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Monetary Policy Report to the Congress

Report submitted to the Congress on February 19, 1992, pursuant to the Full Employment and Balanced Growth Act of 1978[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1992

When the Federal Reserve presented its midyear monetary policy report to Congress last July, a moderate economic upturn was under way. Consumer spending and housing activity had risen considerably since the winter, bolstered by the decline in oil prices, by a rebound in consumer confidence in the wake of the allied victory in the Persian Gulf conflict, and by lower interest rates. Inventories had been trimmed appreciably, orders were rising, and businesses, while still cautious, had begun to increase employment and production. The key monetary aggregates had accelerated and were around the middle of their 1991 target ranges. With the stance of monetary policy seemingly conducive to an upturn in economic activity, the Federal Reserve, after having progressively reduced pressures on reserve positions earlier in the year, maintained a more neutral money market posture in the spring and early summer.

As the year wore on, however, the incipient recovery lost its momentum. Consumer spending turned down, and business and consumer sentiment began to erode. Inventories at wholesale and retail trade establishments began to increase relative to sales, inducing a new outbreak of production adjustments and layoffs that continued through year-end. Although the economy—as measured by its real gross domestic product—continued to grow in the second half of the year, the pace of expansion was only marginally positive.

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

The faltering of the recovery process apparently owed to a variety of forces, some of which were operating well before the oil price shock of 1990 tipped the economy into recession. In a sluggish economy and amid unexpectedly weak asset values—particularly in real estate—deteriorating financial positions of debt-laden households and corporations further damped credit demands and aggregate spending. Financial intermediaries, chastened by their negative experience with earlier loans, became more hesitant about extending new credit; the resultant tighter lending standards deepened the slowdown in economic activity and inhibited the subsequent recovery. In the government sector, where deficits remained large, not only at the federal level but also in many state and local jurisdictions, efforts to curb spending and increase revenues constituted a further drag on aggregate demand in the short run.

Inflation, meanwhile, moved down over the second half of 1991. Weak demand reduced pressures in both labor and product markets, and, after some acceleration of wages and prices in 1989 and 1990, an underlying disinflationary trend has now been established. Important in this process has been a reduction in inflation expectations, visible not only in a variety of survey data but also in the behavior of securities markets.

With actual and prospective inflationary pressures easing, economic activity flagging, and the broader monetary aggregates weakening and growing near the bottom of their target ranges, the Federal Reserve resumed easing money market conditions in the second half of the year. As a result, the federal funds rate fell from 5¾ percent in July to 4 percent by year-end, and most other short-term rates followed suit; the discount rate was also reduced over this period, from 5½ percent to 3½ percent, the lowest rate in nearly thirty years. Long-term interest rates, which had failed to respond to declines in money market rates in the early months of the year, came down significantly in the latter part of 1991, partly in response to the easing in inflationary expectations. Although long-term rates have backed up some in recent weeks, they remain appreciably below the levels of last summer. The decline in rates has helped reduce the financial burdens of highly leveraged households and corporations, which have taken this opportunity to refinance mortgages and to replace existing debt with new lower-cost bonds. Lower interest rates also have contributed to an increase in stock prices, inducing firms to boost equity issuance and to pay down debt, further strengthening their balance sheets. With the decline in U.S. interest rates, the foreign exchange value of the dollar has largely reversed the upward movement that had occurred earlier in the year.

The unusually slow growth of the key monetary and credit aggregates last year was, to a degree, indicative of the continuing restraint on private credit usage and spending. The aggregate debt of domestic nonfinancial sectors—abstracting from federal government debt, which continued to grow briskly—expanded only 2¾ percent in 1991, the slowest advance in decades, and below the pace of nominal GDP; households, nonfinancial businesses, and state and local governments all retrenched, curbing spending and borrowing in order to buttress deteriorating financial positions.

The weakness in the monetary aggregates M2 and M3 reflected not only subdued overall credit usage but also a continued decline in the share of credit intermediated by depositories. With the thrift industry contracting further, commercial banks exercising caution in their credit extensions, and borrowing demand concentrated in longer-term instruments, depository credit continued to shrink as a share of overall credit extensions. As a result, the velocity of M3—a monetary aggregate that comprises most of the liabilities used by depositories to fund credit growth—increased again in 1991, as M3 grew only 1¼ percent, near the bottom of its target range. Depository restructuring also restrained M2, which grew in line with nominal GDP despite a steep drop in short-term market interest rates; ordinarily such a drop would have been expected to depress the velocity of this aggregate. Banks, eager to improve capital positions, reduced deposit rates more than loan rates, increasing the incentive for households to pay down debt rather than to accumulate monetary assets. Less aggressive pursuit of retail accounts by depositories also

1. Ranges for growth of monetary and debt aggregates[1]
Percent

Aggregate	1990	1991	1992
M2	3–7	2½–6½	2½–6½
M3	1–5	1–5	1–5
Debt[2]	5–9	4½–8½	4½–8½

1. Change from average for fourth quarter of preceding year to average for fourth quarter of year indicated. Ranges for monetary aggregates are targets; range for debt is a monitoring range.
2. Domestic nonfinancial sector.

led investors to switch into other financial assets, such as bond and stock mutual funds. Flows into these funds helped finance credit that had formerly been intermediated by depositories, facilitating shifts to longer-term borrowing and reducing the adverse effects of any retrenchment by banks and thrifts on the cost and availability of credit to many borrowers. However, some types of lending that are not so easily rechanneled—such as construction loans and credits to small and lower-rated businesses—have been curtailed, and a number of borrowers now face more stringent credit terms.

Monetary Objectives for 1992

In formulating its objectives for monetary policy for 1992, the Federal Open Market Committee has sought to promote a sustainable upturn in economic activity while continuing to build upon the hard-won gains against inflation that have already been made. The task of translating these objectives into specific ranges for money and debt continues to be complicated by the ongoing restructurings of depositories and by the evolving attitudes toward credit on the part of borrowers and lenders. The Committee believes that the rechanneling of credit flows away from depository institutions could well continue to produce slower growth in the broad monetary aggregates than normally would be associated with a given path for nominal GDP.

Taking account of these effects, the Committee has deemed the ranges for 1992 tentatively adopted last July as appropriate for achieving its objectives. The target range for M2 growth in 1992 is 2½ percent to 6½ percent, unchanged from 1991. Demands for M2 relative to income would be damped if, as seems likely, banks and thrifts continue to reduce deposit rates in lagged response to the de-

2. Economic projections for 1992

Item	Memo: 1991 actual	FOMC members and other FRB presidents		Administration
		Range	Central tendency	
Percent change, fourth quarter to fourth quarter[1]				
Nominal GