.32	367.40	453.57	490.60	494.38	509.18	524.30	523.08	506.69	549.65	578.57	610.42
3 Transportation	247.17	270.14	327.30	348.32	352.28	359.40	364.15	372.37	366.67	395.50	410.93	433.75
4 Utility	104.96	110.64	126.36	135.88	128.55	131.95	142.88	132.38	126.66	140.52	140.24	144.25
5 Finance	209.75	238.48	303.94	345.30	350.01	361.45	388.75	387.19	364.25	392.32	419.12	441.59
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541.72	670.49	735.67	743.25	766.22	798.39	792.16	763.93	833.09	876.29	925.29
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	449.49	498.13	570.86	583.21	582.96	585.09	593.29	593.64	554.13	584.06	619.94	635.28
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	443,521	431,538	526,631	508,199	496,241	473,094	479,907	516,241	543,006
9 American Stock Exchange	17,951	20,387	22,567	22,151	23,648	24,019	21,250	19,232	19,122	19,634	23,277	25,562
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**91,680**	**97,400**	**99,460**	**100,000**	**100,160**	**98,870**	**106,010**	**113,440**	**116,190**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	20,020	22,540	22,870	22,200	22,930	22,700	22,050	23,860	24,290
12 Cash accounts	28,870	34,340	40,430	36,650	40,430	41,280	40,090	41,050	37,560	39,400	41,840[r]	43,985

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1994	Fiscal year 1995	Fiscal year 1996	Calendar year 1997 Feb.	Mar.	Apr.	May	June	July
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	90,293	108,099	228,588	94,493	173,361	109,178
2 On-budget	923,601	1,000,751	1,085,570	59,673	73,869	187,997	63,146	135,922	79,599
3 Off-budget	335,026	351,079	367,492	30,620	34,230	40,591	31,347	37,439	29,579
4 Outlays, total	1,461,731	1,515,729	1,560,330	134,303	129,422	134,650	142,988	118,726[r]	134,802
5 On-budget	1,181,469	1,227,065	1,259,872	104,964	100,427	107,842	112,625	105,267[r]	107,049
6 Off-budget	279,372	288,664	300,458	29,339	28,996	26,807	30,362	13,459	27,753
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	−44,010	−21,323	93,939	−48,494	54,635[r]	−25,624
8 On-budget	−258,758	−226,314	−174,302	−45,291	−26,558	80,155	−49,479	30,655[r]	−27,450
9 Off-budget	55,654	62,415	67,034	1,281	5,234	13,784	985	23,980	1,826
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	35,968	28,833	−39,001	−19,054	−11,147	−1,408
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	21,357	−18,274	−55,908	72,532	−34,387	23,748
12 Other[2]	1,196	−5,382	−16,168	−13,315	10,764	970	−4,984	−9,101[r]	3,284
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	15,222	33,496	89,404	16,872	51,259	27,511
14 Federal Reserve Banks	6,848	8,620	7,700	5,258	5,945	52,215	5,174	16,368	5,014
15 Tax and loan accounts	29,094	29,329	36,525	9,965	27,551	37,189	11,698	34,891	22,496

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

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

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals. U.S. Office of Management and Budget, *Budget of the U.S. Government*.

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995	1996		1997	1997		
			H2	H1	H2	H1	May	June	July
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**656,865**	**767,099**	**707,551**	**845,552**	**94,493**	**173,361**	**109,178**
2 Individual income taxes, net	590,244	656,417	292,393	347,285	323,884	400,435	30,690	74,381	53,868
3 Withheld	499,927	533,080	256,916	264,177	279,988	292,252	48,097	44,802	51,812
4 Nonwithheld	175,855	212,168	45,521	162,782	53,491	191,050	5,873	31,395	4,003
5 Refunds	85,538	88,897	10,058	79,735	9,604	82,926	23,300	1,825	1,950
Corporation income taxes									
6 Gross receipts	174,422	189,055	88,302	96,480	95,364	106,451	5,005	40,541	5,442
7 Refunds	17,418	17,231	7,518	9,704	10,053	9,635	752	1,169	1,739
8 Social insurance taxes and contributions, net	484,473	509,414	224,269	277,767	240,326	288,251	50,220	48,612	40,572
9 Employment taxes and contributions[2]	451,045	476,361	211,323	257,446	227,777	268,357	39,835	47,933	38,066
10 Unemployment insurance	28,878	28,584	10,702	18,068	10,302	17,709	9,963	343	2,081
11 Other net receipts[3]	4,550	4,469	2,247	2,254	2,245	2,184	422	336	425
12 Excise taxes	57,484	54,014	30,014	25,682	27,016	28,084	4,808	5,185	5,369
13 Customs deposits	19,301	18,670	9,849	8,731	9,294	8,619	1,443	1,522	1,799
14 Estate and gift taxes	14,763	17,189	7,718	8,775	8,835	10,477	1,412	1,494	1,552
15 Miscellaneous receipts[4]	28,561	25,534	11,839	12,087	12,888	12,866	1,667	2,793	2,315
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**752,856**	**785,368**	**800,184r**	**797,443r**	**142,988**	**118,726r**	**134,802**
17 National defense	272,066	265,748	132,887	132,599	138,350	131,525	26,152	20,613	22,944
18 International affairs	16,434	13,496	6,908	8,076	8,895	5,779	256	472	1,541
19 General science, space, and technology	16,724	16,709	7,970	8,897	9,498	8,939	1,655	1,565	1,763
20 Energy	4,936	2,836	1,992	1,356	806	801	129	-5	238
21 Natural resources and environment	22,078	21,614	11,392	10,254	11,642	9,688	1,719	1,622	1,909
22 Agriculture	9,778	9,159	3,065	73	10,699	1,433	-205	-255	-35
23 Commerce and housing credit	-17,808	-10,646	-3,947	-6,885	-5,865r	-7,575r	-62	779r	-415
24 Transportation	39,350	39,565	20,725	18,290	21,205	18,046	3,320	3,224	3,667
25 Community and regional development	10,641	10,685	5,569	5,245	6,192	5,699	883	1,207	958
26 Education, training, employment, and social services	54,263	52,001	26,212	25,979	26,032	25,227	3,799	3,702	3,542
27 Health	115,418	119,378	57,128	59,989	61,466	61,808	10,374	10,595	9,821
28 Social security and Medicare	495,701	523,901	251,388	264,647	269,410r	278,817	48,887	47,558	47,860
29 Income security	220,493	225,989	104,847	121,186	107,182r	123,874	22,357	11,298	17,921
30 Veterans benefits and services	37,890	36,985	18,678	18,140	21,107	17,697	4,333	1,583	3,409
31 Administration of justice	16,216	17,548	8,091	9,015	9,595	10,643	1,875	1,883	1,863
32 General government	13,835	11,892	7,601	4,641	6,544	6,574	484	1,897	366
33 Net interest[5]	232,169	241,090	119,348	120,576	122,568	122,701	21,162	19,543	21,046
34 Undistributed offsetting receipts[6]	-44,455	-37,620	-26,995	-16,716	-25,141r	-24,234	-4,128	-8,556	-3,594

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

SOURCE. Fiscal year totals: U.S Office of Management and Budget, *Budget of the U.S Government, Fiscal Year 1998*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995 June 30	1995 Sept 30	1995 Dec. 31	1996 Mar. 31	1996 June 30	1996 Sept. 30	1996 Dec. 31	1997 Mar. 31	1997 June 30
1 **Federal debt outstanding**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**	n.a.
2 Public debt securities	4,951	4,974	4,989	5,118	5,161	5,225	5,323	5,381	5,376
3 Held by public	3,635	3,653	3,684	3,764	3,739	3,778	3,826	3,874	
4 Held by agencies	1,317	1,321	1,305	1,354	1,422	1,447	1,497	1,507	
5 Agency securities	27	27	28	36	36	35	34	34	n.a.
6 Held by public	27	27	28	28	28	27	27	26	
7 Held by agencies	0	0	0	8	8	8	8	8	
8 **Debt subject to statutory limit**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**	**5,290**
9 Public debt securities	4,861	4,885	4,900	5,030	5,073	5,137	5,237	5,294	5,290
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	5,500	5,500	5,500	5,500	5,500	5,500

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996 Q3	1996 Q4	1997 Q1	1997 Q2
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,224.8**	**5,323.2**	**5,380.9**	**5,376.2**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,220.8	5,317.2	5,375.1	5,370.5
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,418.4	3,459.7	3,504.4	3,433.1
4 Bills	714.6	733.8	760.7	777.4	761.2	777.4	785.6	704.1
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,098.7	2,112.3	2,131.0	2,132.6
6 Bonds	495.9	510.3	521.2	555.0	543.5	555.0	565.4	565.4
7 Inflation-indexed notes[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.4	15.9
8 Nonmarketable[2]	1,542.9	1,643.1	1,657.2	1,857.5	1,802.4	1,857.5	1,870.8	1,937.4
9 State and local government series	149.5	132.6	104.5	101.3	95.7	101.3	104.8	107.9
10 Foreign issues[3]	43.5	42.5	40.8	37.4	37.5	37.4	36.8	35.4
11 Government	43.5	42.5	40.8	47.4	37.5	47.4	36.8	35.4
12 Public	0	0	.0	.0	.0	.0	.0	0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	184.2	182.4	182.6	182.7
14 Government account series[4]	1,150.0	1,259.8	1,299.6	1,505.9	1,454.7	1,505.9	1,516.6	1,581.5
15 Non-interest-bearing	3.4	31.0	24.3	6.0	4.0	6.0	5.8	5.7
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,447.0	1,497.2	1,506.8	
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	390.9	410.9	405.6	
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,386.2	3,411.2	3,451.7	
19 Commercial banks	322.2	290.4	278.7	261.7[r]	274.8	261.7[r]	275.0	
20 Money market funds	80.8	67.6	71.5[r]	91.6[r]	85.2	91.6[r]	83.9	
21 Insurance companies	234.5	240.1	241.5	235.9[r]	235.6[r]	235.9[r]	236.5	
22 Other companies	213.0	224.5[r]	228.8	258.5	249.1	258.5	262.5	n.a.
23 State and local treasuries[6,7]	609.2[r]	540.2[r]	421.5[r]	358.0[r]	382.3[r]	358.0[r]	353.0	
Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	186.8	187.0	186.5	
25 Other securities	137.9	150.7	162.7	169.6	167.0	169.6	168.9	
26 Foreign and international[8]	623.0	688.6	862.2	1,131.8[r]	1,030.9	1,131.8[r]	1,199.1	
27 Other miscellaneous investors[7,9]	655.0[r]	785.5[r]	843.0[r]	717.1[r]	774.5[r]	717.1[r]	686.4	

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

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

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

Millions of dollars, daily averages

Item	1997			1997, week ending								
	Apr.	May	June	June 4	June 11	June 18	June 25	July 2	July 9	July 16	July 23	July 30
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	49,329	42,017	40,559	49,231	40,156[r]	40,063	39,012	35,964	30,635	32,509	38,791	33,065
Coupon securities, by maturity												
2 Five years or less	104,196	107,517	112,860	113,651	114,155[r]	112,350	111,740	112,630	92,504	98,686	109,764	95,979
3 More than five years	49,121	57,216	56,041	61,943	61,383[r]	56,678	49,296	51,414	59,006	56,905	56,563	70,380
4 Federal agency	38,194	41,103	39,498	44,927	35,059[r]	39,975	35,339	47,604	39,648	36,876	36,051	43,617
5 Mortgage-backed	41,984	39,712	48,439	41,622	65,911[r]	45,400	42,808	40,589	68,903	54,575	38,158	45,711
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	117,018	120,714	118,504	123,578	122,735	120,481	115,078	108,794	100,433	105,229	116,955	113,020
7 Federal agency	1,028	1,003	1,378	1,223	1,334	1,821	1,066	1,389	2,053	1,253	1,063	1,710
8 Mortgage-backed	13,923	12,677	15,552	13,036	20,694	15,073	13,753	13,294	17,621	17,207	11,992	15,535
With other												
9 U.S. Treasury	85,628	86,036	90,956	101,248	92,959[r]	88,610	84,970	91,213	81,713	82,870	88,162	86,404
10 Federal agency	37,166	40,100	38,120	43,704	33,726[r]	38,154	34,273	46,215	37,595	35,623	34,989	41,907
11 Mortgage-backed	28,061	27,035	32,887	28,585	45,217[r]	30,327	29,055	27,295	51,283	37,368	26,166	30,176
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	191	217	352	244	473	494	155	n.a.	n.a.	103	339	135
Coupon securities, by maturity												
13 Five years or less	1,720	2,014	2,430	3,447	2,364[r]	2,558	1,755	2,433	1,082	1,354	1,196	1,425
14 More than five years	12,314	14,506	15,048	18,631	15,656[r]	15,967	13,281	11,864	13,024	14,384	16,056	15,123
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,195	3,570	3,103	2,342	3,993	4,122	1,655	3,095	2,362	2,494	2,000	1,725
19 More than five years	4,277	5,024	4,018	4,325	4,265	3,691	3,760	4,271	8,238	4,791	6,506	5,726
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	584	560	408	445	530	572	163	304	887	290	557	711

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

Dealers report cumulative transactions for each week ending Wednesday.

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

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

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

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

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

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1997			1997, week ending							
	Apr.	May	June	June 4	June 11	June 18	June 25	July 2	July 9	July 16	July 23
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	4,082	−5,335	−1,305	10,641	3,197	−5,577	−3,991	−7,425	−5,265	−3,117	−1,038
Coupon securities, by maturity											
2 Five years or less	−24,459[r]	−22,394	−20,661	−19,961	−16,154	−22,525	−21,468	−23,790	−18,706	−17,720	−12,025
3 More than five years	−28,153	−18,077	−20,191	−21,997	−17,990	−19,549	−18,265	−25,420	−21,965	−22,963	−20,857
4 Federal agency	29,723	29,451	31,556	30,873	33,666	33,311	29,410	29,693	31,388	42,158	36,535
5 Mortgage-backed	34,916	35,472	35,836	29,343	37,166	39,500	34,532	35,866	31,276	35,337	35,484
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−2,308	−974	633	−237	−432	812	1,303	1,355	1,535	1,311	−252
Coupon securities, by maturity											
7 Five years or less	4,018	3,100	2,705	3,973	3,485	2,209	1,200	3,676	3,119	3,740	2,769
8 More than five years	−5,916	−11,685	−13,430	−9,970	−14,621	−12,934	−15,485	−12,348	−15,715	−17,546	−18,512
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−2,458	848	2,660	2,882	3,083	2,692	2,821	1,621	2,506	2,273	2,448
13 More than five years	−1,448	−671	2,466	−252	2,147	2,495	4,031	2,857	3,643	1,833	7,081
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	2,437	2,210	240	2,343	−464	−182	22	439	249	43	521
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	279,264	293,697	290,312	291,476	283,840	305,383	274,543	299,419	304,295	295,803	285,438
17 Term	537,456	552,156	592,367	555,332	600,039	607,423	626,584	542,271	574,692	584,084	626,375
Securities borrowed											
18 Overnight and continuing	213,138	216,864	213,510	215,458	211,755	214,207	209,449	219,116	214,131	214,489	214,679
19 Term	81,206	78,569	87,422	76,489	83,949	93,569	93,508	83,907	91,447	92,001	95,797
Securities received as pledge											
20 Overnight and continuing	6,499	4,104	8,826	4,452	4,603	11,328	11,702	10,706	9,885	8,501	8,092
21 Term	n.a	188	163	178	153	165	166	156	137	116	117
Repurchase agreements											
22 Overnight and continuing	595,167	602,889	626,329	624,993	637,862	643,690	600,015	623,786	634,318	651,834	638,716
23 Term	484,562	500,610	538,571	492,636	529,437	558,977	586,101	492,997	516,923	532,333	582,543
Securities loaned											
24 Overnight and continuing	5,795	6,399	6,774	5,584	5,947	7,346	7,310	7,330	7,473	7,812	8,524
25 Term	4,430	4,352	4,574	4,427	4,879	4,522	4,458	4,497	4,394	4,293	4,990
Securities pledged											
26 Overnight and continuing	59,877	62,667	61,239	60,212	61,080	61,646	62,734	59,623	58,453	55,283	52,747
27 Term	2,363	2,956	1,736	1,388	1,386	1,840	1,987	2,009	2,052	2,025	1,858
Collateralized loans											
28 Overnight and continuing	0	0	0	0	0	0	0	0	0	0	0
29 Term	0	0	0	0	0	0	0	0	0	0	0
30 Total	11,503	12,391	13,374	16,226	12,383	13,191	14,074	11,757	13,272	13,790	13,679
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	281,975	298,289	290,345	290,066	290,077	303,114	272,007	298,739	305,482	294,008	281,480
32 Term	521,831	531,303	575,636	533,488	579,944	594,712	610,520	527,780	565,779	569,975	610,930
Securities out											
33 Overnight and continuing	362,687	363,061	380,179	372,527	378,812	405,995	367,276	370,136	384,736	383,121	376,160
34 Term	418,703	432,788	461,838	419,514	453,902	480,866	500,907	425,473	446,662	453,947	500,175

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

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

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

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

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1997				
					Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**939,416**	**927,400**	**929,809**	**960,491**	**974,331**
2 Federal agencies	45,193	39,186	37,347	29,380	29,481	29,303	28,989	27,762	28,011
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,437	1,437	1,363	1,357	1,357
5 Federal Housing Administration[4]	255	116	97	84	144	146	26	31	32
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,831	27,714	27,594	27,756	28,005
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	909,998	898,097	900,820	932,729	946,320
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	257,055	255,407	266,456	277,880	284,861
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	163,171	161,532	153,621	162,872	167,407
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	333,302	332,046	336,174	341,789	344,350
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	67,610	60,075	60,884	60,945	61,384
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	48,788	48,707	43,105	48,515	47,620
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	53,243[r]	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**57,635**	**57,625**	**53,688**	n.a.	**51,866**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,431	1,431	1,357	1,357	1,357
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	17,875	17,875	16,675	16,675	16,505
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	16,702	16,710	15,696	15,696[r]	15,674
27 Other	45,864	37,984	29,513	21,714	21,627	21,609	21,317	23,919	18,330

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

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1996	1997						
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**17,431**	**10,340**	**12,052**	**13,701**	**15,741**	**15,447**	**19,350**	**15,496**
By type of issue											
2 General obligation	54,404	56,980	60,409	4,755	4,160	4,287	5,491	6,224	5,741	6,133	6,951
3 Revenue	99,546	88,677	110,813	12,676	6,180	7,765	8,210	9,517	9,706	13,217	8,545
By type of issuer											
4 State	19,186	14,665	13,651	663	728	713	4,037	1,126	1,219	1,197	1,985
5 Special district or statutory authority[2]	95,896	93,500	113,228	12,315	6,306	8,341	7,206	11,124	9,666	13,774	9,694
6 Municipality, county, or township	38,868	37,492	44,343	4,453	3,306	2,998	2,458	3,491	4,562	4,379	3,817
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**12,311**	**6,106**	**8,409**	**8,736**	**11,476**	**10,507**	**14,952**	**9,758**
By use of proceeds											
8 Education	21,267	23,964	26,851	2,306	1,974	1,924	2,330	3,264	2,844	3,498	2,959
9 Transportation	10,836	11,890	12,324	736	808	639	393	1,873	1,225	638	822
10 Utilities and conservation	10,192	9,618	9,791	1,006	749	901	954	425	1,608	1,615	1,388
11 Social welfare	20,289	19,566	24,583	3,294	1,265	1,281	2,644	1,929	1,291	4,438	1,641
12 Industrial aid	8,161	6,581	6,287	1,081	231	481	317	765	462	637	355
13 Other purposes	35,227	30,771	32,462	3,888	1,079	3,183	2,098	3,220	3,077	4,126	2,593

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1996		1997					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June
1 **All issues**[1]	**583,240**	n.a.	n.a.	**57,937**	**48,747**	**57,186**	**53,027**	**62,411**[r]	**43,956**	**54,269**	**83,468**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**44,569**	**39,585**	**44,027**	**44,980**	**54,632**	**37,672**	**46,259**	**72,561**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	38,948	37,108	35,449	35,245	45,886	29,797	38,115	60,351
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	5,621	2,477	8,577	9,735	8,746	7,875	8,144	12,210
By industry group											
6 Manufacturing	43,423	61,070	41,959	2,720	5,096	4,088	4,791	3,060	2,276	2,355	3,748
7 Commercial and miscellaneous	40,735	50,689	34,076	4,282	1,727	4,926	2,004	1,641	6,201	4,225	2,771
8 Transportation	6,867	8,430	5,111	270	341	366	100	324	257	4,445	667
9 Public utility	13,322	13,751	8,161	773	680	858	1,476	1,185	47	653	1,377
10 Communication	13,340	22,999	13,320	475	628	1,210	405	2,802	500	300	576
11 Real estate and financial	380,352	416,269	358,446	36,049	31,113	32,578	36,204	45,619	28,391	34,282	63,423
12 **Stocks**[2]	**85,155**	**100,573**	n.a	**13,368**	**9,162**	**13,159**	**8,047**	**7,779**	**6,284**	**8,012**	**10,907**
By type of offering											
13 Public preferred	12,570	10,917	33,208	5,656	5,452	8,048	1,510	2,740	1,952	2,055	3,843
14 Common	47,828	57,556	83,052	7,712	3,710	5,111	6,537	5,039	4,332	5,957	7,064
15 Private placement[3]	24,800	32,100		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	17,798	21,545		1,530	899	608	2,008	1,136	847	1,594	966
17 Commercial and miscellaneous	15,713	27,844	n.a.	3,974	2,922	1,827	3,041	1,923	1,181	1,912	2,933
18 Transportation	2,203	804		367	54	250	258	0	0	35	257
19 Public utility	2,214	1,936		210	103	1,847	96	841	570	200	1,046
20 Communication	494	1,077		42	23	0	28	0	25	0	374
21 Real estate and financial	46,733	47,367		7,219	5,161	8,292	2,575	3,879	3,661	4,219	5,344

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

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

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

Millions of dollars

Item	1995	1996	1996 Dec.	1997 Jan.	Feb.	Mar.	Apr.	May	June	July
1 **Sales of own shares**[2]	**871,415**	**1,149,918**	**122,792**	**134,460**	**102,169**	**101,390**	**110,721**	**103,470**	**112,807**	**125,639**
2 Redemptions of own shares	699,497	853,460	87,949	96,243	73,871	79,976	100,188	76,337	87,056	90,131
3 Net sales[3]	171,918	296,458	34,843	38,218	28,298	21,413	10,532	27,133	25,752	35,508
4 **Assets**[4]	**2,067,337**	**2,637,398**	**2,637,398**	**2,752,273**	**2,772,715**	**2,700,474**	**2,782,077**	**2,952,609**	**3,067,392**	**3,279,457**
5 Cash[5]	142,572	139,396	137,973	152,297	153,525	160,570	177,979	182,004	180,464	183,044
6 Other	1,924,765	2,498,002	2,499,425	2,599,976	2,619,189	2,539,906	2,604,098	2,770,606	2,886,928	3,096,414

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

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1994r	1995r	1996r	1995r Q3	1995r Q4	1996r Q1	1996r Q2	1996r Q3	1996r Q4	1997 Q1r	1997 Q2
1 Profits with inventory valuation and capital consumption adjustment	570.5	650.0	735.9	672.8	685.7	717.7	738.5	739.6	747.8	779.6	794.5
2 Profits before taxes	535.1	622.6	676.6	630.6	634.1	664.9	682.2	679.1	680.0	708.4	717.3
3 Profits-tax liability	186.6	213.2	229.0	218.8	215.3	226.2	232.2	231.6	226.0	241.2	244.4
4 Profits after taxes	348.5	409.4	447.6	411.8	418.8	438.7	450.0	447.5	454.0	467.2	473.0
5 Dividends	216.2	264.4	304.8	266.8	274.4	300.7	303.7	305.7	309.1	326.8	333.0
6 Undistributed profits	132.3	145.0	142.8	145.0	144.5	138.0	146.4	141.8	144.9	140.3	140.0
7 Inventory valuation	−16.1	−24.3	−2.5	−9.3	.4	−5.1	−5.4	−2.7	3.3	3.5	7.6
8 Capital consumption adjustment	51.4	51.6	61.8	51.5	51.1	57.9	61.6	63.2	64.4	67.7	69.6

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1994r	1995r	1996r	1995r Q4	1996r Q1	1996r Q2	1996r Q3	1996r Q4	1997 Q1r	1997 Q2
ASSETS										
1 Accounts receivable, gross[2]	543.7	607.0	637.1	607.0	613.7	626.7	628.1	637.1	647.2	650.7
2 Consumer	201.9	233.0	244.9	233.0	235.9	240.6	244.4	244.9	248.6	254.3
3 Business	274.9	301.6	309.5	301.6	303.5	305.7	301.4	309.5	315.2	311.7
4 Real estate	66.9	72.4	82.7	72.4	74.3	80.4	82.2	82.7	83.4	84.8
5 LESS: Reserves for unearned income	52.9	60.7	55.6	60.7	58.9	57.2	54.8	55.6	51.3	57.0
6 Reserves for losses	11.3	12.8	13.1	12.8	12.8	12.7	12.9	13.1	12.8	13.3
7 Accounts receivable, net	479.5	533.5	568.3	533.5	542.0	556.7	560.5	568.3	583.1	580.4
8 All other	216.8	250.9	290.0	250.9	255.0	258.7	268.7	290.0	289.9	308.1
9 **Total assets**	**696.3**	**784.4**	**858.3**	**784.4**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**
LIABILITIES AND CAPITAL										
10 Bank loans	14.8	15.3	19.7	15.3	15.4	17.7	18.3	19.7	18.4	18.9
11 Commercial paper	171.6	168.6	177.6	168.6	168.2	169.6	173.1	177.6	185.3	193.8
Debt										
12 Owed to parent	41.8	51.1	60.3	51.1	50.5	56.3	57.9	60.3	61.0	61.4
13 Not elsewhere classified	247.4	300.0	332.5	300.0	307.5	319.0	322.3	332.5	324.4	344.6
14 All other liabilities	146.2	163.6	174.7	163.6	165.6	163.2	164.8	174.7	189.1	170.9
15 Capital, surplus, and undivided profits	74.6	85.9	93.5	85.9	89.7	89.7	92.8	93.5	94.8	98.8
16 **Total liabilities and capital**	**696.3**	**784.4**	**858.3**	**784.4**	**796.9**	**815.4**	**829.2**	**858.3**	**873.0**	**888.6**

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

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1994	1995	1996	1997 Jan.	Feb	Mar.	Apr.	May	June
	Seasonally adjusted								
1 **Total**	**607.3**	**682.4**	**762.4**	**766.6**	**767.7**	**773.8**	**775.6**	**775.9**	**783.1**
2 Consumer	244.4	281.9	306.6	309.1	311.3	312.5	318.2	318.5	320.5
3 Real estate	66.9	72.4	111.9	112.7	112.8	115.5	116.9	118.0	120.7
4 Business	295.9	328.1	343.8	344.7	343.5	345.8	340.5	339.3	342.0
	Not seasonally adjusted								
5 **Total**	**613.5**	**689.5**	**769.7**	**767.7**	**766.2**	**775.0**	**776.6**	**777.8**	**787.2**
6 Consumer	248.0	285.8	310.6	310.6	309.9	311.0	315.6	317.5	320.6
7 Motor vehicles loans	70.2	81.1	86.7	86.8	87.1	85.8	83.2	85.1	87.0
8 Motor vehicle leases	67.5	80.8	92.5	93.6	94.3	95.6	96.7	97.3	98.5
9 Revolving[2]	25.9	28.5	32.5	32.3	32.2	33.2	34.3	34.4	34.1
10 Other[3]	38.4	42.6	33.2	34.4	34.0	34.0	34.3	34.7	35.3
Securitized assets[4]									
11 Motor vehicle loans	32.8	34.8	36.8	35.0	34.2	34.5	38.3	36.8	36.8
12 Motor vehicle leases	2.2	3.5	8.7	8.6	8.5	8.4	9.4	9.3	9.2
13 Revolving	n.a.	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Other	11.2	14.7	20.1	19.8	19.7	19.6	19.3	19.9	19.7
15 Real estate	66.9	72.4	111.9	112.7	112.8	115.5	116.9	118.0	120.7
16 One- to four-family	n.a.	n.a.	52.1	53.2	53.8	53.3	55.0	54.9	55.1
17 Other	n.a	n.a.	30.5	30.3	30.2	30.1	30.3	30.3	30.3
Securitized real estate assets[4]									
18 One- to four-family	n.a.	n.a.	28.9	28.9	28.5	31.8	31.3	32.5	35.0
19 Other	n.a.	n.a.	0.4	0.3	0.3	0.4	0.3	0.3	0.3
20 Business	298.6	331.2	347.2	344.4	343.4	348.5	344.1	342.2	345.9
21 Motor vehicles	62.0	66.5	67.1	68.4	71.0	73.8	71.7	70.4	70.7
22 Retail loans	18.5	21.8	25.1	24.9	25.0	25.1	24.6	24.4	25.2
23 Wholesale loans[5]	35.2	36.6	33.0	34.5	36.9	39.6	37.9	36.6	36.3
24 Leases	8.3	8.0	9.0	9.1	9.1	9.1	9.2	9.3	9.3
25 Equipment	8.3	8.0	9.0	191.9	190.8	192.1	189.9	188.0	188.8
26 Loans	8.3	8.0	9.0	56.1	54.5	55.0	53.8	52.3	52.6
27 Leases	8.3	8.0	9.0	135.8	136.3	137.1	136.1	135.6	136.2
28 Other business receivables[6]	8.3	8.0	9.0	47.7	48.3	49.3	49.6	50.3	52.2
Securitized assets[4]									
29 Motor vehicles	8.3	8.0	9.0	23.3	20.7	20.5	20.3	21.1	21.3
30 Retail loans	8.3	8.0	9.0	2.6	2.4	2.2	2.1	2.6	2.5
31 Wholesale loans	8.3	8.0	9.0	20.7	18.3	18.2	18.2	18.5	18.7
32 Leases	8.3	8.0	9.0	0.0	0.0	0.0	0.0	0.0	0.0
33 Equipment	8.3	8.0	9.0	10.7	10.3	10.3	9.9	9.9	10.4
34 Loans	8.3	8.0	9.0	4.5	4.2	4.0	3.8	4.0	3.9
35 Leases	8.3	8.0	9.0	6.2	6.0	6.3	6.2	5.9	6.5
36 Other business receivables[6]	8.3	8.0	9.0	2.4	2.4	2.5	2.6	2.5	2.5

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

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

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

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

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

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

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

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

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr	1997 May	1997 June	1997 July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	172.4	166.6	169.2	172.5	177.6	181.4	181.4
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	133.6	130.9	132.1	134.8	137.7	140.6	142.7
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	79.7	80.9	80.8	81.1	80.0	79.9	81.2
4 Maturity (years)	27.5	27.7	27.2	27.9	28.2	28.0	27.8	28.2	28.0	28.7
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	1.02	1.03	0.99	1.04	1.00	1.04	1.05
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.65	7.61	7.72	7.86	7.85	7.79	7.62
7 Effective rate[1,3]	7.47	7.85	7.77	7.81	7.78	7.88	8.03	8.01	7.95	7.78
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	7.94	7.94	8.25	8.19	8.08	7.82	7.62
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.06	8.08	8.55	8.56	8.05	8.02	7.61
10 GNMA securities[6]	7.96	7.57	7.48	7.51	7.37	7.69	7.80	7.59	7.37	7.04
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	288,504	288,951	292,115	295,804	297,023	297,471	300,439
12 FHA/VA insured	27,558	28,762	30,592	30,352	30,119	30,100	30,839	31,437	31,198	31,065
13 Conventional	194,499	224,749	256,460	258,152	258,832	262,015	264,965	265,586	266,273	269,374
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	4,128	3,029	5,839	6,683	4,148	3,594	6,417
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	4,384	4,407	8,299	3,898	1,704	6,196	6,956
16 To sell[8]	1,820	360	130	71	0	1	0	23	115	75
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	138,935	139,925	144,558	147,190	148,698	149,250	151,582
18 FHA/VA insured	276	267	220	216	213	208	205	210	210	210
19 Conventional	72,416	107,157	137,535	138,719	139,712	144,350	146,985	148,488	149,040	151,372
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	9,507	8,204	7,403	8,981	8,195	8,884	8,374
21 Sales	117,110	85,877	119,702	9,204	10,271	6,796	8,269	7,596	8,321	7,756
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	9,021	7,537	7,595	9,746	7,408	9,099	9,054

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.
6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1993	1994	1995	1996				1997
				Q1	Q2	Q3	Q4	Q1[p]
1 **All holders**	**4,269,331**	**4,475,550**	**4,709,386**	**4,788,889**	**4,882,718**	**4,964,129**	**5,052,167**	**5,113,053**
By type of property								
2 One- to four-family residences	3,232,753	3,436,677	3,633,779	3,700,246	3,775,559	3,848,864	3,915,412	3,966,770
3 Multifamily residences	270,380	275,301	287,761	292,084	297,543	301,943	310,395	313,285
4 Nonfarm, nonresidential	685,015	680,615	703,226	711,355	723,090	725,919	738,301	744,567
5 Farm	81,183	82,957	84,620	85,204	86,526	87,405	88,060	88,432
By type of holder								
6 Major financial institutions	1,763,404	1,811,417	1,884,623	1,897,191	1,919,622	1,945,088	1,967,948	1,979,222
7 Commercial banks[2]	940,595	1,004,322	1,080,366	1,087,207	1,099,643	1,112,914	1,136,128	1,149,716
8 One- to four-family	556,660	611,391	663,614	665,935	670,756	679,217	696,333	705,210
9 Multifamily	38,657	39,360	43,842	44,700	45,368	46,529	47,037	47,904
10 Nonfarm, nonresidential	324,413	331,004	349,081	352,641	358,956	362,353	367,875	371,372
11 Farm	20,866	22,567	23,829	23,931	24,563	24,815	24,883	25,231
12 Savings institutions[3]	598,437	596,191	596,789	602,631	611,735	628,037	628,337	627,212
13 One- to four-family	470,000	477,626	482,351	489,634	498,219	513,291	513,376	513,903
14 Multifamily	67,367	64,343	61,988	60,540	60,680	61,434	61,624	60,718
15 Nonfarm, nonresidential	60,765	53,933	52,162	52,155	52,522	52,991	53,007	52,255
16 Farm	305	289	288	302	315	320	331	336
17 Life insurance companies	224,372	210,904	207,468	207,353	208,244	204,138	203,483	202,293
18 One- to four-family	8,593	7,018	7,316	7,273	7,270	6,190	5,817	5,412
19 Multifamily	25,376	23,902	23,435	23,427	23,534	23,155	23,082	22,968
20 Nonfarm, nonresidential	180,934	170,421	167,095	167,039	167,800	165,096	164,573	163,765
21 Farm	9,469	9,563	9,622	9,614	9,640	9,697	10,011	10,148
22 Federal and related agencies	327,014	319,327	313,760	312,950	314,694	311,697	309,757	303,591
23 Government National Mortgage Association	22	6	2	2	2	2	2	6
24 One- to four-family	15	6	2	2	2	2	2	6
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,594	41,547	41,575	41,596	41,485
27 One- to four-family	15,303	13,826	12,643	12,327	11,982	11,630	11,319	11,311
28 Multifamily	10,940	11,319	11,617	11,636	11,645	11,652	11,685	11,692
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,365	6,552	6,681	6,841	6,969
30 Farm	9,739	10,966	11,282	11,266	11,369	11,613	11,752	11,513
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	8,439	8,052	6,627	6,244	4,330
32 One- to four-family	5,364	4,753	5,180	4,228	3,861	3,190	3,524	2,335
33 Multifamily	6,851	6,211	4,629	4,211	4,191	3,438	2,719	1,995
34 Resolution Trust Corporation	17,284	10,428	1,864	0	0	0	0	0
35 One- to four-family	7,203	5,200	691	0	0	0	0	0
36 Multifamily	5,327	2,859	647	0	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	5,553	5,016	4,025	2,431	2,217
40 One- to four-family	2,367	1,049	492	839	840	675	365	333
41 Multifamily	1,426	1,595	428	1,099	955	766	413	377
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,616	3,221	2,584	1,653	1,508
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	166,642	178,059	183,782	183,531	186,041	185,221	184,445	182,556
45 One- to four-family	151,310	162,160	168,122	167,895	170,572	170,083	169,765	168,436
46 Multifamily	15,332	15,899	15,660	15,636	15,469	15,138	14,680	14,120
47 Federal Land Banks	28,460	28,555	28,428	28,891	29,362	29,579	29,602	29,668
48 One- to four-family	1,675	1,671	1,673	1,700	1,728	1,740	1,742	1,746
49 Farm	26,785	26,885	26,755	27,191	27,634	27,839	27,860	27,922
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,781	44,939	44,674	44,668	45,437	43,329
51 One- to four-family	44,345	38,882	39,929	40,877	40,477	40,304	40,691	38,301
52 Multifamily	2,547	2,830	3,852	4,062	4,197	4,364	4,746	5,028
53 Mortgage pools or trusts[5]	1,570,666	1,726,833	1,861,864	1,905,515	1,963,909	2,008,229	2,057,873	2,100,674
54 Government National Mortgage Association	414,066	450,934	472,292	475,829	485,441	497,248	505,977	513,531
55 One- to four-family	404,864	441,198	461,447	464,650	473,950	485,303	493,795	500,651
56 Multifamily	9,202	9,736	10,845	11,179	11,491	11,945	12,182	12,880
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	524,327	536,671	545,608	554,260	562,894
58 One- to four-family	442,612	487,725	512,238	521,722	534,238	543,341	551,513	560,369
59 Multifamily	4,535	3,126	2,813	2,605	2,433	2,267	2,747	2,525
60 Federal National Mortgage Association	495,525	530,343	582,959	599,546	621,285	636,362	650,780	663,668
61 One- to four-family	486,804	520,763	569,724	585,527	606,271	619,869	633,210	645,324
62 Multifamily	8,721	9,580	13,235	14,019	15,014	16,493	17,570	18,344
63 Farmers Home Administration[4]	28	19	11	10	9	7	3	3
64 One- to four-family	5	3	2	1	1	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	5	4	4	0	0
67 Farm	10	7	4	4	4	3	3	3
68 Private mortgage conduits	213,901	254,686	291,551	305,803	320,502	329,003	346,853	360,579
69 One- to four-family[6]	179,730	202,987	222,892	230,221	239,153	244,527	249,700	258,000
70 Multifamily	8,701	14,925	21,279	24,477	26,809	28,141	33,689	35,498
71 Nonfarm, nonresidential	25,469	36,774	47,380	51,104	54,541	56,336	63,464	67,081
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	608,247	617,972	649,140	673,233	684,494	699,115	716,590	729,565
74 One- to four-family	455,903	460,419	485,464	507,414	516,239	529,501	544,259	555,434
75 Multifamily	65,393	69,615	73,492	74,492	75,758	76,622	78,221	79,236
76 Nonfarm, nonresidential	72,943	75,257	77,346	78,431	79,495	79,874	80,888	81,616
77 Farm	14,009	12,681	12,838	12,896	13,002	13,118	13,221	13,280

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

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

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996	1997[r] Jan.	Feb.	Mar.	Apr.	May	June
	Seasonally adjusted								
1 **Total**	**964,568**	**1,100,712**	**1,184,022**	**1,195,181**	**1,202,877**	**1,205,557**	**1,214,512**	**1,217,035**	**1,217,011**
2 Automobile	326,356	362,097	390,308	390,649	390,823	390,450	394,260	394,399	394,321
3 Revolving	364,616	441,862	497,977	505,306	510,617	509,476	512,381	514,126	516,627
4 Other[2]	273,596	296,753	295,738	299,226	301,437	305,632	307,871	308,510	306,063
	Not seasonally adjusted								
5 **Total**	**988,079**	**1,128,618**	**1,214,882**	**1,204,825**	**1,197,168**	**1,193,994**	**1,202,634**	**1,206,863**	**1,211,382**
By major holder									
6 Commercial banks	462,923	507,753	529,417	525,749	518,596	511,584	516,640	517,956	515,785
7 Finance companies	134,421	152,123	152,391	153,487	153,275	152,995	151,897	154,177	156,450
8 Credit unions	119,594	131,939	144,148	144,432	143,788	144,415	146,265	147,558	148,674
9 Savings institutions	38,468	40,106	44,711	45,095	45,478	45,860	46,243	46,626	47,009
10 Nonfinancial business[3]	86,621	85,061	77,745	73,611	70,599	69,954	69,346	67,744	68,039
11 Pools of securitized assets[4]	146,052	211,636	266,470	262,451	265,432	269,186	272,243	272,802	275,425
By major type of credit[5]									
12 Automobile	328,576	364,726	393,189	389,461	387,539	386,713	389,844	391,259	393,437
13 Commercial banks	141,895	149,094	153,983	153,013	151,826	150,458	150,937	151,203	149,029
14 Finance companies	70,157	81,073	86,690	86,809	87,064	85,754	83,230	85,106	86,979
15 Pools of securitized assets[4]	36,689	44,635	52,363	49,481	48,195	49,334	53,504	51,505	52,739
16 Revolving	383,187	464,134	522,860	513,437	508,559	502,850	504,916	509,207	513,376
17 Commercial banks	182,021	210,298	228,615	223,184	215,772	207,251	209,031	212,796	215,342
18 Finance companies	25,880	28,460	32,493	32,262	32,206	33,225	34,345	34,411	34,130
19 Nonfinancial business[3]	56,790	53,525	44,901	41,900	39,813	39,433	38,953	37,078	37,283
20 Pools of securitized assets[4]	96,130	147,934	188,712	187,865	192,332	194,549	193,798	195,800	196,906
21 Other	276,316	299,758	298,833	301,927	301,070	304,431	307,874	306,397	304,569
22 Commercial banks	139,007	148,361	146,819	149,552	150,998	153,875	156,672	153,957	151,414
23 Finance companies	38,384	42,590	33,208	34,416	34,005	34,016	34,322	34,660	35,341
24 Nonfinancial business[3]	29,831	31,536	32,844	31,711	30,786	30,521	30,393	30,666	30,756
25 Pools of securitized assets[4]	13,233	19,067	25,395	25,105	24,905	25,303	24,941	25,497	25,780

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

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1996 Dec.	1997 Jan.	Feb.	Mar.	Apr.	May	June
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	n.a.	n.a.	8.92	n.a.	n.a.	9.20	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	n.a.	13.46	n.a.	n.a.	13.81	n.a.
Credit card plan										
3 All accounts	15.69	16.02	15.63	n.a.	n.a.	15.88	n.a.	n.a.	15.75	n.a.
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	n.a.	15.13	n.a.	n.a.	15.72	n.a.
Auto finance companies										
5 New car	9.79	11.19	9.84	8.60	7.17	7.44	8.08	8.56	7.80	7.64
6 Used car	13.49	14.48	13.53	13.42	12.93	13.08	13.18	13.29	13.48	13.55
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	52.3	55.1	54.6	53.5	52.8	53.2	53.3
8 Used car	50.2	52.2	51.4	49.9	51.5	51.1	51.1	51.2	51.3	51.3
Loan-to-value ratio										
9 New car	92	92	91	90	92	92	90	91	93	93
10 Used car	99	99	100	99	99	99	99	99	99	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	17,670	17,090	16,837	17,198	17,620	18,060	18,171
12 Used car	10,709	11,590	12,182	12,492	12,362	12,202	12,194	12,195	12,261	12,239

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

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

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995		1996				1997
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**545.6**	**628.8**	**621.6**	**719.7**	**751.8**	**571.1**	**590.2**	**886.1**	**715.0**	**712.7**	**693.2**	**762.9**
By sector and instrument												
2 Federal government	304.0	256.1	155.9	144.4	145.0	86.0	59.3	239.9	62.4	161.3	116.5	93.7
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	85.6	54.1	242.2	60.2	164.4	119.8	95.2
4 Budget agency securities and mortgages	.2	7.8	.2	1.5	−1.6	4	5.1	−2.3	2.2	−3.1	−3.3	−1.4
5 Nonfederal	241.6	372.7	465.8	575.3	606.7	485.1	530.9	646.3	652.6	551.4	576.7	669.1
By instrument												
6 Commercial paper	8.6	10.0	21.4	18.1	−.9	18.1	14.1	30.3	11.0	−16.1	−29.0	13.1
7 Municipal securities and loans	30.5	74.8	−29.3	−44.2	1.5	−107.2	−12.6	−18.9	37.7	−76.2	63.5	26.8
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	59.8	82.0	60.9	71.5	67.8	89.9	79.4
9 Bank loans n.e.c.	−13.7	3.6	73.2	99.5	70.2	75.0	77.9	40.6	75.0	134.3	31.0	138.4
10 Other loans and advances	10.1	−9.4	54.4	59.0	38.8	35.2	61.0	32.9	26.8	79.4	16.2	34.9
11 Mortgages	133.5	157.0	196.4	228.0	331.4	247.7	191.0	377.9	339.4	268.0	340.2	296.4
12 Home	190.3	186.4	203.9	197.1	281.6	219.2	161.4	333.5	276.1	248.4	268.5	274.3
13 Multifamily residential	−10.7	−5.9	1.7	10.5	18.9	11.6	13.3	14.7	18.3	13.4	29.1	6.3
14 Commercial	−47.5	−23.9	−11.0	18.7	27.4	14.8	15.2	27.4	39.7	2.7	39.9	14.3
15 Farm	1.4	.5	1.8	1.7	3.4	2.2	1.1	2.3	5.3	3.5	2.6	1.5
16 Consumer credit	5.0	61.5	126.3	141.6	93.2	156.4	117.5	122.5	91.2	94.2	65.0	80.2
By borrowing sector												
17 Household	201.0	256.5	372.4	381.9	403.4	413.8	334.6	473.5	420.3	372.1	347.7	391.4
18 Nonfinancial business	19.5	53.9	133.2	232.4	190.5	172.5	207.0	176.4	187.8	240.9	156.8	237.5
19 Corporate	34.1	47.7	118.5	197.0	146.4	133.8	174.9	130.9	148.3	211.8	94.6	189.2
20 Nonfarm noncorporate	−16.0	4.2	11.9	33.7	40.8	35.2	33.1	45.5	32.4	30.2	55.0	48.8
21 Farm	1.3	2.0	2.8	1.6	3.3	3.5	−1.0	.1	7.1	−1.2	7.2	−.4
22 State and local government	21.1	62.3	−39.8	−39.0	12.9	−101.3	−10.8	−3.6	44.4	−61.6	72.2	40.3
23 Foreign net borrowing in United States	23.7	70.4	−15.3	69.5	67.4	88.3	76.9	49.1	36.6	106.0	77.8	29.0
24 Commercial paper	5.2	−9.0	−27.3	13.6	10.9	23.7	−3.9	−8.5	9.5	38.6	3.8	13.3
25 Bonds	16.8	82.9	12.2	48.3	46.8	55.2	72.7	47.9	11.1	59.7	68.4	17.3
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	8.2	11.9	8.7	15.1	4.7	7.8	−.6
27 Other loans and advances	−.6	−4.2	−1.6	−.8	.7	1.3	−3.9	1.1	.7	3.1	−2.2	−.9
28 **Total domestic plus foreign**	**569.3**	**699.3**	**606.4**	**789.1**	**819.1**	**659.4**	**667.1**	**935.3**	**751.5**	**818.7**	**771.0**	**791.9**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**240.0**	**291.3**	**467.7**	**447.2**	**531.2**	**506.3**	**574.3**	**330.9**	**689.3**	**497.2**	**607.2**	**332.8**
By instrument												
30 Federal government-related	155.8	165.3	287.5	204.1	231.1	227.7	305.5	137.8	296.0	240.4	250.0	112.4
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9	90.4	101.5	132.1	31.4	126.9	80.0	123.3	10.7
32 Mortgage pool securities	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
33 Loans from U.S. government	.0	.0	−4.8	.0	.0	.0	0	.0	.0	.0	.0	.0
34 Private	84.2	126.0	180.2	243.1	300.1	278.6	268.8	193.1	393.3	256.8	357.2	220.3
35 Open market paper	−.7	−6.2	41.6	42.6	92.7	43.7	55.1	17.8	105.7	85.2	162.0	177.1
36 Corporate bonds	82.7	119.2	118.4	185.6	154.3	217.3	175.1	147.6	204.7	120.7	144.1	45.7
37 Bank loans n.e.c.	2.2	−13.0	−12.3	5.6	14.5	8.2	−1.2	25.4	23.5	4.1	5.0	−2.4
38 Other loans and advances	−.6	22.4	22.6	3.4	27.2	4.9	32.0	−5.5	48.6	33.9	31.8	−16.1
39 Mortgages	.6	3.6	9.8	5.9	11.4	4.5	7.7	7.7	10.8	12.9	14.3	16.0
By borrowing sector												
40 Commercial banking	10.0	13.4	20.1	22.5	11.6	38.9	−9.7	−32.5	40.1	15.7	23.2	19.3
41 Savings institutions	−7.0	11.3	12.8	2.6	26.0	5.1	31.5	11.0	42.1	26.4	24.7	−14.6
42 Credit unions	0	.2	2	−1	1	.1	0	−1	−.2	3	3	−2
43 Life insurance companies	0	2	3	−1	1.1	−.1	−.4	2.5	.3	−.4	2.0	8
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9	90.4	101.5	132.1	31.4	126.9	80.0	123.3	10.7
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
46 Issuers of asset-backed securities (ABSs)	58.5	82.4	69.5	133.2	130.2	164.8	187.5	137.1	131.1	101.8	150.6	52.6
47 Finance companies	−1.6	.2	50.2	51.6	48.4	19.8	54.3	47.1	68.4	56.9	21.1	43.0
48 Mortgage companies	8.0	.0	−11.5	.4	9.9	4.0	−10.0	20.0	16.0	1.6	1.8	−2.6
49 Real estate investment trusts (REITs)	.3	3.4	13.7	6.0	12.8	4.5	8.3	8.2	11.5	13.7	17.7	18.9
50 Brokers and dealers	2.7	12.0	.5	−5.0	2.0	2.1	7.7	−31.8	13.2	5.7	4.9	−2.9
51 Funding corporations	13.2	2.9	24.2	32.0	62.1	39.4	−4	31.6	70.9	35.0	110.9	106.1

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

Transaction category or sector	1992	1993	1994	1995	1996	1995		1996				1997
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	All sectors											
52 **Total net borrowing, all sectors**	**809.3**	**990.6**	**1,074.1**	**1,236.3**	**1,350.3**	**1,165.7**	**1,241.4**	**1,266.2**	**1,440.8**	**1,315.9**	**1,378.2**	**1,124.7**
53 Open market paper	13.1	−5.1	35.7	74.3	102.6	85.5	65.3	39.6	126.3	107.6	136.8	203.4
54 U.S. government securities	459.8	421.4	448.1	348.5	376.1	313.7	364.8	377.7	358.4	401.7	366.5	206.2
55 Municipal securities	30.5	74.8	−29.3	−44.2	1.5	−107.2	−12.6	−18.9	37.7	−76.2	63.5	26.8
56 Corporate and foreign bonds	167.1	277.3	153.9	307.2	273.6	332.2	329.9	256.4	287.4	248.2	302.4	142.4
57 Bank loans n.e.c.	−9.3	−8.6	62.3	113.5	93.8	91.4	88.6	74.7	113.6	143.1	43.8	135.4
58 Other loans and advances	8.9	8.7	70.7	61.6	66.7	41.3	89.1	28.6	76.1	116.5	45.8	17.9
59 Mortgages	134.1	160.6	206.2	233.8	342.8	252.2	198.7	385.6	350.1	280.9	354.5	312.4
60 Consumer credit	5.0	61.5	126.3	141.6	93.2	156.4	117.5	122.5	91.2	94.2	65.0	80.2
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**312.5**	**453.9**	**153.0**	**156.3**	**240.1**	**197.1**	**228.6**	**306.3**	**396.7**	**91.9**	**165.4**	**184.3**
62 Corporate equities	103.4	130.1	24.1	−17.7	−18.5	−4.9	−15.9	2.5	53.0	−106.3	−23.2	−54.5
63 Nonfinancial corporations	27.0	21.3	−44.9	−73.8	−81.2	−92.8	−71.2	−92.4	−27.2	−138.8	−66.4	−84.8
64 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.7	57.8	88.2	57.4	89.8	69.7	32.1	39.5	47.3
65 Financial corporations	44.0	45.4	20.9	5.5	4.9	−.3	−2.2	5.1	10.5	.5	3.7	−17.0
66 Mutual fund shares	209.1	323.7	128.9	173.9	258.6	202.0	244.5	303.8	343.7	198.2	188.6	238.8

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

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1992	1993	1994	1995	1996	1995		1996				1997
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**809.3**	**990.6**	**1,074.1**	**1,236.3**	**1,350.3**	**1,165.7**	**1,241.4**	**1,266.2**	**1,440.8**	**1,315.9**	**1,378.2**	**1,124.7**
2 Domestic nonfederal nonfinancial sectors	115.4	76.0	252.8	−98.5	.6	−82.4	−189.9	−78.0	330.1	−179.9	−69.9	−113.8
3 Household	86.0	35.3	289.9	−19.1	18.1	84.6	−93.6	−121.1	310.5	−74.7	−42.4	−187.8
4 Nonfinancial corporate business	27.8	9.1	17.7	−2.4	18.3	−38.8	−12.9	40.4	39.9	14.8	−21.8	81.1
5 Nonfarm noncorporate business	−.1	−1.1	.2	.3	.4	.3	.3	.4	.4	.4	.4	.5
6 State and local governments	1.7	32.6	−55.0	−77.4	−36.2	−128.5	−83.7	2.4	−20.8	−120.4	−6.2	−7.6
7 Federal government	−11.9	−18.4	−24.2	−21.5	−21.9	−24.3	−24.4	−20.7	−15.2	−26.4	−25.1	−18.7
8 Rest of the world	98.4	129.3	132.3	272.7	405.6	361.0	157.6	341.1	268.2	484.4	528.5	360.3
9 Financial sectors	607.4	803.7	713.2	1,083.7	966.0	911.3	1,298.0	1,023.8	857.7	1,037.8	944.8	896.8
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	−4.1	19.7	16.9	9.4	19.3	3.6	37.5
11 Commercial banking	95.3	142.2	163.4	265.9	187.9	244.8	166.2	121.7	190.2	202.0	237.7	310.3
12 U.S.-chartered banks	69.5	149.6	148.1	186.5	119.7	227.0	118.1	80.5	125.5	123.6	149.2	210.0
13 Foreign banking offices in United States	16.5	−9.8	11.2	75.4	63.3	25.6	36.1	44.2	57.5	72.9	78.5	92.1
14 Bank holding companies	5.6	.0	.9	−.3	3.9	−9.6	4.6	−5.1	5.4	4.8	10.6	2.2
15 Banks in U.S.-affiliated areas	3.7	2.4	3.3	4.2	1.0	1.8	7.4	2.1	1.7	.7	−.6	6.0
16 Savings institutions	−79.0	−23.3	6.7	−7.5	19.9	32.2	−68.4	34.1	40.5	53.7	−48.8	−10.0
17 Credit unions	17.7	21.7	28.1	16.2	25.5	11.0	19.5	22.1	34.8	20.3	24.8	15.4
18 Bank personal trusts and estates	8.0	9.5	7.1	−18.8	3.9	−23.7	−20.2	−3.5	4.2	7.8	7.2	8.2
19 Life insurance companies	79.5	100.9	66.7	99.2	59.7	73.1	53.1	48.7	2.5	120.1	67.6	56.1
20 Other insurance companies	6.7	27.7	24.9	21.5	24.4	21.9	22.3	23.6	23.7	24.9	25.3	26.2
21 Private pension funds	37.5	49.5	47.7	63.1	46.6	59.9	81.3	69.5	45.4	41.9	29.5	57.6
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.5	2.6	20.2	62.1	50.6	8.0	17.3	−2.8
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	30.0	125.1	175.0	18.4	88.5	73.4	77.1
24 Mutual funds	126.2	159.5	−7.1	52.5	48.9	58.0	141.9	81.8	54.1	38.3	21.5	37.9
25 Closed-end funds	18.2	14.4	−3.3	13.3	9.3	16.7	13.2	10.9	9.8	9.0	7.5	6.7
26 Government-sponsored enterprises	68.8	88.6	120.6	87.9	93.8	50.0	186.5	33.4	122.2	82.1	137.5	63.2
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	126.2	173.4	106.5	169.1	160.4	126.8	101.8
28 Asset-backed securities issuers (ABSs)	53.7	79.9	62.8	113.0	105.2	154.4	141.4	117.3	120.9	75.1	107.3	27.6
29 Finance companies	7.5	−9.0	68.2	64.2	43.1	50.8	53.7	40.9	41.3	55.9	34.3	72.3
30 Mortgage companies	.1	.0	−24.0	−3.4	8.2	7.3	−36.4	51.8	−26.8	3.4	4.1	−5.0
31 Real estate investment trusts (REITs)	1.1	.6	4.7	2.2	3.0	1.8	3.4	3.4	3.4	3.4	2.0	2.0
32 Brokers and dealers	−1.3	14.8	−44.2	90.1	−17.1	−5.2	189.3	−109.0	−72.0	35.5	77.0	−11.8
33 Funding corporations	13.3	−35.6	−16.7	4.3	27.5	3.7	12.8	116.7	15.9	−11.9	−10.9	26.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**809.3**	**990.6**	**1,074.1**	**1,236.3**	**1,350.3**	**1,165.7**	**1,241.4**	**1,266.2**	**1,440.8**	**1,315.9**	**1,378.2**	**1,124.7**
Other financial sources												
35 Official foreign exchange	−1.6	.8	−5.8	8.8	−6.3	9.0	−1.9	−.9	1.6	−26.6	.7	−22.2
36 Special drawing rights certificates	−2.0	.0	.0	2.2	−.5	8.6	.0	.0	.0	−1.8	.0	−2.1
37 Treasury currency	.2	.4	.7	.6	.0	.8	.0	.0	.0	2.3	−2.3	.4
38 Foreign deposits	−3.5	−18.5	54.0	33.5	47.7	−29.5	18.2	85.0	.9	113.2	−8.5	59.4
39 Net interbank transactions	49.4	50.5	89.8	9.9	−52.7	−13.1	80.9	−90.4	−54.3	−113.0	47.0	−126.3
40 Checkable deposits and currency	113.5	117.3	−9.7	−12.8	16.0	−113.1	−69.3	43.3	4.5	107.1	−91.0	123.4
41 Small time and savings deposits	−57.2	−70.3	−40.0	96.5	97.0	145.6	114.9	212.5	−4.6	84.6	95.6	170.8
42 Large time deposits	−73.2	−23.5	19.6	65.6	113.9	80.2	−.9	55.1	83.5	182.5	134.4	45.8
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	122.9	151.1	244.0	4.1	147.4	187.7	201.8
44 Security repurchase agreements	43.1	71.2	78.3	110.7	38.6	92.6	62.2	−19.3	117.9	−29.4	85.3	30.7
45 Corporate equities	103.4	130.1	24.1	−17.7	−18.5	−4.9	−15.9	2.5	53.0	−106.3	−23.2	−54.5
46 Mutual fund shares	209.1	323.7	128.9	173.9	258.6	202.0	244.5	303.8	343.7	198.2	188.6	238.8
47 Trade payables	46.6	52.4	91.0	102.5	74.3	147.0	98.7	62.3	137.4	−7.2	104.9	77.3
48 Security credit	4.6	61.4	−.1	26.7	52.4	32.1	50.1	120.6	−37.7	−4.3	131.1	103.4
49 Life insurance reserves	28.0	36.0	34.5	44.9	40.0	33.1	38.3	19.0	32.5	56.6	51.8	58.5
50 Pension fund reserves	233.8	259.1	257.7	247.6	274.7	250.8	196.2	260.9	238.3	291.1	308.5	290.9
51 Taxes payable	9.7	5.2	3.2	1.3	2.6	3.4	−10.2	5.6	6.6	−1.2	−.6	−8.2
52 Investment in bank personal trusts	−7.1	.9	17.8	−49.7	12.5	−65.8	−39.2	−.6	11.8	19.2	19.8	23.5
53 Noncorporate proprietors' equity	29.9	35.5	27.9	33.5	25.7	36.4	29.8	26.0	14.8	43.2	18.8	32.2
54 Miscellaneous	267.8	363.9	290.2	564.0	500.8	510.2	899.1	596.8	329.6	424.6	652.3	660.2
55 **Total financial sources**	**1,808.3**	**2,407.0**	**2,179.5**	**2,820.6**	**2,972.9**	**2,613.9**	**3,087.9**	**3,192.3**	**2,724.3**	**2,696.0**	**3,279.2**	**3,028.5**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.2	−.5	−1.0	−.3	−1.0	−1.1	−1.0	1.3	−3.1	−.3
57 Foreign deposits	2.8	7.0	44.0	26.7	29.7	−56.0	19.3	62.7	31.3	88.6	−63.9	41.6
58 Net interbank liabilities	−4.9	4.2	−2.7	−3.1	−3.4	12.3	−23.6	10.9	−26.9	−9.2	11.6	26.9
59 Security repurchase agreements	4.7	46.1	57.3	55.1	28.9	75.7	30.9	27.2	115.1	−112.0	85.2	−70.1
60 Taxes payable	11.9	11.1	8.6	8.7	3.7	10.3	2.2	−23.2	24.9	9.9	3.2	−34.2
61 Miscellaneous	−37.9	−147.1	−139.2	−4.3	−71.0	−45.1	246.3	−147.1	−217.5	−62.4	143.0	−28.5
Floats not included in assets (−)												
62 Federal government checkable deposits	.7	−1.5	−4.8	−6.0	.5	3.8	−13.8	8.6	−10.5	28.0	−24.2	−3.9
63 Other checkable deposits	1.6	−1.3	−2.8	−3.8	−4.0	−3.2	−4.7	−3.8	−4.2	−4.0	−4.0	−4.1
64 Trade credit	11.3	−4.0	8.3	27.3	−32.0	−43.3	−149.3	45.1	26.6	−98.6	−101.0	−.8
65 **Total identified to sectors as assets**	**1,824.0**	**2,506.8**	**2,211.1**	**2,775.0**	**3,021.6**	**2,659.7**	**2,981.6**	**3,212.9**	**2,786.6**	**2,854.5**	**3,232.3**	**3,101.9**

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

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1993	1994	1995	1996	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**12,538.8**	**13,166.6**	**13,886.3**	**14,638.1**	**13,702.9**	**13,886.3**	**14,084.8**	**14,237.3**	**14,424.5**	**14,638.1**	**14,808.2**
By sector and instrument											
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,603.4	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8	3,829.8
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,576.5	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1	3,803.5
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	26.9	28.2	27.6	28.2	27.4	26.6	26.3
5 Nonfederal	9,202.3	9,674.3	10,249.6	10,856.3	10,099.5	10,249.6	10,367.6	10,543.5	10,691.4	10,856.3	10,978.4
By instrument											
6 Commercial paper	117.8	139.2	157.4	156.4	163.3	157.4	174.2	181.7	173.0	156.4	168.7
7 Municipal securities and loans	1,377.5	1,348.2	1,304.0	1,305.5	1,308.2	1,304.0	1,300.8	1,306.8	1,290.6	1,305.5	1,314.2
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,305.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8	1,418.7
9 Bank loans n.e.c.	675.9	749.0	848.4	918.6	824.3	848.4	856.4	878.4	906.3	918.6	953.1
10 Other loans and advances	677.1	737.8	796.8	835.6	782.1	796.8	809.3	815.7	831.8	835.6	848.7
11 Mortgages	4,260.4	4,456.8	4,684.8	5,016.2	4,637.6	4,684.8	4,762.4	4,853.5	4,931.7	5,016.2	5,073.0
12 Home	3,232.8	3,436.7	3,633.8	3,915.4	3,594.0	3,633.8	3,700.2	3,775.6	3,848.9	3,915.4	3,966.8
13 Multifamily residential	267.4	269.1	279.6	298.5	276.3	279.6	283.3	287.9	291.2	298.5	300.1
14 Commercial	679.0	668.1	686.8	714.2	683.0	686.8	693.6	703.5	704.2	714.2	717.8
15 Farm	81.2	83.0	84.6	88.1	84.4	84.6	85.2	86.5	87.4	88.1	88.4
16 Consumer credit	863.9	990.2	1,131.9	1,225.1	1,078.2	1,131.9	1,123.0	1,147.9	1,181.6	1,225.1	1,202.0
By borrowing sector											
17 Household	4,287.0	4,659.0	5,040.9	5,444.3	4,932.1	5,040.9	5,103.4	5,216.2	5,329.0	5,444.3	5,482.8
18 Nonfinancial business	3,757.1	3,896.9	4,129.3	4,319.7	4,084.3	4,129.3	4,184.2	4,239.6	4,287.3	4,319.7	4,391.3
19 Corporate	2,495.7	2,620.8	2,817.8	2,964.2	2,779.6	2,817.8	2,863.9	2,906.1	2,945.9	2,964.2	3,026.3
20 Nonfarm noncorporate	1,123.1	1,135.0	1,168.7	1,209.5	1,159.9	1,168.7	1,180.0	1,188.2	1,195.2	1,209.5	1,221.6
21 Farm	138.3	141.1	142.7	146.0	144.8	142.7	140.3	145.3	146.2	146.0	143.5
22 State and local government	1,158.2	1,118.4	1,079.4	1,092.3	1,083.1	1,079.4	1,080.0	1,087.7	1,075.1	1,092.3	1,104.3
23 **Foreign credit market debt held in United States**	**385.6**	**370.4**	**439.9**	**507.2**	**419.8**	**439.9**	**450.8**	**459.6**	**487.1**	**507.2**	**513.3**
24 Commercial paper	68.7	41.4	55.0	65.8	55.8	55.0	51.5	53.4	64.8	65.8	67.9
25 Bonds	230.1	242.3	290.6	337.3	272.4	290.6	302.5	305.3	320.2	337.3	341.7
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	31.6	34.6	36.8	40.5	41.7	43.7	43.5
27 Other loans and advances	62.1	60.6	59.7	60.4	60.0	59.7	60.0	60.4	60.4	60.4	60.3
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,924.3**	**13,537.0**	**14,326.2**	**15,145.3**	**14,122.7**	**14,326.2**	**14,535.6**	**14,696.9**	**14,911.6**	**15,145.3**	**15,321.5**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,321.7**	**3,794.6**	**4,244.4**	**4,775.6**	**4,096.3**	**4,244.4**	**4,325.4**	**4,497.8**	**4,619.7**	**4,775.6**	**4,857.9**
By instrument											
30 Federal government-related	1,885.2	2,172.7	2,376.8	2,607.9	2,300.1	2,376.8	2,414.1	2,489.5	2,545.3	2,607.9	2,639.7
31 Government-sponsored enterprise securities	523.7	700.6	806.5	896.9	773.5	806.5	814.4	846.1	866.1	896.9	899.6
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
33 Loans from U.S. government	4.8	.0	0	.0	.0	0	.0	.0	.0	.0	.0
34 Private	1,436.4	1,621.9	1,867.6	2,167.7	1,796.2	1,867.6	1,911.4	2,008.3	2,074.4	2,167.7	2,218.2
35 Open market paper	393.5	442.8	488.0	580.7	473.6	488.0	491.9	518.5	539.6	580.7	624.5
36 Corporate bonds	857.6	973.5	1,159.1	1,313.4	1,112.6	1,159.1	1,192.7	1,242.4	1,274.8	1,313.4	1,321.2
37 Bank loans n.e.c.	67.6	55.3	60.9	75.4	60.3	60.9	66.7	72.4	73.3	75.4	74.3
38 Other loans and advances	108.9	131.6	135.0	162.2	127.0	135.0	133.6	145.8	154.2	162.2	158.2
39 Mortgages	8.9	18.7	24.6	36.0	22.7	24.6	26.5	29.2	32.4	36.0	40.0
By borrowing sector											
40 Commercial banks	84.6	94.5	102.6	112.2	102.0	102.6	100.5	103.6	106.7	112.2	114.5
41 Bank holding companies	123.4	133.6	148.0	150.0	150.3	148.0	141.4	148.4	149.1	150.0	152.0
42 Savings institutions	99.6	112.4	115.0	141.1	107.2	115.0	117.8	128.3	134.9	141.1	137.4
43 Credit unions	.2	.5	.4	.4	.4	.4	.4	.3	.4	.4	.4
44 Life insurance companies	.2	.6	.5	1.6	.6	.5	1.1	1.2	1.1	1.6	1.8
45 Government-sponsored enterprises	528.5	700.6	806.5	896.9	773.5	806.5	814.4	846.1	866.1	896.9	899.6
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
47 Issuers of asset-backed securities (ABSs)	486.7	556.2	689.4	819.6	639.8	689.4	720.3	751.7	779.3	819.6	829.1
48 Brokers and dealers	33.7	34.3	29.3	27.3	27.4	29.3	21.4	24.6	26.1	27.3	26.6
49 Finance companies	390.5	440.7	492.3	540.7	471.9	492.3	499.8	514.4	528.4	540.7	546.9
50 Mortgage companies	30.2	18.7	19.1	29.0	21.6	19.1	24.1	28.1	28.5	29.0	28.3
51 Real estate investment trusts (REITs)	17.4	31.1	37.1	49.9	35.0	37.1	39.1	42.0	45.4	49.9	54.6
52 Funding corporations	169.9	199.3	233.9	296.0	239.9	233.9	245.6	265.6	274.5	296.0	326.6
	All sectors										
53 **Total credit market debt, domestic and foreign**	**16,246.0**	**17,331.7**	**18,570.6**	**19,920.9**	**18,219.0**	**18,570.6**	**18,861.0**	**19,194.7**	**19,531.3**	**19,920.9**	**20,179.4**
54 Open market paper	580.0	623.5	700.4	803.0	692.7	700.4	717.6	753.6	777.4	803.0	861.1
55 U.S. government securities	5,216.9	5,665.0	6,013.6	6,389.7	5,903.5	6,013.6	6,131.3	6,183.2	6,278.4	6,389.7	6,469.4
56 Municipal securities	1,377.5	1,348.2	1,304.0	1,305.5	1,308.2	1,304.0	1,300.8	1,306.8	1,290.6	1,305.5	1,314.2
57 Corporate and foreign bonds	2,317.4	2,468.8	2,776.0	3,049.6	2,690.8	2,776.0	2,836.7	2,907.1	2,971.4	3,049.6	3,081.6
58 Bank loans n.e.c.	768.0	830.4	943.9	1,037.7	916.2	943.9	959.9	991.4	1,021.3	1,037.7	1,070.9
59 Other loans and advances	852.9	929.9	991.5	1,058.2	969.1	991.5	1,002.9	1,021.8	1,046.5	1,058.2	1,067.2
60 Mortgages	4,269.3	4,475.6	4,709.4	5,052.2	4,660.3	4,709.4	4,788.9	4,882.7	4,964.1	5,052.2	5,113.1
61 Consumer credit	863.9	990.2	1,131.9	1,225.1	1,078.2	1,131.9	1,123.0	1,147.9	1,181.6	1,225.1	1,202.0

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

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1993	1994	1995	1996	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**16,246.0**	**17,331.7**	**18,570.6**	**19,920.9**	**18,219.0**	**18,570.6**	**18,861.0**	**19,194.7**	**19,531.3**	**19,920.9**	**20,179.4**
2 Domestic nonfederal nonfinancial sectors	2,786.5	3,069.6	2,935.9	2,963.1	2,989.6	2,935.9	2,891.1	2,972.5	2,949.2	2,963.1	2,911.2
3 Household	1,693.0	2,013.3	1,959.1	2,003.8	2,005.5	1,959.1	1,928.1	1,999.9	2,002.4	2,003.8	1,958.8
4 Nonfinancial corporate business	271.5	289.2	286.8	305.1	273.8	286.8	273.6	285.7	291.6	305.1	301.3
5 Nonfarm noncorporate business	37.0	37.2	37.5	37.9	37.4	37.5	37.6	37.7	37.8	37.9	38.0
6 State and local governments	784.9	729.9	652.5	616.3	672.9	652.5	651.8	649.1	617.4	616.3	613.0
7 Federal government	231.7	207.5	186.1	164.2	192.2	186.1	180.8	177.0	170.5	164.2	159.5
8 Rest of the world	1,147.8	1,254.7	1,561.8	1,967.3	1,493.4	1,561.8	1,653.6	1,718.2	1,840.6	1,967.3	2,063.8
9 Financial sectors	12,080.0	12,799.8	13,886.9	14,826.2	13,543.9	13,886.9	14,135.5	14,326.9	14,571.0	14,826.2	15,045.0
10 Monetary authority	336.7	368.2	380.8	393.1	370.6	380.8	379.6	386.3	386.2	393.1	397.1
11 Commercial banking	3,090.8	3,254.3	3,520.1	3,708.0	3,473.2	3,520.1	3,541.6	3,590.8	3,643.3	3,708.0	3,778.8
12 U.S.-chartered banks	2,721.5	2,869.6	3,056.1	3,175.9	3,023.7	3,056.1	3,068.8	3,101.3	3,135.3	3,175.9	3,220.9
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	401.1	412.6	422.2	437.1	454.2	475.8	499.5
14 Bank holding companies	17.5	18.4	18.0	22.0	16.9	18.0	16.8	18.1	19.3	22.0	22.5
15 Banks in U.S.-affiliated areas	25.8	29.2	33.4	34.4	31.5	33.4	33.9	34.3	34.5	34.4	35.9
16 Savings institutions	914.1	920.8	913.3	933.2	930.4	913.3	921.8	932.0	945.4	933.2	930.7
17 Credit unions	218.7	246.8	263.0	288.5	258.5	263.0	267.0	276.9	282.6	288.5	290.9
18 Bank personal trusts and estates	240.9	248.0	229.2	233.1	234.2	229.2	228.3	229.4	231.3	233.1	235.2
19 Life insurance companies	1,416.0	1,482.6	1,581.8	1,641.5	1,571.2	1,581.8	1,596.2	1,596.7	1,627.0	1,641.5	1,657.6
20 Other insurance companies	422.7	446.4	468.7	492.8	463.0	468.7	474.5	480.2	486.4	492.8	499.3
21 Private pension funds	611.4	659.2	722.3	768.8	701.9	722.3	739.6	751.0	761.4	768.8	783.2
22 State and local government retirement funds	423.4	454.1	476.8	511.3	470.6	476.8	491.9	505.0	506.3	511.3	510.2
23 Money market mutual funds	429.0	459.0	545.5	634.3	505.7	545.5	595.6	594.7	606.6	634.3	659.0
24 Mutual funds	725.9	718.8	771.3	820.2	739.2	771.3	795.9	809.0	818.3	820.2	834.2
25 Closed-end funds	82.0	78.7	92.0	101.3	88.7	92.0	94.8	97.2	99.5	101.3	103.0
26 Government-sponsored enterprises	546.4	667.0	755.0	822.5	708.4	755.0	762.7	767.6	788.2	822.5	837.6
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0	1,740.1
28 Asset-backed securities issuers (ABSs)	457.9	520.7	633.7	738.9	595.7	633.7	659.7	688.5	709.5	738.9	742.2
29 Finance companies	482.8	551.0	615.2	658.3	594.7	615.2	621.7	633.2	642.0	658.3	672.7
30 Mortgage companies	60.4	36.5	33.0	41.2	42.2	33.0	46.0	39.3	40.2	41.2	39.9
31 Real estate investment trusts (REITs)	8.6	13.3	15.5	18.5	14.7	15.5	16.3	17.2	18.0	18.5	19.0
32 Brokers and dealers	137.5	93.3	183.4	166.3	136.1	183.4	156.2	138.2	147.1	166.3	163.4
33 Funding corporations	117.9	109.0	115.9	143.4	118.3	115.9	146.5	150.3	152.6	143.4	151.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**16,246.0**	**17,331.7**	**18,570.6**	**19,920.9**	**18,219.0**	**18,570.6**	**18,861.0**	**19,194.7**	**19,531.3**	**19,920.9**	**20,179.4**
Other liabilities											
35 Official foreign exchange	53.4	53.2	63.7	53.7	65.1	63.7	62.1	61.4	54.3	53.7	46.3
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	10.2	10.2	10.2	10.2	9.7	9.7	9.2
37 Treasury currency	17.0	17.6	18.2	18.2	18.2	18.2	18.2	18.2	18.8	18.2	18.3
38 Foreign deposits	271.8	324.6	361.4	409.1	353.6	361.4	382.7	382.9	411.2	409.1	423.9
39 Net interbank liabilities	189.3	280.1	290.7	239.6	267.2	290.7	266.0	249.1	223.6	239.6	204.0
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,245.2	1,200.3	1,229.3	1,183.3	1,212.3	1,220.8	1,245.2	1,218.9
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,376.7	2,255.8	2,279.7	2,342.3	2,340.1	2,357.4	2,376.7	2,428.7
42 Large time deposits	391.7	411.2	476.9	590.8	477.5	476.9	493.6	511.1	557.6	590.8	605.4
43 Money market fund shares	559.6	602.9	745.3	891.1	702.7	745.3	816.9	809.5	838.1	891.1	950.8
44 Security repurchase agreements	471.1	549.4	660.1	698.7	654.8	660.1	666.1	692.1	687.6	698.7	717.1
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,342.4	1,782.0	1,852.8	1,997.0	2,129.9	2,211.6	2,342.4	2,410.3
46 Security credit	279.0	279.0	305.7	358.1	286.1	305.7	326.9	318.6	317.8	358.1	374.4
47 Life insurance reserves	470.8	505.3	550.2	590.2	540.6	550.2	555.0	563.1	577.2	590.2	604.8
48 Pension fund reserves	4,642.9	4,848.4	5,570.8	6,285.9	5,442.0	5,570.8	5,748.3	5,883.4	6,013.2	6,285.9	6,396.7
49 Trade payables	1,048.2	1,139.2	1,241.7	1,316.0	1,192.2	1,241.7	1,229.1	1,264.4	1,263.9	1,316.0	1,307.7
50 Taxes payable	84.9	88.0	89.3	91.9	91.9	89.3	94.3	90.3	92.1	91.9	93.6
51 Investment in bank personal trusts	691.3	699.4	767.4	872.0	758.6	767.4	793.7	811.7	829.0	872.0	890.4
52 Miscellaneous	5,176.6	5,462.9	5,928.9	6,274.4	5,757.3	5,928.9	6,067.5	6,089.1	6,197.3	6,274.4	6,387.6
53 **Total liabilities**	**35,451.8**	**37,503.8**	**41,012.7**	**44,584.6**	**40,075.1**	**41,012.7**	**41,914.0**	**42,632.0**	**43,412.6**	**44,584.6**	**45,267.5**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.1	22.1	22.1	22.0	21.2	21.4	20.9
55 Corporate equities	6,280.0	6,263.3	8,389.9	10,090.0	7,972.4	8,389.9	8,875.8	9,170.9	9,387.4	10,090.0	10,099.2
56 Household equity in noncorporate business	2,499.5	2,591.5	2,702.8	2,740.7	2,657.7	2,702.8	2,739.5	2,762.5	2,787.2	2,740.7	2,827.2
Liabilities not identified as assets (−)											
57 Treasury currency	−5.1	−5.4	−5.8	−6.8	−5.6	−5.8	−6.1	−6.3	−6.0	−6.8	−6.9
58 Foreign deposits	232.6	277.8	307.6	337.2	299.7	307.6	323.2	331.1	353.2	337.2	347.6
59 Net interbank transactions	−4.7	−6.5	−9.0	−10.8	.1	−9.0	−2.6	−8.0	−11.6	−10.8	−1.8
60 Security repurchase agreements	−1.6	55.7	110.9	139.8	115.1	110.9	121.7	141.4	129.7	139.8	125.3
61 Taxes payable	26.8	35.4	44.1	45.1	39.1	44.1	23.9	38.0	41.9	45.1	31.1
62 Miscellaneous	−869.9	−959.9	−993.3	−1,240.4	−876.3	−993.3	−1,052.2	−1,145.9	−1,140.7	−1,240.4	−1,181.9
Floats not included in assets (−)											
63 Federal government checkable deposits	5.6	3.4	3.1	−1.6	.6	3.1	.0	−3.4	−1.7	−1.6	−9.7
64 Other checkable deposits	40.7	38.0	34.2	30.1	27.3	34.2	29.6	31.8	23.1	30.1	25.6
65 Trade credit	−248.0	−240.7	−268.0	−299.9	−316.7	−268.0	−319.2	−329.7	−365.5	−299.9	−367.2
66 **Total identified to sectors as assets**	**45,075.0**	**47,181.7**	**52,903.7**	**58,444.0**	**51,444.0**	**52,903.7**	**54,433.1**	**55,538.4**	**56,586.0**	**58,444.0**	**59,252.7**

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

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

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

Measure	1994	1995	1996	1996		1997						
				Nov.	Dec	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.3**	**119.6**	**119.8**
Market groupings												
2 Products, total	106.8	109.3	112.0	114.1	114.3	114.2	114.8	115.3	115.4	115.6	116.0	115.9
3 Final, total	107.1	109.9	112.8	114.8	115.3	115.1	115.6	116.3	116.6	116.7	117.4	117.2
4 Consumer goods	107.4	108.9	110.5	112.3	112.7	111.7	111.6	112.1	112.1	112.1	112.5	112.3
5 Equipment	106.6	111.6	116.8	119.0	119.6	120.8	122.6	123.5	124.3[r]	124.8	125.8	125.8
6 Intermediate	106.1	107.5	109.4	111.9	111.3	111.6	112.0	112.1	112.0	112.1	111.9	111.8
7 Materials	111.3	116.6	120.3	122.2	123.1	123.4	124.1	124.5	125.5[r]	125.2	125.3	126.0
Industry groupings												
8 Manufacturing	109.4	113.2	116.3	118.5	119.2	119.3	120.1	120.6	120.9	121.0	121.3	121.4
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.4	82.5	82.4	82.6	82.7	82.6	82.4	82.3	82.1
10 Construction contracts[3]	117.3	121.7[r]	130.2[r]	132.0	128.0	130.0	131.0[r]	133.0	137.0[r]	136.0	134.0	129.0
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	118.1	118.3	118.6	118.8	119.0	119.3	119.5	119.7	120.0
12 Goods-producing, total	96.9	98.1	98.3	99.3	99.5	99.6	99.9	100.0	100.0	100.1	100.2	100.2
13 Manufacturing, total	96.4	97.2	96.2	97.1	97.1	97.2	97.2	97.3	97.4	97.4	97.5	97.5
14 Manufacturing, production workers	97.5	98.7	97.5	98.3	98.4	98.5	98.5	98.6	98.6	98.7	98.7	98.8
15 Service-producing	116.8	120.3	123.3	124.1	124.4	124.6	124.9	125.1	125.5	125.7	126.0	126.4
16 Personal income, total	148.9[r]	158.2[r]	167.0[r]	170.1[r]	171.4[r]	172.3[r]	173.6[r]	174.6[r]	174.9[r]	175.5	176.6	n.a.
17 Wages and salary disbursements	142.6	150.9	159.8[r]	163.4	165.2[r]	165.2[r]	167.2[r]	168.1[r]	168.2[r]	168.7	170.2	n.a
18 Manufacturing	124.9	130.4	135.7[r]	137.7[r]	138.9[r]	138.9[r]	139.5[r]	140.5[r]	140.7	140.9	141.3	n.a.
19 Disposable personal income[5]	149.7[r]	158.7[r]	166.2[r]	168.7[r]	169.7[r]	170.6[r]	171.7[r]	172.5[r]	172.7[r]	173.1	174.1	n.a.
20 Retail sales[5]	144.6	151.2	158.5[r]	160.5	161.3	163.9	166.1	165.6	163.7	163.3	164.3	165.4
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	158.6	158.6	159.1	159.6	160.0	160.2	160.1	160.3	160.5
22 Producer finished goods (1982=100)	125.5	127.9	131.3	132.6	132.7	132.6	132.2	132.1[r]	131.6	131.5	131.6	131.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1996	1997						
				Dec.	Jan.	Feb	Mar.	Apr.	May[r]	June[r]	July
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131,056	132,304	133,943	135,022	135,848	135,634	136,319	136,098	136,173	136,200	136,290
Employment											
2 Nonagricultural industries[3]	119,651	121,460	123,264	124,429	125,112	125,138	125,789	125,887	126,209	125,973	126,226
3 Agriculture	3,409	3,440	3,443	3,426	3,468	3,292	3,386	3,497	3,430	3,391	3,482
Unemployment											
4 Number	7,996	7,404	7,236	7,167	7,268	7,205	7,144	6,714	6,534	6,836	6,583
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.3	5.4	5.3	5.2	4.9	4.8	5.0	4.8
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114,172**	**117,203**	**119,549**	**120,659**	**120,909**	**121,162**	**121,344**	**121,671**	**121,834**	**122,062**	**122,378**
7 Manufacturing	18,321	18,468	18,282	18,448	18,465	18,475	18,489	18,495	18,498	18,520	18,515
8 Mining	601	580	570	571	574	574	572	573	576	576	574
9 Contract construction	4,986	5,158	5,405	5,521	5,542	5,604	5,609	5,599	5,628	5,624	5,627
10 Transportation and public utilities	5,993	6,165	6,318	6,288	6,351	6,376	6,405	6,421	6,431	6,430	6,461
11 Trade	26,670	27,585	28,178	28,471	28,487	28,515	28,556	28,651	28,656	28,711	28,805
12 Finance	6,896	6,830	6,977	6,962	6,971	6,980	6,992	7,019	7,029	7,038	7,064
13 Service	31,579	33,107	34,360	34,884	34,990	35,091	35,176	35,334	35,451	35,521	35,634
14 Government	19,128	19,310	19,459	19,514	19,529	19,547	19,545	19,579	19,565	19,642	19,698

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

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

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1996 Q3	1996 Q4	1997 Q1	1997 Q2[r]	1996 Q3	1996 Q4	1997 Q1	1997 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Q2[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**115.8**	**117.0**	**118.3**	**119.4**	**139.2**	**140.5**	**141.8**	**143.2**	**83.2**	**83.3**	**83.5**	**83.4**
2 Manufacturing	117.2	118.4	120.0	121.1	142.5	143.9	145.3	146.9	82.3	82.3	82.5	82.4
3 Primary processing[3]	113.2	113.9	114.7	115.7	130.7	131.5	132.2	132.9	86.6	86.6	86.8	87.0
4 Advanced processing[4]	119.1	120.7	122.6	123.7	148.2	150.0	151.9	153.8	80.4	80.4	80.7	80.4
5 Durable goods	127.2	128.1	130.7	132.8	154.5	156.9	159.3	161.8	82.3	81.7	82.0	82.1
6 Lumber and products	110.5	110.1	111.3	113.7	129.1	130.0	131.0	132.0	85.6	84.7	84.9	86.1
7 Primary metals	118.6	119.8	119.7	122.3	129.8	131.0	132.1	133.3	91.4	91.5	90.6	91.7
8 Iron and steel	117.9	118.6	118.3	121.1	131.9	133.5	134.9	136.0	89.4	88.9	87.7	89.0
9 Nonferrous	119.4	121.1	121.3	123.5	127.1	127.8	128.6	129.8	93.9	94.8	94.3	95.2
10 Industrial machinery and equipment	158.9	161.5	166.2	171.0	176.3	181.3	186.5	192.3	90.1	89.1	89.1	89.0
11 Electrical machinery	164.5	167.2	172.1	178.5	200.6	208.5	216.3	224.2	82.0	80.2	79.6	79.6
12 Motor vehicles and parts	131.3	126.0	130.2	124.6	176.1	177.3	178.2	178.7	74.5	71.0	73.0	69.7
13 Aerospace and miscellaneous transportation equipment	86.7	90.4	93.5	96.4	120.2	119.8	119.7	120.5	72.2	75.5	78.1	80.0
14 Nondurable goods	106.5	108.1	108.6	108.6	129.6	130.1	130.6	131.1	82.2	83.0	83.1	82.8
15 Textile mill products	107.9	107.4	107.1	108.2	130.1	130.8	131.3	131.4	82.9	82.1	81.6	82.3
16 Paper and products	109.0	109.8	111.2	111.9	122.9	123.3	123.6	123.9	88.7	89.0	89.9	90.4
17 Chemicals and products	109.2	112.4	112.8	112.6	139.2	140.3	141.5	142.6	78.4	80.1	79.8	78.9
18 Plastics materials	125.3	125.3	127.0	.	131.8	134.0	136.2	.	95.1	93.5	93.3	.
19 Petroleum products	106.7	107.7	108.1	111.9	113.7	113.8	113.9	114.2	93.9	94.6	94.9	98.0
20 Mining	103.7	103.8	105.8	107.2	113.7	113.7	113.8	114.3	91.2	91.3	93.0	93.8
21 Utilities	110.5	113.0	110.9	111.9	125.2	125.9	126.5	127.0	88.2	89.8	87.7	88.2
22 Electric	110.8	112.4	111.5	111.8	123.6	124.4	125.1	125.6	89.6	90.4	89.1	89.0

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1996 July	1997 Feb.	1997 Mar.	1997 Apr.[r]	1997 May[r]	1997 June	1997 July[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.3**	**78.1**	**83.2**	**83.5**	**83.6**	**83.6**	**83.3**	**83.3**	**83.1**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.4	82.6	82.7	82.6	82.4	82.3	82.1
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	86.7	86.9	87.3	87.1	87.2	86.8	86.5
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.6	80.7	80.7	80.6	80.3	80.3	80.1
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	82.6	82.1	82.3	82.2	82.0	82.0	81.8
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	84.9	85.5	86.3	86.3	86.4	85.7	85.0
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.2	90.8	91.5	90.5	92.7	92.0	91.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	89.8	87.6	87.7	87.9	90.8	88.3	87.9
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	92.9	95.0	96.3	93.7	95.2	96.7	94.8
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	90.2	89.3	88.8	90.0	88.7	88.2	88.3
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	82.7	79.7	80.1	79.8	79.4	79.6	80.1
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	76.3	72.7	72.3	70.2	69.2	69.7	67.8
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	71.3	78.2	79.1	79.5	80.0	80.6	81.1
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.2	83.2	83.1	83.0	82.8	82.7	82.4
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.7	81.4	82.4	82.7	81.8	82.4	82.1
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	89.8	89.9	90.6	90.6	91.0	89.4	90.0
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.6	79.7	79.0	79.6	78.6	78.6	78.2
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	94.9	93.3	93.0	93.3	92.5		
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	92.7	95.4	94.9	97.0	98.1	98.9	97.3
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	90.7	93.4	94.3	92.9	94.4	94.0	93.6
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	87.6	87.1	86.8	89.6	87.3	87.6	88.8
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	89.2	88.7	88.1	90.6	88.0	88.4	90.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

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

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

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

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.[r]	1997 May[r]	1997 June	1997 July[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.3**	**119.6**	**119.8**
2 Products	60.5	112.0	112.3	112.2	112.7	112.8	114.1	114.3	114.2	114.8	115.3	115.4	115.6	116.0	115.9
3 Final products	46.3	112.8	113.4	113.0	113.3	113.6	114.8	115.3	115.1	115.6	116.3	116.6	116.7	117.4	117.2
4 Consumer goods, total	29.1	110.5	110.7	110.1	110.5	110.8	112.3	112.7	111.7	111.6	112.1	112.1	112.1	112.5	112.3
5 Durable consumer goods	6.1	126.2	129.7	128.0	127.1	124.5	127.1	128.4	127.3	129.2	131.0	126.9	128.4	130.6	130.6
6 Automotive products	2.6	125.8	132.1	128.7	127.7	122.0	127.4	127.2	129.6	131.0	131.7	124.4	126.3	128.2	123.7
7 Autos and trucks	1.7	132.6	145.7	138.7	134.6	125.7	133.8	135.5	138.7	138.9	138.9	127.1	130.0	132.6	123.6
8 Autos, consumer	.9	120.2	137.8	132.5	129.9	112.3	123.5	115.9	120.1	122.3	123.3	116.0	117.7	114.9	118.0
9 Trucks, consumer	.7	147.2	161.3	152.3	146.6	147.4	152.4	164.9	167.0	165.0	163.8	146.1	150.5	159.5	136.1
10 Auto parts and allied goods	.9	114.5	112.4	113.5	116.2	114.4	116.4	114.0	115.5	118.1	119.7	118.0	118.8	119.6	120.3
11 Other	3.5	126.3	128.0	127.5	126.6	126.2	126.8	129.1	125.5	127.8	130.4	128.6	129.7	132.1	135.2
12 Appliances, televisions, and air conditioners	1.0	173.0	181.1	175.9	174.2	176.5	176.9	181.1	171.2	179.5	183.6	179.0	180.9	187.9	197.9
13 Carpeting and furniture	.8	109.9	107.0	111.1	110.5	108.6	110.7	109.3	106.0	106.9	111.6	108.6	111.7	114.2	114.8
14 Miscellaneous home goods	1.6	107.9	108.5	108.0	107.6	106.5	106.4	109.6	109.2	109.2	109.9	110.0	109.6	109.7	110.9
15 Nondurable consumer goods	23.0	106.5	106.0	105.6	106.3	107.3	108.5	108.7	107.8	107.2	107.4	108.3	108.0	108.0	107.7
16 Foods and tobacco	10.3	106.1	105.9	105.4	106.1	106.6	107.2	108.2	107.7	108.0	108.7	107.8	107.6	107.0	107.1
17 Clothing	2.4	95.5	95.4	95.4	95.1	95.5	95.0	94.9	94.0	93.8	94.2	94.4	94.9	93.8	93.2
18 Chemical products	4.5	112.7	112.6	111.3	113.5	115.5	117.3	118.8	117.9	116.2	114.9	117.2	116.3	116.9	115.9
19 Paper products	2.9	101.1	101.4	101.8	101.9	102.9	102.9	103.0	101.1	101.5	102.3	102.6	103.4	104.5	103.4
20 Energy	2.9	112.0	109.1	109.4	109.4	110.7	115.3	111.8	110.4	107.6	107.5	113.0	111.4	112.1	112.6
21 Fuels	.8	106.6	106.7	107.7	105.4	108.1	107.8	106.0	105.1	106.2	108.5	110.1	111.9	113.2	110.9
22 Residential utilities	2.1	114.3	109.9	110.0	110.9	111.7	118.5	114.2	112.6	108.0	106.8	114.1	110.9	111.4	113.1
23 Equipment	17.2	116.8	118.1	117.9	118.1	118.4	119.0	119.6	120.8	122.6	123.5	124.3	124.8	125.8	125.8
24 Business equipment	13.2	126.6	128.1	127.7	128.3	128.8	129.8	130.7	132.1	133.8	134.3	135.5	135.9	136.8	137.6
25 Information processing and related	5.4	143.2	144.1	144.6	146.3	147.4	147.1	148.5	149.6	152.4	153.6	155.1	156.2	158.4	159.6
26 Computer and office equipment	1.1	292.0	301.7	306.2	314.3	318.8	323.5	327.1	335.7	343.0	349.9	358.6	365.5	374.6	384.3
27 Industrial	4.0	126.9	127.2	126.7	126.3	127.0	127.1	127.3	127.9	128.2	127.5	130.3	129.3	128.7	128.5
28 Transit	2.5	100.0	104.1	103.0	103.8	101.9	106.6	107.2	109.8	111.8	113.1	110.1	112.1	113.2	114.0
29 Autos and trucks	1.2	115.3	126.5	120.9	117.7	109.4	115.9	113.7	117.2	118.7	118.3	110.0	111.7	111.4	110.1
30 Other	1.3	116.4	118.0	116.1	115.5	118.7	119.9	121.4	123.4	124.4	125.1	128.8	128.3	128.7	130.3
31 Defense and space equipment	3.3	77.0	77.7	77.9	77.7	77.0	76.1	76.2	74.7	75.4	75.6	75.2	75.6	76.4	76.0
32 Oil and gas well drilling	.6	120.5	122.1	122.6	117.5	120.2	120.7	123.6	130.8	140.7	153.4	152.5	154.2	161.4	149.6
33 Manufactured homes	.2	162.0	163.0	167.4	165.6	165.3	159.8	...	156.3	163.5	160.9	168.0	166.4	163.1	...
34 Intermediate products, total	14.2	109.4	108.9	110.0	110.6	110.2	111.9	111.3	111.6	112.0	112.1	112.0	112.1	111.9	111.8
35 Construction supplies	5.3	116.8	117.5	119.2	119.8	117.7	120.7	117.8	117.0	120.0	121.8	120.1	120.9	120.1	119.7
36 Business supplies	8.9	105.1	103.9	104.6	105.3	105.8	106.8	107.4	108.4	107.3	106.5	107.2	107.0	107.1	107.2
37 Materials	39.5	120.3	120.5	121.5	121.2	121.7	122.2	123.1	123.4	124.1	124.5	125.5	125.2	125.3	126.0
38 Durable goods materials	20.8	134.0	134.5	136.2	135.5	135.8	136.5	137.8	138.4	139.2	140.2	141.7	141.8	142.2	142.8
39 Durable consumer parts	4.0	128.8	131.1	133.9	128.3	126.6	129.7	130.3	132.1	129.7	129.8	130.5	127.3	126.1	125.7
40 Equipment parts	7.6	159.2	159.6	161.7	162.6	163.4	165.3	167.9	169.4	172.6	175.6	178.1	180.5	182.3	184.9
41 Other	9.2	118.2	118.2	119.2	119.2	120.0	119.1	119.9	119.3	119.8	120.0	121.0	121.1	121.2	120.9
42 Basic metal materials	3.1	113.1	112.9	113.6	114.7	117.2	114.4	115.7	114.9	116.4	116.4	116.7	118.6	118.6	117.7
43 Nondurable goods materials	8.9	106.4	107.4	106.5	106.9	108.0	108.4	109.5	109.6	110.5	110.6	111.3	109.9	110.0	110.4
44 Textile materials	1.1	106.3	109.9	107.4	107.1	108.4	108.5	105.9	106.8	107.7	104.9	109.5	105.4	106.7	106.0
45 Paper materials	1.8	107.4	109.1	108.2	107.0	108.0	110.9	112.5	111.5	113.2	113.8	114.4	114.7	110.8	112.4
46 Chemical materials	3.9	105.9	106.1	106.2	106.8	109.3	107.7	110.2	111.1	111.2	111.2	111.7	109.9	110.1	110.3
47 Other	2.1	106.1	107.1	104.7	106.2	103.9	106.8	106.3	105.3	107.5	108.4	107.8	107.3	109.8	110.3
48 Energy materials	9.7	103.9	102.4	104.0	103.9	103.9	104.0	103.9	103.8	104.0	103.5	103.8	103.5	102.9	104.5
49 Primary energy	6.3	102.6	101.7	103.2	102.2	102.0	101.6	102.6	101.6	102.8	102.3	101.7	102.0	100.7	102.7
50 Converted fuel materials	3.3	106.2	103.9	105.4	107.0	107.5	108.5	106.3	108.0	106.2	105.9	107.6	106.4	107.0	108.0
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	114.9	115.4	115.7	116.1	116.9	117.4	117.4	118.0	118.5	119.3	119.2	119.5	119.8
52 Total excluding motor vehicles and parts	95.1	114.6	114.6	115.0	115.4	115.9	116.6	117.2	117.1	117.8	118.3	119.0	119.0	119.3	119.7
53 Total excluding computer and office equipment	98.2	112.9	113.1	113.4	113.5	113.7	114.6	115.1	115.1	115.6	116.0	116.4	116.3	116.6	116.7
54 Consumer goods excluding autos and trucks	27.4	109.2	108.9	108.6	109.2	109.9	111.0	111.4	110.3	110.1	110.7	111.1	111.0	111.3	111.4
55 Consumer goods excluding energy	26.2	110.2	110.9	110.2	110.6	110.8	111.8	112.8	111.9	112.1	112.7	111.9	112.1	112.5	112.2
56 Business equipment excluding autos and trucks	12.0	127.7	128.2	128.3	129.3	130.7	131.2	132.4	133.6	135.3	135.9	138.0	138.4	139.4	140.3
57 Business equipment excluding computer and office equipment	12.1	115.8	116.8	116.1	116.3	116.6	117.5	118.2	119.2	120.5	120.7	121.5	121.6	122.1	122.4
58 Materials excluding energy	29.8	125.4	126.1	127.0	126.6	127.1	127.8	129.0	129.4	130.3	131.0	132.2	131.8	132.1	132.6

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

Group	SIC[2] code	1992 proportion	1996 avg.	1996						1997						
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan	Feb	Mar.	Apr.[r]	May[r]	June	July[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	..	**100.0**	**115.2**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.3**	**119.3**	**119.6**	**119.8**
60 Manufacturing	.	85.4	116.3	117.0	117.2	117.4	117.6	118.5	119.2	119.3	120.1	120.6	120.9	121.0	121.3	121.4
61 Primary processing	.	26.5	112.2	113.0	113.1	113.5	113.8	113.8	114.0	113.8	114.8	115.6	115.6	115.9	115.6	115.4
62 Advanced processing	.	58.9	118.4	118.9	119.2	119.3	119.5	120.8	121.7	122.0	122.6	123.0	123.5	123.5	124.1	124.3
63 Durable goods	.	45.0	125.7	126.9	127.5	127.2	127.1	128.4	128.8	129.5	130.8	131.7	132.3	132.7	133.4	133.8
64 Lumber and products	24	2.0	109.7	109.3	111.4	110.7	109.2	113.1	108.0	108.6	112.0	113.3	113.6	114.1	113.5	112.9
65 Furniture and fixtures	25	1.4	108.9	108.1	108.8	108.8	110.4	110.5	110.5	109.7	110.3	111.0	112.7	114.0	114.1	114.7
66 Stone, clay, and glass products	32	2.1	111.0	114.1	111.8	113.1	111.7	111.8	111.3	112.7	112.5	113.5	113.8	113.1	113.8	114.0
67 Primary metals	33	3.1	117.2	118.0	118.3	119.5	122.1	118.5	118.8	117.8	120.0	121.3	120.2	123.6	123.0	121.9
68 Iron and steel	331,2	1.7	116.4	118.0	118.2	117.4	123.2	115.9	116.7	118.0	118.2	118.7	119.3	123.6	120.5	120.3
69 Raw steel	331PT	1	112.2	113.3	113.6	112.6	111.5	108.7	112.5	111.7	112.3	114.2	115.5	115.8	115.1	114.1
70 Nonferrous	333–6,9	1.4	118.0	117.9	118.5	121.8	120.7	121.4	121.2	117.6	122.1	124.2	121.3	123.5	125.8	123.8
71 Fabricated metal products	34	5.0	118.6	119.1	119.4	119.3	119.3	119.1	119.5	119.2	119.5	120.4	120.8	121.0	120.1	120.0
72 Industrial machinery and equipment	35	8.0	156.4	157.7	159.6	159.4	159.9	161.7	162.9	164.7	166.6	167.4	171.3	170.5	171.3	173.2
73 Computer and office equipment	357	1.8	296.9	306.5	310.8	319.0	323.6	328.3	332.5	340.3	347.8	354.7	363.8	370.7	379.9	389.7
74 Electrical machinery	36	7.3	163.3	163.8	164.6	165.2	165.6	167.2	168.8	168.6	172.5	175.2	176.7	178.1	180.6	183.9
75 Transportation equipment	37	9.5	106.1	109.5	109.3	107.3	105.3	109.5	109.6	111.9	111.5	111.9	110.6	110.2	111.2	110.1
76 Motor vehicles and parts	371	4.9	126.9	134.1	132.8	127.0	121.2	128.9	127.9	132.0	129.6	128.9	125.3	123.7	124.7	121.4
77 Autos and light trucks	371PT	2.6	124.6	137.3	131.0	127.4	117.3	125.7	125.6	128.8	129.4	129.5	119.1	121.6	123.1	117.0
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	85.6	85.7	86.5	87.9	89.4	90.3	91.5	92.2	93.5	94.8	95.5	96.4	97.3	98.2
79 Instruments	38	5.4	102.8	102.3	103.0	103.0	103.4	103.0	104.1	103.3	104.6	104.7	104.4	105.2	105.8	105.9
80 Miscellaneous	39	1.3	112.9	113.0	112.9	113.0	113.0	114.1	116.6	116.3	117.1	116.3	116.9	117.0	117.7	118.2
81 Nondurable goods	.	40.4	106.3	106.4	106.2	106.9	107.4	107.9	108.8	108.5	108.6	108.7	108.7	108.5	108.5	108.3
82 Foods	20	9.4	106.3	106.5	105.5	106.2	107.1	107.6	108.2	108.2	108.4	109.2	108.3	108.1	107.9	107.8
83 Tobacco products	21	1.6	105.6	102.5	104.1	104.9	104.0	105.4	108.9	104.6	105.7	106.9	105.5	104.2	102.8	104.1
84 Textile mill products	22	1.8	106.6	108.7	107.7	107.2	107.6	108.2	106.3	106.3	106.9	108.2	108.6	107.5	108.4	108.0
85 Apparel products	23	2.2	98.2	98.3	98.5	98.2	97.8	97.3	97.2	96.2	95.8	96.3	96.1	96.5	96.3	95.4
86 Paper and products	26	3.6	108.0	110.2	108.1	108.8	107.6	110.1	111.6	110.3	111.1	112.1	112.2	112.8	110.9	111.6
87 Printing and publishing	27	6.7	98.4	97.6	97.9	99.1	99.7	100.0	99.8	100.5	100.6	99.7	99.6	99.8	100.1	99.6
88 Chemicals and products	28	9.9	108.9	109.0	108.7	109.7	111.3	111.8	114.0	113.7	112.8	112.0	113.3	112.0	112.4	112.1
89 Petroleum products	29	1.4	106.5	105.3	107.8	106.9	108.4	107.4	107.3	107.4	108.6	108.1	110.7	112.0	113.0	111.4
90 Rubber and plastic products	30	3.5	120.5	120.7	122.0	122.8	121.4	121.7	122.6	121.1	123.1	124.0	122.3	123.3	123.9	123.8
91 Leather and products	31	.3	80.0	80.0	79.5	79.4	78.4	77.3	80.1	78.3	77.6	78.4	78.8	76.9	76.4	74.9
92 Mining	.	6.9	102.9	103.1	104.5	103.4	103.4	103.5	104.5	103.6	106.3	107.5	106.0	107.9	107.6	107.2
93 Metal	10	5	102.0	103.1	104.0	105.3	105.6	102.5	106.3	105.7	105.7	104.8	103.5	104.4	105.7	104.6
94 Coal	12	1.0	105.9	102.7	109.6	106.2	107.5	108.8	109.5	106.4	109.6	105.2	104.1	115.6	107.3	113.8
95 Oil and gas extraction	13	4.8	100.3	100.9	101.1	100.5	100.0	100.2	100.7	100.8	103.1	105.4	104.5	104.4	105.3	103.7
96 Stone and earth minerals	14	6	118.7	120.6	121.7	118.5	120.0	120.2	122.9	117.2	125.0	128.8	122.3	124.5	126.9	124.5
97 Utilities	...	7.7	112.8	109.4	110.8	111.1	111.9	114.5	112.6	112.7	110.2	109.9	113.6	110.8	111.3	113.0
98 Electric	491,493PT	6.2	112.7	110.1	111.5	110.9	112.0	112.7	112.6	113.2	110.9	110.3	113.6	110.5	111.2	113.4
99 Gas	492,493PT	1.6	113.2	107.1	108.5	111.8	111.3	120.9	112.7	110.9	107.6	108.7	113.2	111.9	111.7	111.7
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	115.7	116.0	116.3	116.8	117.3	117.9	118.6	118.6	119.5	120.0	120.6	120.8	121.1	121.3
101 Manufacturing excluding office and computing machines	.	83.6	113.7	114.3	114.4	114.5	114.7	115.5	116.1	116.2	116.9	117.3	117.5	117.5	117.8	117.8
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	.	**2,001.9**	**2,258.7**	**2,276.1**	**2,272.9**	**2,273.4**	**2,270.7**	**2,303.5**	**2,301.1**	**2,302.9**	**2,315.3**	**2,327.5**	**2,324.7**	**2,331.5**	**2,340.3**	**2,334.5**
103 Final	..	1,552.1	1,760.9	1,782.8	1,773.6	1,771.6	1,771.8	1,795.1	1,796.8	1,798.4	1,808.8	1,819.6	1,816.4	1,822.6	1,832.5	1,827.2
104 Consumer goods	.	1,049.6	1,162.2	1,171.6	1,165.5	1,163.0	1,164.7	1,182.2	1,182.3	1,176.3	1,177.7	1,184.7	1,179.4	1,182.6	1,187.8	1,182.0
105 Equipment	.	502.5	598.0	610.5	607.4	607.8	606.3	612.1	613.7	621.4	630.4	634.2	636.4	639.4	644.1	644.7
106 Intermediate	.	449.9	498.2	494.3	499.7	502.1	499.3	508.6	504.9	505.1	507.2	508.7	508.9	509.6	508.9	508.2

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in January 1997 See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1994	1995	1996	1996				1997					
				Sept	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426	1,391	1,349	1,391	1,405	1,395	1,438	1,457	1,442	1,432	1,402
2 One-family	1,069	997	1,070	1,029	1,003	1,016	999	1,052	1,069	1,034	1,060	1,053	1,049
3 Two-family or more	303	335	356	362	346	375	406	343	369	423	382	379	353
4 Started	1,457	1,354	1,477	1,470	1,407	1,486	1,353	1,375	1,554	1,479	1,483	1,402	1,447
5 One-family	1,198	1,076	1,161	1,148	1,104	1,133	1,024	1,125	1,237	1,142	1,133	1,098	1,111
6 Two-family or more	259	278	316	322	303	353	329	250	317	337	350	304	336
7 Under construction at end of period[1]	755	775	819	825	825	828	815	818	821	814	812	813	823
8 One-family	584	554	584	592	588	584	571	573	574	566	563	563	567
9 Two-family or more	171	221	235	233	237	244	244	245	247	248	249	250	256
10 Completed	1,346	1,319	1,407	1,356	1,375	1,431	1,484	1,362	1,572	1,471	1,460	1,391	1,282
11 One-family	1,161	1,073	1,124	1,097	1,129	1,151	1,177	1,109	1,267	1,156	1,158	1,104	1,059
12 Two-family or more	185	246	283	259	246	280	307	253	305	315	302	287	223
13 Mobile homes shipped	305	341	362	372	364	354	338	339	353	353	372	356	356
Merchant builder activity in one-family units													
14 Number sold	670	667	757	768	706	788	794	822	826	825[r]	764	772	819
15 Number for sale at end of period[1]	340	374	326	331	330	327	322	308	300	287	287	283	282
Price of units sold (thousands of dollars)[2]													
16 Median	130.0	133.9	140.0	139.0	143.8	143.5	144.9	145.0	143.0	148.0[r]	150.0	140.0	142.9
17 Average	154.5	158.7	166.4	167.4	168.4	172.0	171.8	171.9	171.1	172.7[r]	179.1	168.5	176.4
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	4,020	4,000	4,060	3,950	3,910	4,230	4,160	4,060	4,250	4,150
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	117.8	116.6	117.4	118.8	120.6	117.5	120.0	120.7	123.1	127.2
20 Average	136.8	139.1	145.5	144.7	143.6	144.1	147.1	149.6	144.7	147.5	150.4	153.1	158.4
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**518,644**	**534,463**	**567,179**	**579,959**	**584,140**	**586,226**	**579,109**	**577,116**	**592,365**	**593,908**	**596,241**	**597,852**	**591,507**
22 Private	398,646	407,370	435,929	444,388	448,951	448,907	447,045	444,391	452,037	452,728	456,944	462,032	454,792
23 Residential	238,423	231,230	246,659	248,957	247,901	248,259	247,899	246,661	251,402	253,974	259,964	259,469	256,401
24 Nonresidential	160,223	176,140	189,271	195,431	201,050	200,648	199,146	197,730	200,635	198,754	196,980	202,563	198,391
25 Industrial buildings	28,893	32,505	31,997	32,845	34,738	33,244	30,752	31,871	32,161	30,520	29,450	31,088	31,502
26 Commercial buildings	59,480	68,223	74,593	76,713	79,864	80,144	78,395	81,979	83,107	81,015	76,488	80,409	76,991
27 Other buildings	26,988	27,089	30,525	31,281	32,024	33,454	34,409	34,257	35,561	36,012	38,216	38,146	36,054
28 Public utilities and other	44,862	48,323	52,156	54,592	54,424	53,806	55,590	49,623	49,806	51,207	52,826	52,920	53,844
29 Public	119,998	127,092	131,250	135,572	135,188	137,319	132,064	132,725	140,328	141,180	139,297	135,820	136,715
30 Military	2,310	2,983	2,541	2,482	2,531	2,365	2,241	2,542	2,564	2,232	2,433	2,554	2,585
31 Highway	36,933	36,319	37,898	38,338	38,367	38,610	39,585	37,869	41,060	41,473	42,410	40,907	41,437
32 Conservation and development	6,459	6,391	5,807	7,177	5,573	5,710	5,223	5,807	5,727	6,114	5,069	5,206	4,975
33 Other	74,297	81,399	85,005	87,575	88,717	90,634	85,015	86,507	90,977	91,361	89,385	87,153	87,718

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C–30–76–5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, July 1997[1]
	1996 July	1997 July	1996[1]		1997[r]		1997					
			Sept.	Dec.	Mar.	June	Mar.	Apr.	May	June	July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.0**	**2.2**	**3.1**	**3.3**	**1.8**	**1.0**	**.1**	**.1**	**.1**	**.1**	**.2**	**112.1**
2 Food	3.4	2.5	5.3	3.4	.3	1.5	0	−.2	.4	.2	.3	157.0
3 Energy items	4.1	−1.0	1.1	16.2	−2.8	−14.7	−1.7	−1.5	−2.4	.0	−.1	111.4
4 All items less food and energy	2.7	2.4	2.7	2.4	2.4	2.4	.2	.3	2	.1	.2	169 5
5 Commodities	1.4	.9	1.1	.9	1.1	.6	1	.3	.1	−.2	−.1	141.5
6 Services	3.3	3.1	3.4	3.1	2.7	3.5	.3	.3	.3	.3	.3	185 4
PRODUCER PRICES (1982=100)												
7 Finished goods	2.6	−.2	2.5	4.3	−3.3	−3.6	− 2	−.5[r]	−.3	−.1	− 1	131 3
8 Consumer foods	4.2	.1	4.6	2.4	−2.0	−3.5	8[r]	−.4	.4	−.9	−.2	134.0
9 Consumer energy	5.4	−1 4	7.0	26.2	−16.9	−15.1	−3.1[r]	−2.7[r]	−2.1	.7	.1	83 0
10 Other consumer goods	1.6	.1	.6	.6	.6	−.6	.2	.0	−.3	.1	−.1	144.5
11 Capital equipment	1.1	−.1	1.2	−.6	.0	−1.2	.0[r]	−.1[r]	−.2	.1	−.1	137 9
Intermediate materials												
12 Excluding foods and feeds	−.8	− 1	1.0	2.2	−1.9	−1.9	− 6	− 4[r]	−.2	.2	−.2	125 5
13 Excluding energy	−1.8	4	.0	−.3	.6	.3	0	.0	0	.1	.0	134 2
Crude materials												
14 Foods	25.1	−14.4	−9.4	−28.5	−2.8	−10.1	2.0[r]	3.2[r]	−.3	−5.4	.3	112.1
15 Energy	19.9	−3.8	18.7	235.2	−75.5	10.2	−21.3[r]	2.1[r]	3.4	−2.9	−.4	78.7
16 Other	−13.9	3.0	−2.6	−1.3	15.7	−3.5	3[r]	−2.5[r]	1.2	.4	−.5	157.0

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

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

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1994[r]	1995[r]	1996[r]	1996[r]			1997	
				Q2	Q3	Q4	Q1[r]	Q2
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,947.0**	**7,265.4**	**7,636.0**	**7,607.7**	**7,676.0**	**7,792.9**	**7,933.6**	**8,004.8**
By source								
2 Personal consumption expenditures	4,717.0	4,957.7	5,207.6	5,189.1	5,227.4	5,308.1	5,405.7	5,429.8
3 Durable goods	579.5	608.5	634.5	638.6	634.5	638.2	658.4	644.0
4 Nondurable goods	1,428.4	1,475.8	1,534.7	1,532.3	1,538.3	1,560.1	1,587.4	1,578.9
5 Services	2,709.1	2,873.4	3,038.4	3,018.2	3,054.6	3,109.8	3,159.9	3,206.9
6 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,227.2
7 Fixed investment	946.6	1,008.1	1,090.7	1,082.0	1,112.0	1,119.2	1,127.5	1,157.8
8 Nonresidential	660.6	723.0	781.4	769.3	798.6	807.2	811.3	836.4
9 Structures	184.5	200.6	215.2	210.6	217.7	227.0	227.4	230.4
10 Producers' durable equipment	476.1	522.4	566.2	558.7	580.9	580.2	583.9	606.0
11 Residential structures	286.0	285.1	309.2	312.7	313.5	312.0	316.2	321.4
12 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	69.4
13 Nonfarm	50.5	38.1	23.0	17.2	31.3	28.7	62.2	64.8
14 Net exports of goods and services	−90.9	−86.0	−94.8	−93.8	−114.0	−88.6	−98.8	−103.3
15 Exports	721.2	818.4	870.9	865.0	863.7	904.6	922.2	948.4
16 Imports	812.1	904.5	965.7	958.7	977.6	993.2	1,021.0	1,051.8
17 Government consumption expenditures and gross investment	1,313.0	1,355.5	1,406.7	1,407.0	1,413.5	1,422.3	1,433.1	1,451.1
18 Federal	510.2	509.6	520.0	524.6	521.6	517.6	516.1	528.0
19 State and local	802.8	846.0	886.7	882.4	891.9	904.7	917.0	923.2
By major type of product								
20 Final sales, total	6,885.7	7,235.3	7,610.2	7,584.3	7,638.9	7,761.0	7,867.4	7,935.4
21 Goods	2,520.2	2,637.9	2,759.3	2,759.3	2,760.7	2,795.0	2,838.4	2,835.4
22 Durable	1,072.5	1,133.9	1,212.0	1,214.8	1,216.3	1,233.5	1,248.0	1,258.3
23 Nondurable	1,447.6	1,503.9	1,547.3	1,544.5	1,544.4	1,561.5	1,590.4	1,577.2
24 Services	3,772.4	3,980.7	4,187.3	4,162.2	4,208.1	4,282.7	4,338.2	4,400.9
25 Structures	593.2	616.8	663.6	662.8	670.1	683.3	690.8	699.0
26 Change in business inventories	61.2	30.1	25.9	23.4	37.1	31.9	66.1	69.4
27 Durable goods	33.6	29.1	16.9	18.1	33.3	−1.1	31.8	38.6
28 Nondurable goods	27.7	1.1	9.0	5.3	3.9	33.0	34.3	30.8
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,610.7**	**6,742.1**	**6,928.4**	**6,926.0**	**6,943.8**	**7,017.4**	**7,101.6**	**7,139.7**
NATIONAL INCOME								
30 **Total**	**5,590.7**	**5,912.3**	**6,254.5**	**6,229.4**	**6,303.3**	**6,376.5**	**6,510.0**	n.a.
31 Compensation of employees	4,012.0	4,215.4	4,426.9	4,403.9	4,461.0	4,520.7	4,606.3	4,663.3
32 Wages and salaries	3,254.0	3,442.6	3,633.6	3,612.3	3,664.0	3,718.0	3,792.7	3,842.6
33 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	661.7
34 Other	2,651.8	2,819.6	2,991.0	2,972.0	3,018.4	3,069.0	3,134.9	3,180.9
35 Supplement to wages and salaries	758.0	772.9	793.3	791.5	797.0	802.7	813.6	820.7
36 Employer contributions for social insurance	353.0	366.0	385.7	383.6	388.6	393.6	401.3	405.5
37 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
38 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
39 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	499.1
40 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	44.5
41 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.6
42 Corporate profits[1]	570.5	650.0	735.9	738.5	739.6	747.8	779.6	n.a.
43 Profits before tax[3]	535.1	622.6	676.6	682.2	679.1	680.0	708.4	n.a.
44 Inventory valuation adjustment	−16.1	−24.3	−2.5	−5.4	−2.7	3.3	3.5	18.1
45 Capital consumption adjustment	51.4	51.6	61.8	61.6	63.2	64.4	67.7	69.9
46 Net interest	412.3	425.1	425.1	422.5	430.9	430.6	440.5	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1994[r]	1995[r]	1996[r]	1996[r] Q2	1996[r] Q3	1996[r] Q4	1997 Q1[r]	1997 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,791.8**	**6,150.8**	**6,495.2**	**6,461.3**	**6,541.9**	**6,618.4**	**6,746.2**	**6,830.0**
2 Wage and salary disbursements	3,240.7	3,429.5	3,632.5	3,611.2	3,662.8	3,716.9	3,791.5	3,841.5
3 Commodity-producing industries	824.4	864.4	909.1	906.3	917.2	927.8	942.9	953.3
4 Manufacturing	620.8	648.4	674.7	674.1	680.1	685.6	694.1	700.7
5 Distributive industries	741.4	783.1	823.3	819.2	829.0	840.6	856.8	866.8
6 Service industries	1,072.7	1,159.0	1,257.5	1,245.3	1,271.1	1,299.5	1,334.1	1,359.6
7 Government and government enterprises	602.2	623.0	642.6	640.3	645.5	648.9	657.8	661.7
8 Other labor income	405.0	406.8	407.6	407.9	408.4	409.1	412.3	415.1
9 Proprietors' income[1]	471.6	489.0	520.3	520.0	523.8	528.3	534.6	543.6
10 Business and professional[1]	434.7	465.5	483.1	483.5	483.7	487.9	494.4	499.1
11 Farm[1]	36.9	23.4	37.2	36.5	40.1	40.4	40.2	44.5
12 Rental income of persons[2]	124.4	132.8	146.3	144.6	148.0	149.2	149.0	148.6
13 Dividends	204.8	251.9	291.2	290.0	292.0	295.2	312.5	318.3
14 Personal interest income	668.1	718.9	735.7	727.8	742.7	749.8	757.2	766.8
15 Transfer payments	954.7	1,015.0	1,068.0	1,064.8	1,072.4	1,081.5	1,107.2	1,117.5
16 Old-age survivors, disability, and health insurance benefits	473.0	507.8	537.6	535.4	540.0	545.6	558.9	564.4
17 LESS: Personal contributions for social insurance	277.5	293.1	306.3	305.0	308.2	311.5	318.2	321.3
18 EQUALS: Personal income	5,791.8	6,150.8	6,495.2	6,461.3	6,541.9	6,618.4	6,746.2	6,830.0
19 LESS: Personal tax and nontax payments	739.1	795.1	886.9	887.8	897.3	922.6	955.7	982.0
20 EQUALS: Disposable personal income	5,052.7	5,355.7	5,608.3	5,573.5	5,644.6	5,695.8	5,790.5	5,848.0
21 LESS: Personal outlays	4,842.1	5,101.1	5,368.8	5,347.8	5,390.6	5,475.4	5,574.6	5,600.1
22 EQUALS: Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.9
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,357.7	25,615.7	26,085.8	26,106.4	26,114.4	26,331.6	26,597.8	26,690.5
24 Personal consumption expenditures	17,207.4	17,459.2	17,748.7	17,761.8	17,744.2	17,847.8	18,045.2	18,048.1
25 Disposable personal income	18,431.0	18,861.0	19,116.0	19,081.0	19,161.0	19,152.0	19,331.0	19,435.0
26 Saving rate (percent)	4.2	4.8	4.3	4.1	4.5	3.9	3.7	4.2
GROSS SAVING								
27 **Gross saving**	**1,079.2**	**1,165.5**	**1,267.8**	**1,256.3**	**1,295.9**	**1,303.0**	**1,332.9**	n.a.
28 Gross private saving	1,030.2	1,093.1	1,125.5	1,106.3	1,145.1	1,131.4	1,134.0	n.a.
29 Personal saving	210.6	254.6	239.6	225.7	254.0	220.4	215.9	247.9
30 Undistributed corporate profits[1]	167.6	172.4	202.1	202.6	202.3	212.6	211.5	n.a.
31 Corporate inventory valuation adjustment	−16.1	−24.3	−2.5	−5.4	−2.7	3.3	3.5	18.1
Capital consumption allowances								
32 Corporate	412.3	428.9	452.3	448.5	455.5	462.0	467.4	472.1
33 Noncorporate	226.3	224.1	230.5	228.3	232.2	235.2	238.0	239.8
34 Gross government saving	49.0	72.4	142.3	150.0	150.8	171.6	198.9	n.a.
35 Federal	−117.2	−103.6	−39.3	−40.2	−28.3	−5.9	15.9	n.a.
36 Consumption of fixed capital	69.5	70.9	71.2	71.4	71.2	71.3	71.4	71.5
37 Current surplus or deficit (−), national accounts	−186.7	−174.4	−110.5	−111.6	−99.5	−77.1	−55.5	n.a.
38 State and local	166.2	176.0	181.5	190.2	179.1	177.5	182.9	n.a.
39 Consumption of fixed capital	69.4	72.9	76.2	75.8	76.5	77.2	78.2	79.1
40 Current surplus or deficit (−), national accounts	96.8	103.1	105.3	114.4	102.6	100.4	104.7	n.a.
41 **Gross investment**	**1,093.8**	**1,137.2**	**1,207.9**	**1,206.0**	**1,216.4**	**1,243.5**	**1,268.6**	n.a.
42 Gross private domestic investment	1,007.9	1,038.2	1,116.5	1,105.4	1,149.2	1,151.1	1,193.6	1,227.2
43 Gross government investment	206.0	213.4	224.3	226.3	223.6	225.3	223.3	226.7
44 Net foreign investment	−120.0	−114.4	−132.9	−125.6	−156.4	−132.9	−148.4	n.a.
45 **Statistical discrepancy**	**14.6**	**−28.2**	**−59.9**	**−50.2**	**−79.5**	**−59.5**	**−64.3**	n.a.

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1994	1995	1996	1996 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1[p]
1 Balance on current account	−133,538	−129,095	−148,184	−32,884	−35,585	−42,833	−36,874	−40,966
2 Merchandise trade balance[2]	−166,192	−173,560	−191,170	−42,925	−47,562	−52,493	−48,190	−49,787
3 Merchandise exports	502,398	575,871	612,069	150,048	153,411	150,764	157,846	162,527
4 Merchandise imports	−668,590	−749,431	−803,239	−192,973	−200,973	−203,257	−206,036	−212,314
5 Military transactions, net	1,874	3,866	3,786	485	1,214	792	1,295	518
6 Other service transactions, net	59,902	67,837	76,344	17,901	18,569	19,185	20,697	20,152
7 Investment income, net	9,723	6,808	2,824	2,061	883	−1,370	1,250	−3,140
8 U.S. government grants	15,671	−11,096	−14,933	−4,321	2,423	2,690	−5,499	−2,162
9 U.S. government pensions and other transfers	−4,544	3,420	−4,331	−1,136	−1,081	−1,064	1,050	−1,098
10 Private remittances and other transfers	−18,630	−19,530	−20,704	−4,949	5,185	−5,193	−5,377	−5,449
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−352	−549	−690	−210	−358	162	284	31
12 Change in U.S. official reserve assets (increase,)	5,346	−9,742	6,668	17	523	7,489	−315	4,480
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	199	−133	848	−146	72
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−849	−220	−183	−28	1,055
16 Foreign currencies	5,293	−6,468	7,578	1,065	−170	6,824	141	3,353
17 Change in U.S. private assets abroad (increase, −)	−165,510	−296,916	−358,422	−70,575	−48,817	−85,193	−153,837	−104,298
18 Bank-reported claims[3]	−4,200	−75,108	−98,186	1,868	192	−33,589	−66,657	−56,560
19 Nonbank-reported claims	−31,739	−34,997	−64,234	−15,778	−5,047	17,294	26,115	...
20 U.S. purchases of foreign securities, net	−60,309	−100,074	−108,189	−34,455	−20,328	−23,206	−30,200	−14,510
21 U.S. direct investments abroad, net	−69,262	−86,737	−87,813	−22,210	23,634	−11,104	−30,865	−24,628
22 Change in foreign official assets in United States (increase, +)	40,385	110,729	122,354	52,014	13,154	24,089	33,097	28,337
23 U.S. Treasury securities	30,750	68,977	111,253	55,600	−3,383	25,472	33,564	23,107
24 Other U.S. government obligations	6,077	3,735	4,381	52	1,258	1,217	1,854	651
25 Other U.S. government liabilities[4]	2,366	744	720	−143	−204	907	160	377
26 Other U.S. liabilities reported by U.S. banks[3]	3,665	34,008	4,722	−3,284	14,198	−1,922	4,270	7,489
27 Other foreign official assets[5]	−2,473	3,265	1,278	−211	1,285	−1,585	1,789	−3,287
28 Change in foreign private assets in United States (increase, +)	256,952	340,505	425,201	36,219	92,960	134,540	161,482	130,530
29 U.S. bank-reported liabilities[3]	104,338	30,176	9,784	−33,535	2,319	2,040	38,960	18,891
30 U.S. nonbank-reported liabilities	−7,710	34,588	31,786	6,800	7,288	20,610	2,912	
31 Foreign private purchases of U.S. Treasury securities, net	34,274	99,548	155,578	11,832	31,212	43,402	67,338	...
32 Foreign purchases of other U.S. securities, net	56,971	96,367	133,798	36,475	29,761	35,115	32,447	38,738
33 Foreign direct investments in United States, net	45,679	67,526	76,955	15,877	17,440	25,977	17,661	21,700
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−3,283	−14,931	−46,927	15,419	−20,831	−38,254	−3,269	−18,114
36 Due to seasonal adjustment	...	...		6,228	−1,076	−7,830	2,669	7,325
37 Before seasonal adjustment	−3,284	−14,931	−46,926	9,191	−19,755	−30,424	−5,938	−25,439
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase,)	5,346	−9,742	6,668	17	−523	7,489	−315	4,480
39 Foreign official assets in United States, excluding line 25 (increase, +)	38,019	109,985	121,634	52,157	13,358	23,182	32,937	27,960
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	4,239	12,278	−1,539	5,239	5,263	3,315	6,717

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institutions as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb	Mar.	Apr.	May	June^p
1 Goods and services, balance	-104,416	-101,857	-111,040	-10,601	-11,474	-9,884	-7,755	-8,746	-9,536	-8,158
2 Merchandise	-166,192	-173,560	-191,170	17,695	-18,148	-16,761	-14,877	15,527	-16,363	-15,013
3 Services	61,776	71,703	80,130	7,094	6,674	6,877	7,122	6,781	6,827	6,855
4 Goods and services, exports	699,646	794,610	848,833	72,444	71,957	74,370	78,193	77,887	77,686	78,420
5 Merchandise	502,398	575,871	612,069	52,133	51,686	53,687	57,155	57,162	56,871	57,456
6 Services	197,248	218,739	236,764	20,311	20,271	20,683	21,038	20,725	20,815	20,964
7 Goods and services, imports	-804,062	-896,467	-959,873	-83,045	-83,431	-84,254	-85,948	-86,633	-87,222	-86,578
8 Merchandise	-668,590	-749,431	-803,239	-69,828	69,834	-70,448	-72,032	-72,689	-73,234	-72,469
9 Services	-135,472	-147,036	-156,634	-13,217	-13,597	-13,806	-13,916	-13,944	-13,988	14,109

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1993	1994	1995	1996	1997						
				Dec	Jan	Feb.	Mar.	Apr.	May	June	July^p
1 **Total**	**73,442**	**74,335**	**85,832**	**75,090**	**68,200**	**67,482**	**67,222**	**65,873**	**68,054**	**67,813**	**66,119**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,049	11,048	11,051	11,050	11,051	11,051	11,050	11,050
3 Special drawing rights[2,3]	9,039	10,039	11,037	10,312	9,793	9,866	9,879	9,726	10,050	10,023	9,810
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	15,435	14,372	14,037	13,846	13,660	13,805	13,805	13,677
5 Foreign currencies[4]	41,532	41,215	49,096	38,294	32,987	32,528	32,447	31,436	32,935	32,935	31,582

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million, 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1993	1994	1995	1996	1997						
				Dec	Jan.	Feb.	Mar.	Apr	May	June	July^p
1 **Deposits**	**386**	**250**	**386**	**167**	**167**	**229**	**16**	**169**	**176**	**178**	**175**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	638,049	646,130	662,375	672,059	668,536	662,747	652,077	653,157
3 Earmarked gold[3]	12,327	12,033	11,702	11,197	11,197	11,175	11,034	10,944	10,868	10,794	10,793

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1994	1995	1996	1997					
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**[1]	**520,934**	**630,918**	**752,663**	**762,914**	**771,952**	**781,077**[r]	**777,370**[r]	**782,285**[r]	**776,610**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,394	112,182	119,641	116,672	119,881[r]	117,337	125,584[r]	122,227
3 U.S. Treasury bills and certificates[3]	139,571	168,534	193,435	188,076	191,090	191,548	183,628	176,268	161,984
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,690	380,565	388,396	398,519	405,625	413,007[r]	416,384[r]	427,118
5 Nonmarketable[4]	6,109	6,491	5,968	6,007	6,043	6,084	5,692	5,730	5,767
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,809	60,513	60,794	59,628	57,939	57,706	58,319	59,514
By area									
7 Europe[1]	215,374	222,406	253,099	262,055	260,962	264,919	264,681[r]	265,724	271,004
8 Canada	17,235	19,473	21,343	21,151	21,237	21,997	19,677	20,196	20,577
9 Latin America and Caribbean	41,492	66,721	81,807	77,411	79,332	80,232[r]	77,024	82,292[r]	88,760
10 Asia	236,824	311,016	383,107	390,803	399,294	401,098	403,526	402,102	381,478
11 Africa	4,180	6,296	7,379	6,717	7,411	7,908	7,765	8,643	8,890
12 Other countries	5,827	5,004	5,926	4,775	3,714	4,921	4,695[r]	3,326[r]	5,899

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996			1997
				June	Sept.	Dec.	Mar.
1 Banks' liabilities	78,259	89,258	109,713	111,651	111,140	103,383	109,238[r]
2 Banks' claims	62,017	60,711	74,016	65,825	68,120	66,018	72,589
3 Deposits	20,993	19,661	22,696	20,890	24,026	22,467	24,542
4 Other claims	41,024	41,050	51,320	44,935	44,094	43,551	48,047
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	7,554	7,390	10,978	9,357

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,751**	**1,137,751**	**1,135,724**	**1,158,680**	**1,154,155[r]**	**1,163,243[r]**	**1,176,959**	**1,164,065**
2 Banks' own liabilities	718,591	753,461	759,026	759,026	765,212	782,714	782,883[r]	796,555[r]	812,025	799,548
3 Demand deposits	23,386	24,448	27,034	27,034	26,228	25,084	28,063[r]	29,745[r]	26,494	29,803
4 Time deposits[2]	186,512	192,558	188,000	188,000	187,268	190,257	189,873[r]	183,860[r]	184,347	186,306
5 Other[3]	113,215	140,165	142,464	142,464	158,324	161,313	151,408[r]	161,326	161,693	164,861
6 Own foreign offices[4]	395,478	396,290	401,528	401,528	393,392	406,060	413,539[r]	421,624[r]	439,491	418,578
7 Banks' custodial liabilities[5]	296,405	346,088	378,725	378,725	370,512	375,966	371,272	366,688	364,934	364,517
8 U.S. Treasury bills and certificates[6]	162,938	197,355	220,575	220,575	214,727	217,817	218,271	211,148	200,983	197,877
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	64,040	64,040	62,971	59,668	55,843	59,341	64,343	65,506
10 Other	90,928	96,533	94,110	94,110	92,814	98,481	97,158	96,199	99,608	101,134
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,864	13,864	14,849	14,626	12,192	13,039	12,315	13,928
12 Banks' own liabilities	8,176	10,347	13,355	13,355	14,170	14,297	11,793	12,787	12,120	13,472
13 Demand deposits	29	21	29	29	55	51	49	30	16	775
14 Time deposits[2]	3,298	4,656	5,784	5,784	5,792	5,035	6,952	5,238	4,857	6,645
15 Other[3]	4,849	5,670	7,542	7,542	8,323	9,211	4,792	7,519	7,247	6,052
16 Banks' custodial liabilities[5]	430	692	509	509	679	329	399	252	195	456
17 U.S. Treasury bills and certificates[6]	281	350	244	244	494	219	226	154	102	65
18 Other negotiable and readily transferable instruments[7]	149	341	265	265	185	110	158	98	88	383
19 Other	0	1	0	0	0	0	15	0	5	8
20 Official institutions[9]	212,957	275,928	305,617	305,617	307,717	307,762	311,429[r]	300,965	301,852	284,211
21 Banks' own liabilities	59,935	83,447	79,406	79,406	88,190	87,317	90,701[r]	86,794	92,847	96,311
22 Demand deposits	1,564	2,098	1,511	1,511	1,290	1,378	2,390	2,345	1,857	1,559
23 Time deposits[2]	23,511	30,717	33,336	33,336	32,646	34,457	32,691	33,428	36,627	39,793
24 Other[3]	34,860	50,632	44,559	44,559	54,254	51,482	55,620[r]	51,021	54,363	54,959
25 Banks' custodial liabilities[5]	153,022	192,481	226,211	226,211	219,527	220,445	220,728	214,171	209,005	187,900
26 U.S. Treasury bills and certificates[6]	139,571	168,534	193,435	193,435	188,076	191,090	191,548	183,628	176,268	161,984
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	32,350	32,350	31,291	29,008	28,797	30,396	32,485	25,487
28 Other	206	344	426	426	160	347	383	147	252	429
29 Banks[10]	678,532	691,412	680,923	680,923	669,225	683,142	687,849[r]	700,330[r]	710,688	719,266
30 Banks' own liabilities	563,617	567,834	562,912	562,912	553,650	562,652	567,824[r]	580,203[r]	591,295	576,582
31 Unaffiliated foreign banks	168,139	171,544	161,384	161,384	160,258	156,592	154,285[r]	158,579[r]	151,804	158,004
32 Demand deposits	10,633	11,758	13,692	13,692	12,898	11,642	13,360	14,909	12,957	14,954
33 Time deposits[2]	111,171	103,471	90,811	90,811	90,123	89,723	88,784	83,540	81,585	80,416
34 Other[3]	46,335	56,315	56,881	56,881	57,237	55,227	52,141[r]	60,130[r]	57,262	62,634
35 Own foreign offices[4]	395,478	396,290	401,528	401,528	393,392	406,060	413,539[r]	421,624[r]	439,491	418,578
36 Banks' custodial liabilities[5]	114,915	123,578	118,011	118,011	115,575	120,490	120,025	120,127	119,393	142,684
37 U.S. Treasury bills and certificates[6]	11,264	15,872	13,886	13,886	13,969	13,289	13,996	14,177	11,223	23,025
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	12,321	12,321	11,142	11,210	11,204	12,169	14,363	24,140
39 Other	89,145	94,671	91,804	91,804	90,464	95,991	94,825	93,781	93,807	95,519
40 Other foreigners	114,901	121,170	137,347	137,347	143,933	153,150	142,685[r]	148,909[r]	152,104	146,660
41 Banks' own liabilities	86,863	91,833	103,353	103,353	109,202	118,448	112,565[r]	116,771[r]	115,763	113,183
42 Demand deposits	11,160	10,571	11,802	11,802	11,985	12,013	12,264[r]	12,461[r]	11,664	12,515
43 Time deposits[2]	48,532	53,714	58,069	58,069	58,707	61,042	61,446[r]	61,654[r]	61,278	59,452
44 Other[3]	27,171	27,548	33,482	33,482	38,510	45,393	38,855[r]	42,656[r]	42,821	41,216
45 Banks' custodial liabilities[5]	28,038	29,337	33,994	33,994	34,731	34,702	30,120	32,138	36,341	33,477
46 U.S. Treasury bills and certificates[6]	11,822	12,599	13,010	13,010	12,188	13,219	12,501	13,189	13,390	12,803
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	19,104	19,104	20,353	19,340	15,684	16,678	17,407	15,496
48 Other	1,577	1,517	1,880	1,880	2,190	2,143	1,935	2,271	5,544	5,178
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	9,934	9,934	9,035	8,745	9,332	10,658	10,916	11,651

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

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

Item	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,751**	**1,137,751**	**1,135,724**	**1,158,680**	**1,154,155[r]**	**1,163,243[r]**	**1,176,959[r]**	**1,164,065**
51 **Foreign countries**	**1,006,390**	**1,088,510**	**1,123,887**	**1,123,887**	**1,120,875**	**1,144,054**	**1,141,963[r]**	**1,150,204[r]**	**1,164,644[r]**	**1,150,137**
52 Europe	390,869	362,819	368,380	368,380	379,641	379,566	374,944[r]	374,978[r]	376,406[r]	390,020
53 Austria	3,588	3,537	5,101	5,101	4,794	4,010	4,589	3,069	3,337	3,194
54 Belgium and Luxembourg	21,877	24,792	23,576	23,576	22,842	23,537	22,107	18,764	20,896	40,698
55 Denmark	2,884	2,921	2,450	2,450	2,213	1,594	1,692	1,647	1,974	2,003
56 Finland	1,436	2,831	1,463	1,463	1,583	1,338	1,017	1,747	953	1,341
57 France	44,365	39,218	34,365	34,365	34,558	35,457	34,861	40,227	38,444	40,686
58 Germany	27,109	24,035	24,554	24,554	24,871	24,142	25,410	25,697	26,000	27,446
59 Greece	1,400	2,014	1,810	1,810	2,080	1,930	2,392	1,740	2,269	1,675
60 Italy	10,885	10,868	10,701	10,701	10,366	10,610	8,676	9,419	9,660	10,170
61 Netherlands	16,033	13,745	10,995	10,995	9,760	10,946	11,008	11,975	8,625	8,226
62 Norway	2,338	1,394	1,288	1,288	1,860	1,538	1,896	1,357	1,121	841
63 Portugal	2,846	2,761	1,865	1,865	1,741	1,661	1,756	1,995	1,828	1,821
64 Russia	2,726	7,948	7,571	7,571	7,160	6,819	7,771	7,863	9,531	12,261
65 Spain	14,675	10,011	16,920	16,920	20,410	17,963	18,791[r]	17,674	15,005	16,237
66 Sweden	3,094	3,246	1,291	1,291	2,226	1,483	1,881[r]	2,190	1,600	1,406
67 Switzerland	40,724	43,625	44,214	44,214	43,266	46,681	43,315	41,803	43,674	38,973
68 Turkey	3,341	4,124	6,723	6,723	7,051	6,748	7,176	6,585	6,742	6,530
69 United Kingdom	163,733	139,183	151,416	151,416	157,412	157,320	154,182[r]	156,667[r]	160,958	152,706
70 Yugoslavia[11]	245	177	206	206	212	239	248	266	324	228
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	21,871	21,871	25,236	25,550	26,176	24,293	23,465	23,578
72 Canada	24,768	30,468	38,111	38,111	34,830	33,985	37,118	39,575	37,554	37,090
73 Latin America and Caribbean	423,847	440,213	465,733	465,733	455,457	472,600	464,191[r]	476,694[r]	491,878	490,436
74 Argentina	17,203	12,235	13,794	13,794	16,475	17,018	16,739	14,057	16,379	18,177
75 Bahamas	104,014	94,991	88,304	88,304	90,460	98,120	89,427[r]	104,831	100,081	89,434
76 Bermuda	8,424	4,897	5,299	5,299	5,103	8,803	8,196	7,197	6,265	5,176
77 Brazil	9,145	23,797	27,662	27,662	22,467	23,858	23,693	23,373	25,405	26,013
78 British West Indies	229,599	239,083	250,786	250,786	244,633	248,571	253,695[r]	250,232[r]	267,075	269,210
79 Chile	3,127	2,826	2,915	2,915	2,987	3,459	3,278	3,117	3,239	3,371
80 Colombia	4,615	3,659	3,256	3,256	2,791	2,855	2,807	3,165	2,776	2,836
81 Cuba	13	8	21	21	19	19	18[r]	52	54	55
82 Ecuador	875	1,314	1,767	1,767	1,617	1,633	1,484	1,469	1,608	1,466
83 Guatemala	1,121	1,276	1,282	1,282	1,348	1,410	1,378	1,514	1,457	1,497
84 Jamaica	529	481	628	628	576	576	585	525	472	465
85 Mexico	12,227	24,560	31,230	31,230	27,139	27,442	26,598[r]	27,722[r]	27,914	31,357
86 Netherlands Antilles	5,217	4,673	5,977	5,977	6,401	6,085	3,474	5,334	3,678	6,103
87 Panama	4,551	4,264	4,077	4,077	3,849	4,135	3,847	3,711	4,005	3,969
88 Peru	900	974	834	834	967	917	926	881	1,117[r]	919
89 Uruguay	1,597	1,836	1,888	1,888	1,915	1,857	1,843	1,756	2,063	2,154
90 Venezuela	13,986	11,808	17,361	17,361	18,119	18,125	18,454	18,968	18,897	18,935
91 Other	6,704	7,531	8,652	8,652	8,591	7,717	7,749[r]	8,790[r]	9,393[r]	9,299
92 Asia	154,346	240,595	236,673	236,673	236,404	244,473	250,705[r]	242,327[r]	244,199[r]	216,550
China										
93 Mainland	10,066	33,750	30,438	30,438	27,914	31,631	31,370	28,580	29,432	7,284
94 Taiwan	9,844	11,714	15,990	15,990	16,680	15,619	15,796	14,669	12,441	12,356
95 Hong Kong	17,104	20,197	18,736	18,736	19,866	20,062	20,106	18,942	19,375	20,147
96 India	2,338	3,373	3,930	3,930	4,323	4,746	5,430	4,756	4,368	4,241
97 Indonesia	1,587	2,708	2,297	2,297	2,159	2,473	2,672	2,441	2,788	2,528
98 Israel	5,157	4,041	6,042	6,042	6,597	6,197	5,960[r]	6,097[r]	6,413[r]	5,749
99 Japan	62,981	109,193	107,012	107,012	106,419	108,703	116,066[r]	114,930[r]	114,669[r]	112,998
100 Korea (South)	5,124	5,749	5,949	5,949	6,056	6,257	6,545	7,153	7,851	7,629
101 Philippines	2,714	3,092	3,378	3,378	2,340	2,437	2,389	2,335	2,387	2,469
102 Thailand	6,466	12,279	10,912	10,912	9,873	10,752	9,394	10,361	7,808	6,159
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	14,303	14,303	12,924	12,767	13,408	13,826	13,972	12,644
104 Other	15,471	18,917	17,686	17,686	21,253	22,829	21,569	18,237	22,695	22,346
105 Africa	6,524	7,641	8,063	8,063	8,443	8,110	8,536	9,011	9,824	9,953
106 Egypt	1,879	2,136	2,012	2,012	1,933	2,033	2,001	2,056	2,248	1,977
107 Morocco	97	104	112	112	111	97	107	129	91	66
108 South Africa	433	739	458	458	610	720	827	784	2,004	1,770
109 Zaire	9	10	10	10	5	7	9	4	9	39
110 Oil-exporting countries[14]	1,343	1,797	2,608	2,608	3,095	2,467	2,931	3,344	2,731	3,153
111 Other	2,763	2,855	2,863	2,863	2,689	2,786	2,661	2,694	2,741	2,948
112 Other	6,036	6,774	6,927	6,927	6,100	5,320	6,469	7,619	4,783	6,088
113 Australia	5,142	5,647	5,468	5,468	4,866	4,072	5,098	6,370	3,405[r]	4,739
114 Other	894	1,127	1,459	1,459	1,234	1,248	1,371	1,249	1,378[r]	1,349
115 Nonmonetary international and regional organizations	8,606	11,039	13,864	13,864	14,849	14,626	12,192	13,039	12,315[r]	13,928
116 International[15]	7,537	9,300	11,991	11,991	13,230	13,000	10,272	11,671	10,641[r]	12,273
117 Latin American regional[16]	613	893	1,339	1,339	1,103	1,220	1,459	1,050	1,435	1,071
118 Other regional[17]	456	846	534	534	516	406	461	318	239	584

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total, all foreigners**	**485,432**	**532,444**	**600,676**	**600,676**	**607,491**	**633,662**	**636,645[r]**	**641,080[r]**	**632,145**	**651,993**
2 **Foreign countries**	**480,841**	**530,513**	**598,072**	**598,072**	**605,719**	**631,407**	**635,139[r]**	**638,792[r]**	**629,813**	**650,070**
3 Europe	124,124	132,150	166,489	166,489	178,480	193,227	204,790[r]	183,017[r]	195,969	191,790
4 Austria	692	565	1,662	1,662	1,643	1,284	1,911	1,541	1,440	1,395
5 Belgium and Luxembourg	6,923	7,624	6,727	6,727	7,611	6,855	8,439	8,054	8,017	8,129
6 Denmark	1,129	403	492	492	678	571	546	888	924	1,010
7 Finland	512	1,055	971	971	1,144	976	1,684	1,194	1,121	1,414
8 France	12,149	15,033	15,246	15,246	18,111	20,576	24,929	15,306	17,492	16,926
9 Germany	7,623	9,263	8,472	8,472	9,659	9,077	11,971	9,537	9,059	9,947
10 Greece	604	469	568	568	636	530	755	453	477	630
11 Italy	6,044	5,370	6,457	6,457	5,419	5,587	6,427	6,166	6,478	7,865
12 Netherlands	2,960	5,346	7,080	7,080	8,119	8,658	7,616	8,866	8,190	10,841
13 Norway	504	665	808	808	1,058	766	1,226	846	1,199	749
14 Portugal	938	888	418	418	420	310	421	326	306	468
15 Russia	973	660	1,669	1,669	1,673	1,704	2,028	1,799	1,881	2,020
16 Spain	3,536	2,166	3,211	3,211	6,507	5,407	6,633	6,301	5,854	6,810
17 Sweden	4,098	2,080	2,673	2,673	2,013	2,314	2,311	1,942	1,870	2,539
18 Switzerland	5,747	7,474	19,798	19,798	21,457	25,258	20,855	21,301	24,574	22,500
19 Turkey	878	803	1,109	1,109	1,029	1,221	1,236	1,216	1,306	1,455
20 United Kingdom	66,863	67,784	85,057	85,057	86,711	96,988	99,129[r]	90,821[r]	101,240	93,161
21 Yugoslavia[2]	265	147	115	115	108	107	87	78	79	75
22 Other Europe and other former U.S.S.R.[3]	1,686	4,355	3,956	3,956	4,484	5,038	6,586	6,382	4,462	3,856
23 Canada	18,490	20,874	26,436	26,436	26,348	27,881	35,782[r]	33,579[r]	31,336	36,012
24 Latin America and Caribbean	224,229	256,944	274,127	274,127	271,654	275,255	261,155	282,478	264,380	281,329
25 Argentina	5,854	6,439	7,400	7,400	6,987	6,952	6,995	6,870	7,237	7,297
26 Bahamas	66,410	58,818	71,871	71,871	62,679	66,771	67,728	68,219	65,546	66,664
27 Bermuda	8,533	5,741	4,103	4,103	4,444	5,980	6,216	8,125	6,596	6,951
28 Brazil	9,583	13,297	17,259	17,259	17,620	17,758	17,752	17,590	18,588	19,152
29 British West Indies	96,373	124,037	105,510	105,510	108,643	110,143	98,778	111,300	106,921	121,962
30 Chile	3,820	4,864	5,136	5,136	5,509	5,602	5,784	5,636	5,745	5,598
31 Colombia	4,004	4,550	6,247	6,247	6,166	6,033	6,099	6,026	6,041	6,320
32 Cuba	0	0	0	0	0	0	0	0	0	2
33 Ecuador	682	825	1,031	1,031	1,079	1,134	1,155	995	1,092	1,130
34 Guatemala	366	457	620	620	612	634	629	633	619	651
35 Jamaica	258	323	345	345	336	336	366	325	328	334
36 Mexico	17,749	18,024	18,425	18,425	18,323	18,297	19,516	20,292	19,168	19,211
37 Netherlands Antilles	1,404	9,229	25,209	25,209	27,675	24,250	18,926	25,235	14,759	14,022
38 Panama	2,198	3,008	2,786	2,786	2,796	2,911	3,110	3,243	3,347	3,194
39 Peru	997	1,829	2,720	2,720	2,867	2,944	2,510	2,473	2,580	2,606
40 Uruguay	503	466	589	589	623	766	741	682	735	721
41 Venezuela	1,832	1,661	1,702	1,702	1,599	1,452	1,516	1,558	1,710	1,778
42 Other	3,663	3,376	3,174	3,174	3,696	3,292	3,334	3,276	3,368	3,736
43 Asia	107,800	115,336	122,535	122,535	121,362	127,080	124,334[r]	129,598	128,769	130,743
China										
44 Mainland	836	1,023	1,401	1,401	2,035	1,766	1,456	2,201	2,168	2,045
45 Taiwan	1,448	1,713	1,894	1,894	1,249	1,201	1,709	1,532	1,500	1,884
46 Hong Kong	9,222	12,821	12,802	12,802	11,764	11,877	14,143	13,389	14,969	16,056
47 India	994	1,846	1,946	1,946	1,824	1,957	2,194	2,147	2,257	2,336
48 Indonesia	1,472	1,696	1,762	1,762	1,749	1,896	2,081	2,206	2,435	2,569
49 Israel	688	739	633	633	692	617	612	586	909	631
50 Japan	59,569	61,468	59,967	59,967	59,843	64,199	56,483[r]	59,083	56,484	60,255
51 Korea (South)	10,286	13,975	18,958	18,958	20,214	20,031	19,943	20,863	20,925	21,119
52 Philippines	663	1,318	1,697	1,697	1,492	1,794	1,600	1,746	1,937	2,123
53 Thailand	2,902	2,612	2,679	2,679	3,003	3,092	3,429	3,233	3,069	3,192
54 Middle Eastern oil-exporting countries[4]	13,982	9,639	10,424	10,424	8,582	8,889	10,078	11,315	10,590	9,085
55 Other	5,738	6,486	8,372	8,372	8,915	9,761	10,606	11,297	11,526	9,448
56 Africa	3,053	2,742	2,776	2,776	2,731	2,772	2,735	3,282	2,847	3,269
57 Egypt	225	210	247	247	246	245	244	231	270	312
58 Morocco	429	514	524	524	489	522	473	478	463	465
59 South Africa	674	465	584	584	572	564	470	452	569	602
60 Zaire	2	1	0	0	0	0	0	1	0	0
61 Oil-exporting countries[5]	856	552	420	420	408	474	605	1,177	679	1,129
62 Other	867	1,000	1,001	1,001	1,016	967	943	943	866	761
63 Other	3,145	2,467	5,709	5,709	5,144	5,192	6,343	6,838	6,512	6,927
64 Australia	2,192	1,622	4,577	4,577	3,743	3,176	4,101	4,918	4,088	5,042
65 Other	953	845	1,132	1,132	1,401	2,016	2,242	1,920	2,424	1,885
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	2,604	1,772	2,255	1,506	2,288	2,332	1,923

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May	June[p]
1 **Total**	**601,814**	**655,211**	**744,691**	**744,691**	...	...	**798,617**	...	...	...
2 Banks' claims	485,432	532,444	600,676	600,676	607,491	633,662	636,645	641,080	632,145	651,993
3 Foreign public borrowers	23,416	22,518	22,241	22,241	26,061	24,755	28,898	29,215	27,314	28,322
4 Own foreign offices[2]	283,015	307,427	342,508	342,508	330,261	360,541	360,340	362,790	367,977	379,524
5 Unaffiliated foreign banks	110,410	101,595	113,505	113,505	121,198	118,074	118,396	116,018	112,784	120,043
6 Deposits	59,368	37,771	33,826	33,826	39,266	38,155	37,284	34,592	34,566	35,785
7 Other	51,042	63,824	79,679	79,679	81,932	79,919	81,112	81,426	78,218	84,258
8 All other foreigners	68,591	100,904	122,422	122,422	129,971	130,292	129,011	133,057	124,070	124,104
9 Claims of banks' domestic customers[3]	116,382	122,767	144,015	144,015	...	...	161,972	...	...	...
10 Deposits	64,829	58,519	77,673	77,673	...	...	95,147	...	...	...
11 Negotiable and readily transferable instruments[4]	36,111	44,161	51,207	51,207	...	...	49,518	...	...	...
12 Outstanding collections and other claims	15,442	20,087	15,135	15,135	...	...	17,307	...	...	...
MEMO										
13 Customer liability on acceptances	8,427	8,410	10,437	10,437	...	...	11,247	...	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	42,679	43,452	47,270	38,815	42,719	44,870	38,214

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996			1997
				June	Sept.	Dec.	Mar.[r]
1 **Total**	**202,566**	**202,282**	**224,932**	**228,534**	**232,997**	**257,924**	**276,080**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	185,878	189,047	211,740	223,817
3 Foreign public borrowers	17,828	15,435	14,995	14,982	16,003	15,411	19,910
4 All other foreigners	154,834	154,976	163,862	170,896	173,044	196,329	203,907
5 Maturity of more than one year	29,904	31,871	46,075	42,656	43,950	46,184	52,263
6 Foreign public borrowers	10,874	7,838	7,522	8,126	6,922	6,815	8,861
7 All other foreigners	19,030	24,033	38,553	34,530	37,028	39,369	43,402
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	57,138	58,545	55,513	75,011
9 Canada	7,727	6,690	6,751	6,806	8,811	8,339	10,404
10 Latin America and Caribbean	60,490	59,583	72,504	78,586	79,622	103,254	96,867
11 Asia	41,418	40,567	40,296	38,111	37,199	38,135	36,495
12 Africa	1,820	1,379	1,295	1,279	1,320	1,316	1,451
13 All other[3]	3,794	5,811	2,389	3,958	3,550	5,183	3,589
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	8,189	7,117	6,928	9,478
15 Canada	2,581	3,505	2,751	3,689	3,533	2,645	2,953
16 Latin America and Caribbean	14,025	15,717	27,681	19,538	21,382	24,917	26,771
17 Asia	5,606	5,323	7,941	9,234	9,808	9,392	10,773
18 Africa	1,935	1,583	1,421	1,410	1,349	1,361	1,204
19 All other[3]	447	1,385	1,286	596	761	941	1,084

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1993	1994	1995				1996				1997
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**409.5**	**499.5**	**545.0**	**531.9**	**535.3**	**551.9**	**574.6**	**612.7**	**586.0**	**645.0**	**647.7[r]**
2 G-10 countries and Switzerland	161.9	191.2	212.1	206.5	203.0	206.0	203.4	226.9	220.0	228.1	231.5[r]
3 Belgium and Luxembourg	7.4	7.2	10.4	9.7	11.0	13.6	11.0	11.4	11.3	11.7	14.1[r]
4 France	12.0	19.1	19.9	19.9	18.0	19.4	17.9	18.0	17.4	16.6	19.9[r]
5 Germany	12.6	24.7	31.2	30.0	27.5	27.3	31.5	31.4	33.9	29.8	32.1[r]
6 Italy	7.7	11.8	10.6	10.7	12.6	11.5	13.2	14.9	15.2	16.0	14.4[r]
7 Netherlands	4.7	3.6	3.5	4.3	4.5	3.7	3.0	4.7	5.9	3.9	4.5[r]
8 Sweden	2.7	2.7	3.1	3.1	2.9	2.7	3.3	2.7	3.0	2.6	3.4
9 Switzerland	5.9	5.1	5.7	6.2	6.6	6.7	5.2	6.3	6.3	5.3	6.0[r]
10 United Kingdom	84.4	85.8	90.1	87.1	80.4	82.4	84.7	101.6	90.5	104.6	99.2[r]
11 Canada	6.9	10.0	10.8	11.3	12.9	10.3	10.8	12.2	14.8	14.0	16.3[r]
12 Japan	17.6	21.1	26.7	24.4	26.6	28.5	22.7	23.6	21.7	23.6	21.7
13 Other industrialized countries	26.5	45.7	44.4	43.3	50.5	50.2	61.3	55.5	62.1	65.7	66.4[r]
14 Austria	.7	1.1	.9	7	1.2	.9	1.3	1.2	1.0	1.1	1.9
15 Denmark	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3	1.7	1.5	1.7[r]
16 Finland	.4	.9	1.1	.5	.7	.8	.7	.6	.6	.8	.7
17 Greece	3.2	4.5	4.9	5.0	5.1	5.7	5.6	5.6	6.1	6.7	6.3[r]
18 Norway	1.7	2.0	2.4	1.8	2.3	3.2	2.1	2.3	3.0	8.0	5.3
19 Portugal	.8	1.2	1.0	1.2	1.9	1.3	1.6	1.6	1.4	.9	1.0
20 Spain	9.9	13.6	14.1	13.0	13.3	11.6	17.5	13.6	16.1	13.2	14.4[r]
21 Turkey	2.1	1.6	1.4	1.4	2.0	1.9	2.0	2.3	2.8	2.7	2.7
22 Other Western Europe	3.2	3.2	2.8	2.9	3.3	4.7	3.8	3.4	4.8	4.7	6.3
23 South Africa	1.1	1.0	1.5	1.4	1.3	1.2	1.7	2.0	1.7	2.0	1.9[r]
24 Australia	2.3	15.4	12.6	14.3	17.4	16.4	21.7	19.6	22.8	24.0	24.4
25 OPEC[2]	17.6	24.1	19.5	20.3	22.7	22.1	21.2	20.1	19.2	19.7	21.8[r]
26 Ecuador	.5	.5	5	7	7	.7	.8	.9	9	1.1	1.1
27 Venezuela	5.1	3.7	3.5	3.5	3.0	2.7	2.9	2.3	2.3	2.4	1.9
28 Indonesia	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9	5.4	5.2	4.9
29 Middle East countries	7.6	15.3	10.8	11.5	13.9	13.3	12.3	11.5	10.1	10.6	13.2
30 African countries	1.2	9	.7	6	6	.6	6	.5	4	.4	7
31 Non-OPEC developing countries	83.2	96.0	98.5	103.7	104.1	112.6	118.6	126.4	124.1	130.1	128.1[r]
Latin America											
32 Argentina	7.7	11.2	11.4	12.3	10.9	12.9	12.7	14.1	15.0	14.3	14.3[r]
33 Brazil	12.0	8.4	9.2	10.0	13.6	13.7	18.3	21.7	17.8	20.7	22.0[r]
34 Chile	4.7	6.1	6.4	7.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8
35 Colombia	2.1	2.6	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7
36 Mexico	17.9	18.4	17.9	17.6	16.3	17.3	16.1	15.4	16.1	16.2	17.2[r]
37 Peru	.4	.5	.6	.8	.7	8	.9	1.2	1.3	1.6	1.6
38 Other	3.1	2.7	2.4	2.6	2.6	2.8	3.1	3.0	3.0	3.3	3.4[r]
Asia											
China											
39 Mainland	2.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5	2.7
40 Taiwan	7.3	9.2	8.5	9.0	9.0	9.4	9.7	9.8	10.3	10.2	10.5[r]
41 India	3.2	4.2	3.8	4.0	4.4	4.4	4.7	4.2	3.8	4.3	4.9
42 Israel	.5	.4	.6	.7	5	.5	.5	.6	5	5	.6
43 Korea (South)	6.7	16.2	16.9	18.7	18.0	19.1	19.3	21.7	21.9	21.5	14.6
44 Malaysia	4.4	3.1	3.9	4.1	4.3	4.4	5.2	5.3	5.5	5.9	6.5[r]
45 Philippines	3.1	3.3	3.0	3.6	3.3	4.1	3.9	4.7	5.4	5.8	6.0
46 Thailand	3.1	2.1	3.3	3.8	3.9	4.9	5.2	5.4	4.8	5.7	6.8
47 Other Asia	3.1	4.7	4.9	3.5	3.7	4.5	4.3	4.8	4.1	4.1	4.3[r]
Africa											
48 Egypt	.4	.3	4	.4	.4	.4	.5	5	6	7	9
49 Morocco	.7	.6	.6	.9	.9	.7	.7	.8	7	7	.6
50 Zaire	.0	.0	.0	.0	0	.0	.0	.0	0	1	.0
51 Other Africa[3]	.8	.8	.7	6	.8	.9	.8	.8	1.0	.9	.9
52 Eastern Europe	3.2	2.7	2.3	1.8	3.4	4.2	6.3	5.1	5.3	6.9	8.9[r]
53 Russia[4]	1.6	.8	.7	4	.6	1.0	1.4	1.0	1.8	3.7	3.5[r]
54 Other	1.6	1.9	1.7	1.3	2.8	3.2	4.9	4.1	3.5	3.2	5.4[r]
55 Offshore banking centers	73.5	72.9	85.7	83.8	87.5	99.2	101.3	106.2	105.3	134.9	131.3[r]
56 Bahamas	10.9	10.2	12.5	8.4	12.6	11.0	13.9	17.3	14.2	20.3	20.9[r]
57 Bermuda	8.9	8.4	8.7	8.4	6.1	6.3	5.3	4.1	4.0	4.5	6.7
58 Cayman Islands and other British West Indies	18.4	21.4	20.7	25.3	25.1	32.4	28.8	26.1	32.0	37.2	32.8[r]
59 Netherlands Antilles	2.8	1.6	1.2	2.8	5.7	10.3	11.1	13.2	11.7	26.1	19.9
60 Panama[5]	2.4	1.3	1.1	1.2	1.3	1.4	1.6	1.7	1.7	2.0	2.0[r]
61 Lebanon	.1	.1	.1	1	1	.1	.1	.1	1	.1	.1
62 Hong Kong, China	18.8	20.0	22.5	23.1	23.7	25.0	25.3	27.8	26.2	28.1	30.8
63 Singapore	11.2	10.1	19.2	14.8	13.3	13.1	15.4	15.9	15.4	16.7	17.9
64 Other[6]	.1	.1	0	0	1	.1	.1	.1	1	.1	1
65 Miscellaneous and unallocated[7]	43.6	66.9	82.5	72.6	64.2	57.6	62.6	72.7	50.0	59.5	59.6[r]

1 The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. Includes Canal Zone.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1995	1996				1997
				Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**50,597**	**54,309**	**46,448**	**46,448**	**49,907**	**48,990**	**51,695**	**54,822**	**54,619**
2 Payable in dollars	38,728	38,298	33,903	33,903	36,273	35,385	36,465	39,003	39,394
3 Payable in foreign currencies	11,869	16,011	12,545	12,545	13,634	13,605	15,230	15,819	15,225
By type									
4 Financial liabilities	29,226	32,954	24,241	24,241	26,570	24,844	25,492	26,089	25,449
5 Payable in dollars	18,545	18,818	12,903	12,903	13,831	12,212	11,319	11,374	11,241
6 Payable in foreign currencies	10,681	14,136	11,338	11,338	12,739	12,632	14,173	14,715	14,208
7 Commercial liabilities	21,371	21,355	22,207	22,207	23,337	24,146	26,203	28,733	29,170
8 Trade payables	8,802	10,005	11,013	11,013	10,815	11,081	11,791	12,720	11,520
9 Advance receipts and other liabilities	12,569	11,350	11,194	11,194	12,522	13,065	14,412	16,013	17,650
10 Payable in dollars	20,183	19,480	21,000	21,000	22,442	23,173	25,146	27,629	28,153
11 Payable in foreign currencies	1,188	1,875	1,207	1,207	895	973	1,057	1,104	1,017
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	15,622	16,950	16,434	16,133	16,242	15,962
13 Belgium and Luxembourg	175	495	369	369	483	498	547	632	769
14 France	2,539	1,727	999	999	1,679	1,011	1,220	1,091	1,205
15 Germany	975	1,961	1,974	1,974	2,161	1,850	2,276	1,834	1,589
16 Netherlands	534	552	466	466	479	444	519	556	507
17 Switzerland	634	688	895	895	1,260	1,156	830	699	694
18 United Kingdom	13,332	15,543	10,138	10,138	10,246	10,790	9,884	10,224	9,756
19 Canada	859	629	632	632	1,166	951	973	1,401	602
20 Latin America and Caribbean	3,359	2,034	1,783	1,783	1,876	969	1,169	1,668	1,834
21 Bahamas	1,148	101	59	59	78	31	50	236	284
22 Bermuda	0	80	147	147	126	28	25	50	27
23 Brazil	18	207	57	57	57	8	52	78	75
24 British West Indies	1,533	998	866	866	946	826	764	1,030	927
25 Mexico	17	0	12	12	16	11	13	17	16
26 Venezuela	5	5	2	2	2	1	1	1	1
27 Asia	5,956	8,403	5,988	5,988	6,390	6,351	6,969	6,400	6,347
28 Japan	4,887	7,314	5,436	5,436	5,980	6,051	6,602	5,846	5,771
29 Middle Eastern oil-exporting countries[1]	23	35	27	27	26	26	25	25	72
30 Africa	133	135	150	150	131	72	153	38	29
31 Oil-exporting countries[2]	123	123	122	122	122	61	121	0	0
32 All other[3]	109	50	66	66	57	67	95	340	675
Commercial liabilities									
33 Europe	6,827	6,773	7,700	7,700	8,425	7,916	8,702	9,767	9,582
34 Belgium and Luxembourg	239	241	331	331	370	326	427	479	643
35 France	655	728	481	481	648	678	657	680	688
36 Germany	684	604	767	767	867	839	959	1,002	1,045
37 Netherlands	688	722	500	500	659	617	668	766	553
38 Switzerland	375	327	413	413	428	516	409	624	486
39 United Kingdom	2,039	2,444	3,568	3,568	3,525	3,266	3,664	4,303	4,165
40 Canada	879	1,037	1,040	1,040	959	998	1,145	1,090	1,070
41 Latin America and Caribbean	1,658	1,857	1,740	1,740	2,110	2,301	2,396	2,574	2,573
42 Bahamas	21	19	1	1	28	35	33	63	43
43 Bermuda	350	345	205	205	570	509	355	297	479
44 Brazil	214	161	98	98	128	119	203	196	207
45 British West Indies	27	23	56	56	10	10	15	14	14
46 Mexico	481	574	416	416	468	475	451	665	637
47 Venezuela	123	276	221	221	243	283	341	328	318
48 Asia	10,980	10,741	10,421	10,421	10,474	11,389	12,238	13,422	13,978
49 Japan	4,314	4,555	3,315	3,315	3,725	3,943	4,150	4,614	4,503
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,912	1,747	1,784	1,951	2,168	2,495
51 Africa	453	428	619	619	708	924	1,020	1,040	1,037
52 Oil-exporting countries[2]	167	256	254	254	254	462	490	532	479
53 Other[3]	574	519	687	687	661	618	702	840	930

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

	Type of claim, and area or country	1993	1994	1995	1995	1996				1997
					Dec.	Mar.	June	Sept.	Dec.	Mar.^p
1	**Total**	**49,159**	**57,888**	**52,509**	**52,509**	**55,406**	**60,195**	**59,048**	**63,604**	**63,835**
2	Payable in dollars	45,161	53,805	48,711	48,711	51,007	55,350	53,884	58,592	58,498
3	Payable in foreign currencies	3,998	4,083	3,798	3,798	4,399	4,845	5,164	5,012	5,337
	By type									
4	Financial claims	27,771	33,897	27,398	27,398	30,772	35,251	34,200	35,268	36,400
5	Deposits	15,717	18,507	15,133	15,133	17,595	19,507	19,877	21,404	19,240
6	Payable in dollars	15,182	18,026	14,654	14,654	17,044	19,069	19,182	20,631	18,137
7	Payable in foreign currencies	535	481	479	479	551	438	695	773	1,103
8	Other financial claims	12,054	15,390	12,265	12,265	13,177	15,744	14,323	13,864	17,160
9	Payable in dollars	10,862	14,306	10,976	10,976	11,290	13,347	12,234	12,069	15,383
10	Payable in foreign currencies	1,192	1,084	1,289	1,289	1,887	2,397	2,089	1,795	1,777
11	Commercial claims	21,388	23,991	25,111	25,111	24,634	24,944	24,848	28,336	27,435
12	Trade receivables	18,425	21,158	22,998	22,998	22,123	22,353	22,410	25,713	24,698
13	Advance payments and other claims	2,963	2,833	2,113	2,113	2,511	2,591	2,438	2,623	2,737
14	Payable in dollars	19,117	21,473	23,081	23,081	22,673	22,934	22,468	25,892	24,978
15	Payable in foreign currencies	2,271	2,518	2,030	2,030	1,961	2,010	2,380	2,444	2,457
	By area or country									
	Financial claims									
16	Europe	7,299	7,936	7,609	7,609	8,929	10,498	9,777	9,282	9,317
17	Belgium and Luxembourg	134	86	193	193	159	151	126	185	119
18	France	826	800	803	803	1,015	679	733	694	761
19	Germany	526	540	436	436	320	296	272	276	324
20	Netherlands	502	429	517	517	486	488	520	493	567
21	Switzerland	530	523	498	498	470	461	432	474	570
22	United Kingdom	3,585	4,649	4,303	4,303	5,568	7,426	6,603	6,119	6,075
23	Canada	2,032	3,581	2,851	2,851	5,269	4,773	4,502	3,445	4,817
24	Latin America and Caribbean	16,224	19,536	14,500	14,500	13,827	17,644	17,241	19,577	19,453
25	Bahamas	1,336	2,424	1,965	1,965	1,538	2,168	1,746	1,452	1,894
26	Bermuda	125	27	81	81	77	84	113	140	157
27	Brazil	654	520	830	830	1,019	1,242	1,438	1,468	1,404
28	British West Indies	12,699	15,228	10,393	10,393	10,100	13,024	12,809	15,182	14,846
29	Mexico	872	723	554	554	461	392	413	457	517
30	Venezuela	161	35	32	32	40	23	20	31	22
31	Asia	1,657	1,871	1,579	1,579	1,890	1,571	1,834	2,221	2,068
32	Japan	892	953	871	871	1,171	852	1,001	1,035	831
33	Middle Eastern oil-exporting countries[1]	3	141	3	3	13	9	13	22	12
34	Africa	99	373	276	276	277	197	177	174	183
35	Oil-exporting countries[2]	1	0	5	5	5	5	13	14	14
36	All other[3]	460	600	583	583	580	568	669	569	562
	Commercial claims									
37	Europe	9,105	9,540	9,824	9,824	9,776	9,842	9,266	10,424	9,827
38	Belgium and Luxembourg	184	213	231	231	247	239	213	225	364
39	France	1,947	1,881	1,830	1,830	1,803	1,659	1,532	1,644	1,514
40	Germany	1,018	1,027	1,070	1,070	1,410	1,335	1,240	1,336	1,360
41	Netherlands	423	311	452	452	442	481	424	561	582
42	Switzerland	432	557	520	520	579	602	590	642	405
43	United Kingdom	2,377	2,556	2,656	2,656	2,607	2,658	2,515	2,946	2,625
44	Canada	1,781	1,988	1,951	1,951	2,045	2,074	2,082	2,165	2,380
45	Latin America and Caribbean	3,274	4,117	4,364	4,364	4,151	4,347	4,399	5,264	5,048
46	Bahamas	11	9	30	30	30	28	14	35	40
47	Bermuda	182	234	272	272	273	264	290	275	159
48	Brazil	460	612	898	898	809	838	963	1,291	1,201
49	British West Indies	71	83	79	79	106	103	119	190	127
50	Mexico	990	1,243	993	993	870	1,021	931	1,128	1,098
51	Venezuela	293	348	285	285	308	313	316	357	330
52	Asia	6,014	6,982	7,312	7,312	7,100	6,939	7,278	8,372	8,283
53	Japan	2,275	2,655	1,870	1,870	2,010	1,877	1,918	2,003	2,052
54	Middle Eastern oil-exporting countries[1]	704	708	974	974	1,024	903	945	971	1,078
55	Africa	493	454	654	654	667	688	731	745	717
56	Oil-exporting countries[2]	72	67	87	87	107	83	142	166	100
57	Other[3]	721	910	1,006	1,006	895	1,054	1,092	1,366	1,180

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997 Jan.–June	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	1997 June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	623,760	454,468	57,051	73,036	73,051	68,450	70,267[r]	82,604	87,060
2 Foreign sales	451,710	611,832	424,390	56,629	70,132	69,191	68,153	64,433[r]	75,655	76,826
3 **Net purchases, or sales (−)**	**11,240**	**11,928**	**30,078**	**422**	**2,904**	**3,860**	**297**	**5,834[r]**	**6,949**	**10,234**
4 **Foreign countries**	**11,445**	**12,002**	**30,121**	**451**	**2,905**	**3,860**	**289**	**5,854[r]**	**6,968**	**10,245**
5 Europe	4,912	5,046	25,570	−229	3,271	5,486	2,116	6,686[r]	2,440	5,571
6 France	−1,099	−2,354	965	−1,064	532	427	−309	679	238	−602
7 Germany	−1,837	1,104	4,850	−18	959	1,086	699	648	601	857
8 Netherlands	3,507	1,389	1,252	−160	322	−334	378	378	382	126
9 Switzerland	−2,283	2,710	3,407	−470	289	784	304	810[r]	184	1,036
10 United Kingdom	8,066	4,119	9,365	1,487	−134	2,950	492	3,274[r]	218	2,565
11 Canada	−1,517	2,221	1,306	−9	422	308	373	141[r]	27	35
12 Latin America and Caribbean	5,814	5,563	3,650	994	1,364	405	−1,433	−1,982	2,916	2,380
13 Middle East[1]	−337	−1,598	156	−7	−1	26	10	203	−246	164
14 Other Asia	2,503	906	−1,087	−232	−2,175	−2,549	−894	729	1,556	2,246
15 Japan	−2,725	−372	1,866	−343	−1,559	−500	−253	1,294	1,763	1,121
16 Africa	2	−81	224	10	−8	58	96	−7	4	81
17 Other countries	68	−55	302	−76	32	126	21	84	271	−232
18 **Nonmonetary international and regional organizations**	**−205**	**−74**	**−43**	**−29**	**−1**	**0**	**8**	**−20**	**−19**	**−11**
BONDS[2]										
19 Foreign purchases	293,533	422,249	287,002	43,054	48,955	48,818	43,455	42,663[r]	44,479	58,632
20 Foreign sales	206,951	294,636	227,049	32,825	37,135	36,424	38,104	31,726[r]	36,358	47,302
21 **Net purchases, or sales (−)**	**86,582**	**127,613**	**59,953**	**10,229**	**11,820**	**12,394**	**5,351**	**10,937[r]**	**8,121**	**11,330**
22 **Foreign countries**	**87,036**	**127,442**	**59,894**	**10,229**	**11,824**	**12,381**	**5,337**	**10,941[r]**	**8,213**	**11,198**
23 Europe	70,318	75,722	38,196	4,770	6,088	9,612	4,572	5,377[r]	5,331	7,216
24 France	1,143	5,124	1,391	252	73	290	340	602	−4	90
25 Germany	5,938	5,164	478	−27	−274	184	493	30	145	−100
26 Netherlands	1,463	2,440	1,766	148	337	125	105	67	978	154
27 Switzerland	494	1,053	−10	−30	−58	−189	98	189	−54	4
28 United Kingdom	57,591	57,590	32,391	4,498	5,911	9,229	2,849	4,313[r]	3,618	6,471
29 Canada	2,569	4,197	2,684	391	379	1,055	390	512	445	−98
30 Latin America and Caribbean	6,141	22,901	6,211	2,940	3,189	−627	−2,434	2,550	1,569	1,964
31 Middle East[1]	1,869	1,637	1,504	412	480	691	480	16	−179	16
32 Other Asia	5,659	22,715	9,916	1,644	1,661	1,231	2,165	2,185	874	1,800
33 Japan	2,250	13,644	6,591	1,395	1,597	535	1,213	1,229	399	1,618
34 Africa	234	600	674	79	89	243	47	190	44	61
35 Other countries	246	−330	709	−7	−62	176	117	111	123	239
36 **Nonmonetary international and regional organizations**	**−454**	**171**	**59**	**0**	**−4**	**13**	**14**	**−4**	**−92**	**132**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−50,291	−57,122	−25,797	−5,902	−3,646	−4,353	−3,827	−4,089[r]	−4,095	−5,787
38 Foreign purchases	345,540	456,826	316,685	41,850	47,084	50,139	47,780	49,725	57,612	64,345
39 Foreign sales	395,831	513,948	342,482	47,752	50,730	54,492	51,607	53,814[r]	61,707	70,132
40 Bonds, net purchases, or sales (−)	−48,405	−48,793	−12,288	−10,947	−710	−1,626	−2,979	5,720[r]	−1,328	−11,365
41 Foreign purchases	889,541	1,118,678	720,975	99,095	109,567	110,510	131,453	117,761[r]	127,985	123,699
42 Foreign sales	937,946	1,167,471	733,263	110,042	110,277	112,136	134,432	112,041[r]	129,313	135,064
43 **Net purchases, or sales (−), of stocks and bonds**	**−98,696**	**−105,915**	**−38,085**	**−16,849**	**−4,356**	**−5,979**	**−6,806**	**1,631[r]**	**−5,423**	**−17,152**
44 **Foreign countries**	**−97,891**	**−105,044**	**−38,368**	**−16,838**	**−4,404**	**−6,061**	**−6,872**	**1,617[r]**	**−5,480**	**−17,168**
45 Europe	−48,125	−55,948	−968	−10,740	740	−2,030	−3,005	5,732	−13	−2,392
46 Canada	−7,812	−6,279	−166	−2,269	525	1,855	−110	−239	−841	−1,356
47 Latin America and Caribbean	−7,634	−9,503	−17,154	−2,020	−2,264	−3,417	−1,574	−1,240[r]	−1,286	−7,373
48 Asia	−34,056	−27,745	−19,732	−773	−2,830	−2,284	−1,517	−3,650[r]	−3,570	−5,881
49 Japan	−25,072	−5,888	−13,447	2,218	−332	−2,269	−674	−2,349	−2,878	−4,945
50 Africa	−327	−1,529	−248	36	34	−7	−74	−121	15	−95
51 Other countries	63	−4,040	−100	−1,072	−609	−178	−592	1,135	215	−71
52 **Nonmonetary international and regional organizations**	**−805**	**−871**	**283**	**−11**	**48**	**82**	**66**	**14**	**57**	**16**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1995	1996	1997	1996	1997					
			Jan.–June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total estimated**	**134,115**	**244,725**	**132,015**	**47,662**	**20,791**	**30,615**	**22,076**	**25,587[r]**	**7,752**	**25,194**
2 Foreign countries	133,676	246,567	130,630	46,519	21,257	29,707	22,386	25,127[r]	7,909	24,244
3 Europe	49,976	118,345	64,699	14,778	3,403	17,117	13,473	10,625	9,688	10,393
4 Belgium and Luxembourg	591	1,486	1,986	370	48	657	83	937	298	−37
5 Germany	6,136	17,647	−3,137	1,499	556	−1,227	−3,124	−1,480	721	1,417
6 Netherlands	1,891	−582	1,416	855	−671	546	343	1,412	194	−408
7 Sweden	358	2,343	−1,037	26	−255	−346	−581	−86	90	141
8 Switzerland	−472	327	937	−517	241	992	−1,431	1,029	−223	329
9 United Kingdom	34,754	65,381	47,956	7,265	1,936	13,423	14,242	6,482	6,951	4,922
10 Other Europe and former U.S.S.R.	6,718	31,743	16,578	5,280	1,548	3,072	3,941	2,331	1,657	4,029
11 Canada	252	2,389	1,591	−780	667	−402	−317	17	348	1,278
12 Latin America and Caribbean	48,609	25,379	−859	15,228	9,813	−762	−3,336	1,381	−9,495	1,540
13 Venezuela	−2	−69	751	212	−3	69	10	−8	93	590
14 Other Latin America and Caribbean	25,152	13,026	13,824	5,292	6,031	1,577	3,763	−2,657	2,004	3,106
15 Netherlands Antilles	23,459	12,422	−15,434	9,724	3,785	−2,408	−7,109	4,046	−11,592	−2,156
16 Asia	32,467	98,001	64,305	16,744	8,593	14,217	12,227	13,200	7,537	8,531
17 Japan	16,979	41,390	32,570	7,593	4,264	6,326	1,747	6,604	7,657	5,972
18 Africa	1,464	1,085	415	−2	29	57	−22	−16	27	340
19 Other	908	1,368	479	551	−1,248	−520	361	−80[r]	−196	2,162
20 Nonmonetary international and regional organizations	439	−1,842	1,385	1,143	−466	908	−310	460	−157	950
21 International	9	−1,390	1,025	773	−484	530	−384	467	−172	1,068
22 Latin American regional	261	−779	318	252	−1	362	80	24	−2	−145
MEMO										
23 Foreign countries	133,676	246,567	130,630	46,519	21,257	29,707	22,386	25,127[r]	7,909	24,244
24 Official institutions	39,631	86,875	46,553	13,662	7,831	10,123	7,106	7,382[r]	3,377	10,734
25 Other foreign	94,045	159,692	84,077	32,857	13,426	19,584	15,280	17,745[r]	4,532	13,510
Oil-exporting countries										
26 Middle East[2]	3,075	10,227	8,255	2,279	1,307	2,604	2,533	2,879	542	−1,610
27 Africa[3]	2	1	−6	0	0	−1	0	1	−6	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Aug. 30, 1997 Percent	Rate on Aug. 30, 1997 Month effective	Country	Rate on Aug. 30, 1997 Percent	Rate on Aug. 30, 1997 Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	6.25	June 1997
Canada	3.5	June 1997	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.1	Jan. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1997						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	4.63	5.93	5.38	5.36	5.50	5.70	5.69	5.66	5.61	5.58
2 United Kingdom	5.45	6.63	5.99	6.16	6.17	6.35	6.41	6.63	6.93	7.12
3 Canada	5.57	7.14	4.49	3.16	3.25	3.49	3.35	3.30	3.57	3.67
4 Germany	5.25	4.43	3.21	3.08	3.16	3.14	3.09	3.05	3.06	3.19
5 Switzerland	4.03	2.94	1.92	1.61	1.77	1.76	1.51	1.25	1.43	1.39
6 Netherlands	5.09	4.30	2.91	2.95	3.12	3.15	3.15	3.14	3.17	3.40
7 France	5.72	6.43	3.81	3.22	3.26	3.28	3.37	3.30	3.27	3.31
8 Italy	8.45	10.43	8.79	7.33	7.40	7.09	6.82	6.85	6.87	6.85
9 Belgium	5.65	4.73	3.19	3.10	3.40	3.22	3.22	3.23	3.39	3.55
10 Japan	2.24	1.20	.58	.54	.55	.55	.58	.60	.67	.58

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1997 Mar.	1997 Apr.	1997 May	1997 June	1997 July	1997 Aug.
1 Australia/dollar[2]	73.161	74.073	78.283	78.747	77.868	77.510	75.422	74.199	74.036
2 Austria/schilling	11.409	10.076	10.589	11.932	12.050	11.998	12.158	12.620	12.946
3 Belgium/franc	33.426	29.472	30.970	34.961	35.328	35.188	35.651[r]	37.040	38.011
4 Canada/dollar	1.3664	1.3725	1.3638	1.3725	1.3942	1.3804	1.3843[r]	1.3775	1.3905
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3258	8.3257	8.3229	8.3224	8.3162	8.3187
6 Denmark/krone	6.3561	5.5999	5.8003	6.4628	6.5226	6.4926	6.5804	6.8317	7.0109
7 Finland/markka	5.2340	4.3763	4.5948	5.0632	5.1375	5.1444	5.1794	5.3164	5.5046
8 France/franc	5.5459	4.9864	5.1158	5.7154	5.7672	5.7482	5.8293[r]	6.0511	6.2010
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.6946	1.7119	1.7048	1.7277[r]	1.7939	1.8400
10 Greece/drachma	242.50	231.68	240.82	266.86	270.58	271.95	273.83	281.43	288.41
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7460	7.7483	7.7431	7.7445	7.7454	7.7436
12 India/rupee	31.394	32.418	35.506	35.885	35.828	35.825	35.820	35.747	36.009
13 Ireland/pound[2]	149.69	160.35	159.95	156.57	155.05	151.11	150.60	149.45	145.34
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,691.21	1,694.52	1,684.33	1,694.54[r]	1,745.91	1,797.12
15 Japan/yen	102.18	93.96	108.78	122.77	125.64	119.19	114.29[r]	115.38	117.93
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.4773	2.5028	2.5070	2.5167	2.5815	2.7589
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.9071	1.9256	1.9173	1.9438[r]	2.0201	2.0709
18 New Zealand/dollar[2]	59.358	65.625	68.765	69.789	69.220	69.097	68.713	66.097	64.211
19 Norway/krone	7.0553	6.3355	6.4594	6.7915	6.9932	7.0797	7.2240	7.4545	7.6224
20 Portugal/escudo	165.93	149.88	154.28	170.35	171.77	171.72	174.56	181.20	186.50
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4378	1.4417	1.4368	1.4271	1.4521	1.4977
22 South Africa/rand	3.5526	3.6284	4.3011	4.4319	4.4417	4.4668	4.5005	4.5611	4.6856
23 South Korea/won	806.93	772.69	805.00	882.62	895.57	894.67	891.40	893.09	898.71
24 Spain/peseta	133.88	124.64	126.68	143.72	144.48	143.93	145.98	151.33	155.51
25 Sri Lanka/rupee	49.170	51.047	55.289	57.873	58.826	58.862	58.531	58.732	59.189
26 Sweden/krona	7.7161	7.1406	6.7082	7.6502	7.6942	7.6856	7.7506[r]	7.8188	7.9886
27 Switzerland/franc	1.3667	1.1812	1.2361	1.4634	1.4618	1.4331	1.4424[r]	1.4824	1.5128
28 Taiwan/dollar	26.465	26.495	27.468	27.551	27.629	27.791	27.903	28.032	28.824
29 Thailand/baht	25.161	24.921	25.359	25.959	26.064	25.751	24.534	30.274	32.399
30 United Kingdom/pound[2]	153.19	157.85	156.07	160.96	162.93	163.22	164.49[r]	166.94	160.35
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	95.60	96.39	95.29	95.42[r]	97.48	99.96

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–9, 1997

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

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All consumer and industrial loans	6.82	113,807	692	241	32.4	22.5	31.0	72.1	Fed funds
2 Minimal risk	6.10	11,450	1,306	38	21.4	31.3	59.5	67.3	Fed funds
3 Low risk	6.24	28,086	1,461	168	29.0	21.8	30.6	53.6	Fed funds
4 Moderate risk	7.05	36,639	602	297	33.0	23.6	23.1	79.6	Fed funds
5 Acceptable risk	7.49	19,762	514	324	42.0	19.7	35.5	87.8	Foreign
By maturity/repricing interval[6]									
6 Zero interval	8.48	15,714	213	490	57.9	21.5	7.5	88.8	Prime
7 Minimal risk	8.79	280	184	230	41.6	35.8	11.8	95.5	Prime
8 Low risk	7.46	2,214	317	374	41.4	19.6	5.9	95.4	Prime
9 Moderate risk	8.58	6,014	186	518	65.0	22.4	6.3	92.4	Prime
10 Acceptable risk	8.68	5,495	267	480	56.3	22.6	10.6	87.7	Prime
11 Daily	6.20	53,142	5,820	37	22.4	26.0	29.8	57.5	Fed funds
12 Minimal risk	5.95	9,411	26,589	14	21.9	26.8	59.5	62.6	Fed funds
13 Low risk	5.96	16,567	8,188	33	26.4	26.8	23.6	32.7	Fed funds
14 Moderate risk	6.43	15,855	4,936	36	20.1	35.2	21.4	74.2	Fed funds
15 Acceptable risk	6.33	5,433	2,918	108	14.7	13.8	38.1	87.2	Fed funds
16 2 to 30 days	6.80	15,608	890	225	28.8	24.4	46.5	81.8	Fed funds
17 Minimal risk	6.20	1,088	2,273	38	6.6	83.0	82.7	94.9	Fed funds
18 Low risk	6.36	2,955	1,796	267	18.3	15.7	38.3	67.0	Fed funds
19 Moderate risk	6.91	4,822	761	319	29.9	16.0	30.9	82.6	Foreign
20 Acceptable risk	7.54	3,133	591	259	52.1	17.4	58.7	94.9	Foreign
21 31 to 365 days	6.86	21,841	599	364	35.0	12.1	44.3	87.5	Foreign
22 Minimal risk	6.89	616	129	189	25.5	4.7	44.9	80.8	Foreign
23 Low risk	6.42	5,520	879	305	37.7	6.8	56.5	87.4	Foreign
24 Moderate risk	6.85	7,895	652	334	25.8	6.9	37.2	87.6	Foreign
25 Acceptable risk	7.26	5,154	746	359	45.9	25.0	49.2	86.3	Foreign
				Months					
26 More than 365 days	8.26	3,035	208	50	69.6	12.7	8.0	51.5	Prime
27 Minimal risk	9.26	41	26	62	89.4	21.9	16.5	27.0	Prime
28 Low risk	8.38	230	110	42	60.3	5.6	.5	57.3	Other
29 Moderate risk	8.69	1,548	269	53	84.2	10.0	10.8	29.2	Prime
30 Acceptable risk	8.78	424	222	45	72.7	3.8	9.3	66.2	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	9.82	2,799	3.1	202	84.4	31.8	4.5	75.2	Prime
32 100–999	8.75	9,843	3.2	92	70.0	24.2	15.1	88.1	Prime
33 1,000–9,999	7.15	27,820	3.0	63	36.4	16.7	32.8	83.7	Foreign
34 10,000+	6.32	73,346	2.5	47	23.8	24.1	33.5	65.5	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.13	16,746	3.3	165	73.3	23.7	6.1	82.9	150
36 Fed funds	6.14	43,971	2.4	6	21.1	28.2	26.2	50.8	10,890
37 Other domestic	6.29	10,154	2.7	70	11.0	41.8	27.8	67.2	2,231
38 Foreign	6.60	29,674	2.7	53	36.5	10.1	60.9	94.2	3,531
39 Other	7.01	13,263	3.0	116	25.0	14.8	13.3	83.8	369

Footnotes appear at the end of the table

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–9, 1997

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

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All consumer and industrial loans	7.05	44,201	912	378	35.7	27.9	9.0	65.0	Fed funds
2 Minimal risk	6.60	754	1,891	313	15.9	9.4	67.6	93.9	Domestic
3 Low risk	6.28	8,519	3,558	397	40.6	56.0	10.4	51.3	Fed funds
4 Moderate risk	7.16	16,720	1,067	409	39.2	31.0	8.3	67.1	Prime
5 Acceptable risk	8.11	6,837	420	424	45.1	10.2	8.1	80.9	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.19	9,607	378	421	50.3	13.4	5.5	88.2	Prime
7 Minimal risk	8.25	127	770	189	21.8	11.7	22.9	99.0	Other
8 Low risk	6.87	1,364	1,472	271	34.3	10.0	6.3	96.9	Other
9 Moderate risk	8.34	3,765	356	463	57.3	18.1	6.9	94.5	Prime
10 Acceptable risk	8.46	3,348	335	377	48.9	13.1	3.7	87.2	Prime
11 Daily	6.32	16,396	4,480	109	32.3	49.6	6.0	38.7	Fed funds
12 Minimal risk	5.97	358	4,855	339	.0	11.5	83.3	88.4	Domestic
13 Low risk	6.00	4,571	7,114	263	53.5	81.9	4.3	19.4	Fed funds
14 Moderate risk	6.38	6,338	5,847	79	32.9	55.1	5.2	49.9	Fed funds
15 Acceptable risk	7.31	590	654	552	39.9	11.3	8.0	75.9	Domestic
16 2 to 30 days	6.99	6,389	918	372	29.7	16.1	12.9	72.7	Domestic
17 Minimal risk	6.15	108	2,052	266	36.6	*	51.8	97.5	Foreign
18 Low risk	6.38	1,113	3,400	500	16.3	30.0	12.3	76.9	Domestic
19 Moderate risk	6.94	2,367	1,478	417	29.6	16.6	12.3	73.6	Domestic
20 Acceptable risk	7.95	1,154	436	474	50.8	13.1	19.6	92.6	Prime
21 31 to 365 days	6.99	6,220	2,367	515	20.5	7.8	14.8	75.7	Foreign
22 Minimal risk	6.95	158	2,314	351	31.2	9.5	78.8	100.0	Domestic
23 Low risk	6.55	767	2,562	493	28.4	11.7	25.7	83.1	Foreign
24 Moderate risk	6.91	2,621	2,316	467	17.2	10.0	11.3	75.6	Foreign
25 Acceptable risk	7.57	1,364	1,856	247	27.2	1.5	9.4	58.0	Foreign
				Months					
26 More than 365 days	7.94	2,142	1,973	46	64.8	12.1	10.0	53.9	Prime
27 Minimal risk	8.59	3	95	76	98.9	*	99.0	84.9	Prime
28 Low risk	7.89	125	2,148	37	39.8	*	.4	69.9	Other
29 Moderate risk	8.53	1,180	2,931	50	82.8	10.7	13.0	27.9	Prime
30 Acceptable risk	8.63	296	789	43	61.4	1.6	13.7	73.0	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	9.53	884	3.6	43	82.9	40.0	5.1	90.4	Prime
32 100–999	8.83	4,641	3.4	48	67.2	21.1	8.3	90.7	Prime
33 1,000–9,999	7.32	12,621	3.1	56	33.8	14.1	13.9	79.0	Other
34 10,000+	6.51	26,054	2.7	115	29.4	35.4	6.9	52.8	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.91	9,863	3.3	229	69.3	18.3	6.3	81.2	249
36 Fed funds	6.19	10,659	2.5	6	43.3	56.1	1.9	27.5	10,988
37 Other domestic	6.27	8,173	2.7	73	11.1	39.9	17.5	60.7	5,645
38 Foreign	6.91	6,465	3.1	103	25.0	6.7	17.9	80.1	2,665
39 Other	6.83	9,041	3.0	51	20.0	6.3	8.8	84.8	2,227

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–9, 1997

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

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All consumer and industrial loans	7.96	13,374	126	487	57.2	20.9	23.9	66.8	Prime
2 Minimal risk	8.43	524	65	360	47.8	36.8	14.6	64.5	Prime
3 Low risk	7.16	3,237	217	321	39.6	12.5	34.7	54.6	Fed funds
4 Moderate risk	8.26	3,913	95	594	62.5	16.4	24.3	61.1	Prime
5 Acceptable risk	8.30	2,711	141	501	73.9	22.9	21.8	76.3	Prime
By maturity/repricing interval[6]									
6 Zero interval	9.15	4,278	94	524	80.8	30.3	5.5	85.5	Prime
7 Minimal risk	9.78	128	97	275	69.0	50.6	.1	91.1	Prime
8 Low risk	8.93	605	107	650	70.0	25.6	4.9	91.3	Prime
9 Moderate risk	9.09	1,692	82	557	86.8	27.5	5.6	85.2	Prime
10 Acceptable risk	9.31	1,203	125	417	82.4	32.6	8.7	79.5	Prime
11 Daily	6.48	2,640	654	62	24.1	4.2	71.1	28.1	Fed funds
12 Minimal risk	6.50	72	544	9	4.7	20.4	78.4	78.1	Other
13 Low risk	6.01	920	1,077	17	14.1	.2	75.9	15.1	Fed funds
14 Moderate risk	6.45	861	506	79	14.7	5.4	80.9	16.4	Fed funds
15 Acceptable risk	6.50	403	565	66	26.7	2.6	64.0	35.5	Fed funds
16 2 to 30 days	7.81	1,415	160	373	46.0	29.1	23.0	70.9	Prime
17 Minimal risk	8.13	126	314	138	25.5	63.1	.2	74.6	Prime
18 Low risk	6.94	473	497	237	32.1	15.3	39.6	42.3	Fed funds
19 Moderate risk	8.33	315	79	585	53.2	21.7	11.1	85.7	Prime
20 Acceptable risk	8.24	250	111	510	74.7	22.9	14.6	89.6	Prime
21 31 to 365 days	7.48	3,259	108	490	56.3	18.2	17.5	76.8	Foreign
22 Minimal risk	8.32	148	32	259	62.0	9.3	9.6	34.2	Prime
23 Low risk	7.08	1,115	207	356	43.4	13.9	18.7	72.9	Foreign
24 Moderate risk	7.89	635	68	545	52.2	2.6	17.5	58.5	Foreign
25 Acceptable risk	7.40	691	141	672	80.5	17.6	27.8	96.9	Foreign
				Months					
26 More than 365 days	9.04	892	66	58	80.9	14.4	2.8	45.7	Other
27 Minimal risk	9.31	38	24	61	88.6	22.3	15.1	22.6	Prime
28 Low risk	8.97	104	52	49	85.0	12.2	*	41.9	Other
29 Moderate risk	9.17	369	69	65	88.9	7.8	3.9	33.6	Other
30 Acceptable risk	9.13	129	84	48	98.8	8.7	.3	50.6	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	10.01	1,849	2.9	272	86.1	28.0	3.6	67.2	Prime
32 100–999	9.16	3,523	3.0	177	83.6	28.1	6.9	81.3	Prime
33 1,000–9,999	7.64	3,901	2.9	176	57.4	23.3	13.7	83.4	Foreign
34 10,000+	6.30	4,100	2.7	35	21.4	8.3	59.6	38.3	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.51	5,427	3.1	97	83.3	30.8	5.0	81.7	79
36 Fed funds	6.02	2,729	2.7	30	12.6	7.5	84.5	12.9	2,681
37 Other domestic	7.12	420	2.0	257	36.2	59.1	*	76.3	153
38 Foreign	6.81	2,441	3.0	104	47.6	13.3	17.2	90.9	1,823
39 Other	7.96	2,356	2.8	487	62.6	13.4	4.5	68.2	74

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 5–9, 1997

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

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All consumer and industrial loans	6.37	56,233	5.548	96	23.8	19.0	47.8	79.0	Fed funds
2 Minimal risk	5.95	10,172	36,351	4	20.4	32.6	61.2	65.5	Fed funds
3 Low risk	6.03	16,330	8.425	68	20.9	6.3	39.9	54.7	Fed funds
4 Moderate risk	6.63	16,006	4,094	118	19.3	17.7	37.2	97.3	Foreign
5 Acceptable risk	6.85	10,215	3,448	220	31.5	25.1	56.2	95.6	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	8.42	1,829	644	876	44.2	42.9	22.3	99.5	Prime
7 Minimal risk	6.51	25	558	176	2.0	81.3	16.3	100.0	Fed funds
8 Low risk	7.11	245	557	332	10.3	58.4	6.2	96.6	Prime
9 Moderate risk	8.63	557	509	995	50.8	36.2	5.3	100.0	Prime
10 Acceptable risk	8.63	944	952	949	49.7	43.3	37.8	100.0	Prime
11 Daily	6.12	34,107	23,749	10	17.6	17.2	36.7	68.8	Fed funds
12 Minimal risk	5.94	8,982	60,629	2	22.9	27.5	58.4	61.4	Fed funds
13 Low risk	5.94	11,076	21,028	2	16.3	6.3	27.0	39.6	Fed funds
14 Moderate risk	6.47	8,656	20,227	3	11.2	23.5	26.5	97.7	Fed funds
15 Acceptable risk	6.18	4,441	17,987	57	10.2	15.2	39.3	93.5	Fed funds
16 2 to 30 days	6.47	7,804	4,505	87	25.0	30.1	76.2	91.2	Fed funds
17 Minimal risk	*	*	*	*	*	*	*	*	*
18 Low risk	6.14	1,369	3,738	88	15.1	4.2	59.1	67.5	Fed funds
19 Moderate risk	6.68	2,140	2,954	179	26.8	14.5	53.2	92.1	Foreign
20 Acceptable risk	7.17	1,729	4,203	94	49.6	19.4	89.2	97.2	Foreign
21 31 to 365 days	6.64	12,362	3,262	259	36.7	12.8	64.5	96.2	Foreign
22 Minimal risk	6.18	309	5,367	72	5.2	*	44.5	93.3	Foreign
23 Low risk	6.20	3,638	6,096	251	37.9	3.5	74.3	92.7	Foreign
24 Moderate risk	6.68	4,639	2,847	232	27.1	5.8	53.9	98.4	Foreign
25 Acceptable risk	7.09	3,099	2,421	338	46.5	37.0	67.8	96.4	Foreign
				Months					
26 More than 365 days	*	*	*	*	*	*	*	*	*
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	*	*	*	*	*	*	*	*	*
29 Moderate risk	*	*	*	*	*	*	*	*	*
30 Acceptable risk	*	*	*	*	*	*	*	*	*
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN									
31 1–99	8.46	66	3.3	13	56.3	33.9	19.2	94.5	Prime
32 100–999	7.66	1,679	3.2	8	49.1	24.2	48.3	95.4	Foreign
33 1,000–9,999	6.78	11,297	3.0	32	32.1	17.3	57.0	89.0	Foreign
34 10,000+	6.20	43,191	2.4	10	20.6	19.2	45.4	75.7	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	9.22	1,457	3.5	1	62.7	32.9	9.5	98.8	503
36 Fed funds	6.14	30,582	2.3	4	14.2	20.7	29.4	62.3	14,923
37 Other domestic	6.19	1,561	3.2	8	3.6	46.4	77.6	98.8	4,462
38 Foreign	6.48	20,768	2.6	33	38.8	10.8	75.9	98.9	4,478
39 Other	6.67	1,865	3.3	6	1.6	49.9	39.9	98.6	9,250

NOTE. This table has been revised to reflect several changes in the E.2 statistical release. First, business loan pricing information is now disaggregated by risk categories for most loans. Second, the previous disaggregation of loans by maturity categories has been replaced by a "maturity/repricing interval," which measures the period from the day the loan is made until it is next scheduled to reprice (for loans that reprice), or the period from the day the loan is made until it is scheduled to mature (for loans that do not reprice). Third, information on whether loans are callable or subject to prepayment penalties is now being collected and published. In addition to these new loan characteristics, the survey now includes gross business loan extensions of U.S. branches and agencies of foreign banks.

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

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.11 percentage points. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

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

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

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

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

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 8.54 percent for all banks; 8.50 percent for large domestic banks, 8.62 percent for small domestic banks; and 8.50 percent for U.S. branches and agencies of foreign banks.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

A. Pro forma balance sheet

Millions of dollars

Item	June 30, 1997		June 30, 1996	
Short-term assets (Note 1)				
Imputed reserve requirement on clearing balances	663.5		603.0	
Investment in marketable securities	5,971.5		5,427.0	
Receivables	64.1		61.9	
Materials and supplies	2.9		11.0	
Prepaid expenses	24.5		24.6	
Items in process of collection	2,905.6		2,154.8	
Total short-term assets		9,632.2		8,282.2
Long-term assets (Note 2)				
Premises	385.1		377.1	
Furniture and equipment	136.3		149.5	
Leases and leasehold improvements	33.2		21.2	
Prepaid pension costs	318.6		266.3	
Total long-term assets		873.3		814.0
Total assets		**10,505.4**		**9,096.3**
Short-term liabilities				
Clearing balances and balances arising from early credit of uncollected items	7,049.4		6,093.5	
Deferred-availability items	2,491.2		2,091.2	
Short-term debt	91.5		97.5	
Total short-term liabilities		9,632.2		8,282.2
Long-term liabilities				
Obligations under capital leases	.7		2.3	
Long-term debt	187.6		181.0	
Postretirement/postemployment benefits obligation	186.5		183.7	
Total long-term liabilities		374.8		367.0
Total liabilities		**10,006.9**		**8,649.2**
Equity		498.5		447.1
Total liabilities and equity (Note 3)		**10,505.4**		**9,096.3**

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(1) SHORT-TERM ASSETS

The imputed reserve requirement on clearing balances held at Reserve Banks by depository institutions reflects a treatment comparable to that of compensating balances held at correspondent banks by respondent institutions. The reserve requirement imposed on respondent balances must be held as vault cash or as nonearning balances maintained at a Reserve Bank; thus, a portion of priced services clearing balances held with the Federal Reserve is shown as required reserves on the asset side of the balance sheet. The remainder of clearing balances is assumed to be invested in three-month Treasury bills, shown as investment in marketable securities.

Receivables are (1) amounts due the Reserve Banks for priced services and (2) the share of suspense-account and difference-account balances related to priced services.

Materials and supplies are the inventory value of short-term assets.

Prepaid expenses include salary advances and travel advances for priced-service personnel.

Items in process of collection is gross Federal Reserve cash items in process of collection (CIPC) stated on a basis comparable to that of a commercial bank. It reflects adjustments for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; adjustments for items associated with non-priced items, such as those collected for government agencies; and adjustments for items associated with providing fixed availability or credit before items are received and processed. Among the costs to be recovered under the Monetary Control Act is the cost of float, or net CIPC during the period (the difference between gross CIPC and deferred-availability items which is the portion of gross CIPC that involves a financing cost), valued at the federal funds rate.

(2) LONG-TERM ASSETS

Consists of long-term assets used solely in priced services, the priced-services portion of long-term assets shared with nonpriced services, and an estimate of the assets of the Board of Governors used in the development of priced services. Effective Jan. 1, 1987, the Reserve Banks implemented the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* (SFAS 87). Accordingly, the Federal Reserve Banks recognized credits to expenses of $15.6 million in the second quarter of 1997, $15.6 million in the first quarter of 1997, $12.0 million in the second quarter of 1996, and $12.2 million in the first quarter of 1996, and corresponding increases in this asset account.

(3) LIABILITIES AND EQUITY

Under the matched-book capital structure for assets that are not "self-financing," short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the fifty largest bank holding companies, which are used in the model for the private-sector adjustment factor (PSAF). The PSAF consists of the taxes that would have been paid and the return on capital that would have been provided had priced services been furnished by a private-sector firm. Other short-term liabilities include clearing balances maintained at Reserve Banks and deposit balances arising from float. Other long-term liabilities consist of obligations on capital leases.

4.31 PRO FORMA FINANCIAL STATEMENTS FOR FEDERAL RESERVE PRICED SERVICES

B. Pro forma income statement

Millions of dollars

Item	Quarter ending June 30, 1997		Quarter ending June 30, 1996	
Revenue from services provided to depository institutions (Note 4)		195.8		196.0
Operating expenses (Note 5)		164.8		162.3
Income from operations		31.0		33.7
Inputed costs (Note 6)				
Interest on float	1.8		1.1	
Interest on debt	4.4		4.3	
Sales taxes	2.3		2.6	
FDIC insurance	0.5	9.0	0.0	8.0
Income from operations after imputed costs		22.0		25.7
Other income and expenses (Note 7)				
Investment income on clearing balances	91 7		75.7	
Earnings credits	87.6	4.3	68.6	7.1
Income before income taxes		26.3		32.8
Inputed income taxes (Note 8)		8.4		9.8
Net income		**17.8**		**23.0**
MEMO				
Targeted return on equity (Note 9)		13.4		10.7
	Six months ending June 30, 1997		**Six months ending June 30, 1996**	
Revenue from services provided to depository institutions (Note 4)		388.9		390.1
Operating expenses (Note 5)		328.1		323.4
Income from operations		60.7		66.7
Imputed costs (Note 6)				
Interest on float	6.1		11.8	
Interest on debt	8.8		8.6	
Sales taxes	4.9		5.4	
FDIC insurance	1.0	20.8	0.0	25.8
Income from operations after imputed costs		39.9		40.9
Other income and expenses (Note 7)				
Investment income on clearing balances	180.1		147.2	
Earnings credits	165.8	14.3	134.0	13.2
Income before income taxes		54.2		54.1
Imputed income taxes (Note 8)		17.4		16.2
Net income		**36.8**		**37.9**
MEMO				
Targeted return on equity (Note 9)		27.1		21.0

NOTE. Components may not sum to totals because of rounding. The priced services financial statements consist of these tables and the accompanying notes.

(4) REVENUE

Revenue represents charges to depository institutions for priced services and is realized from each institution through one of two methods: direct charges to an institution's account or charges against its accumulated earnings credits.

(5) OPERATING EXPENSES

Operating expenses consist of the direct, indirect, and other general administrative expenses of the Reserve Banks for priced services plus the expenses for staff members of the Board of Governors working directly on the development of priced services. The expenses for Board staff members were $0.7 million in the first and second quarters of 1997 and 1996. The credit to expenses under SFAS 87 (see note 2) is reflected in operating expenses.

(6) IMPUTED COSTS

Imputed costs consist of interest on float, interest on debt, sales taxes, and the FDIC assessment. Interest on float is derived from the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include costs for checks, book-entry securities, noncash collection, ACH, and funds transfers

Interest is imputed on the debt assumed necessary to finance priced-service assets. The sales taxes and FDIC assessment that the Federal Reserve would have paid had it been a private-sector firm are among the components of the PSAF (see note 3).

The following list shows the daily average recovery of float by the Reserve Banks for the second quarter of 1997 and 1996 in millions of dollars:

	1997	1996
Total float	404.1	413.4
Unrecovered float	20.1	15.4
Float subject to recovery	384.0	398.0
Sources of float recovery		
Income on clearing balances	38.0	40.3
As-of adjustments	251.9	318.4
Direct charges	83.2	107.7
Per-item fees	10.9	(68.5)

Unrecovered float includes float generated by services to government agencies and by other central bank services. Float recovered through income on clearing balances is the result of the increase in investable clearing balances; the increase is produced by a deduction for float for cash items in process of collection, which reduces imputed reserve requirements. The income on clearing balances reduces the float to be recovered through other means. As-of adjustments and direct charges are mid-week closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly. Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the second quarters of 1997 and 1996.

(7) OTHER INCOME AND EXPENSES

Consists of investment income on clearing balances and the cost of earnings credits. Investment income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the *total* clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits granted to depository institutions on their clearing balances are derived by applying the average federal funds rate to the *required* portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

(8) INCOME TAXES

Imputed income taxes are calculated at the effective tax rate derived from the PSAF model (see note 3).

(9) RETURN ON EQUITY

Represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, as derived from the PSAF model (see note 3). This amount is adjusted to reflect the recovery of automation consolidation costs of $1.9 million for the second quarter of 1997, $2.3 million for the first quarter of 1997, $1.6 million for the second quarter of 1996, and $1.2 million for the first quarter of 1996. The Reserve Banks plan to recover these amounts, along with a finance charge, by the end of the year 2001.

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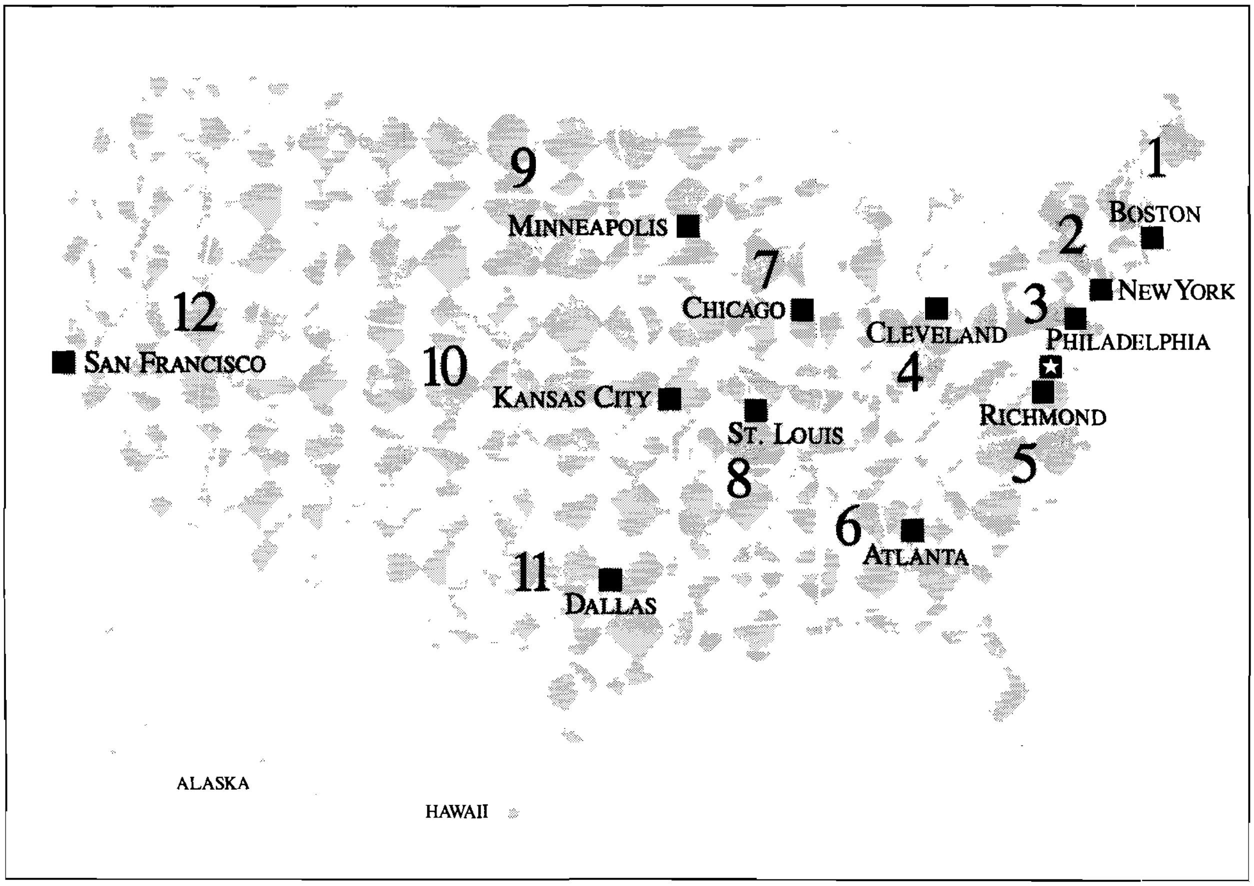

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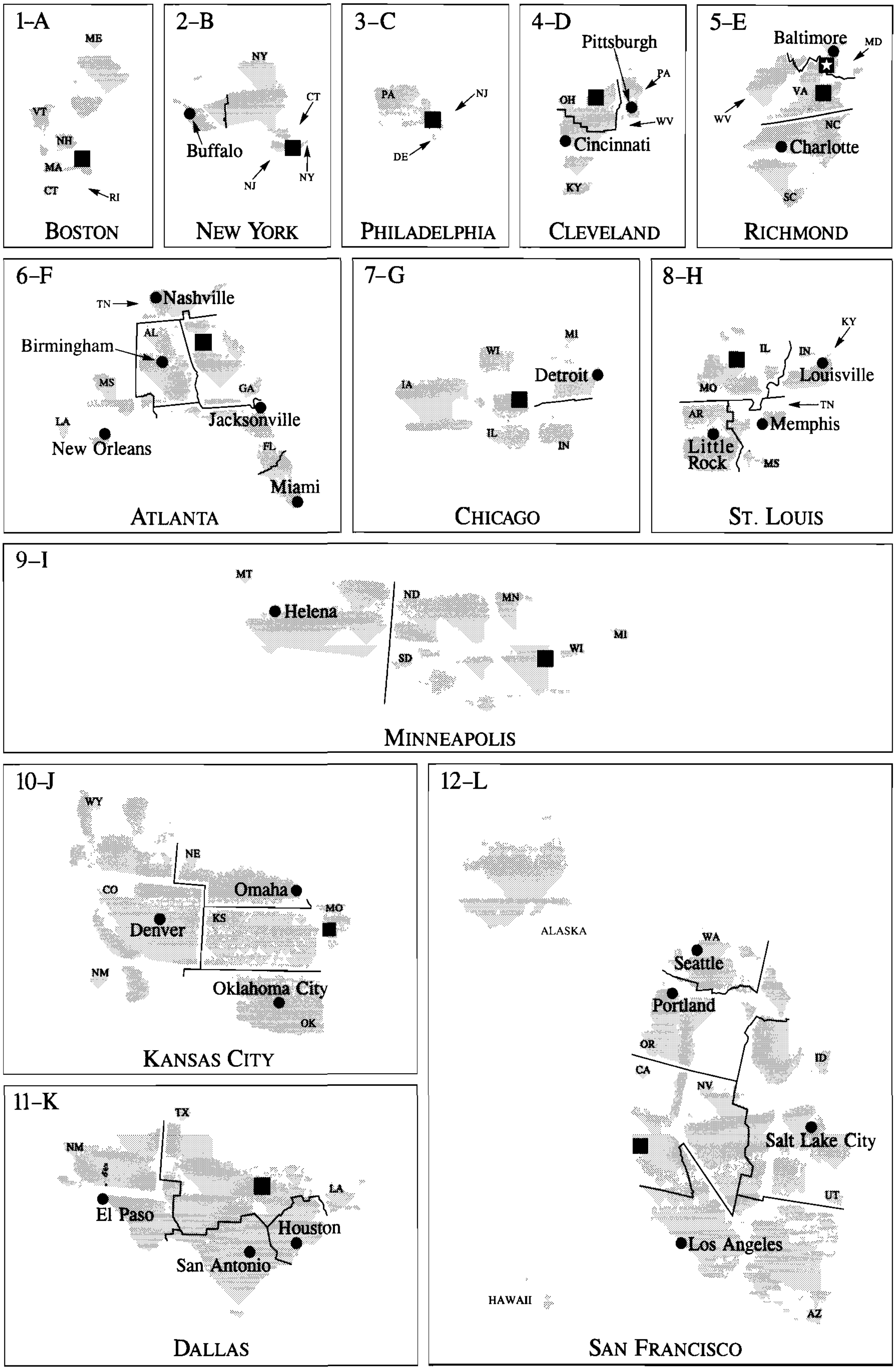
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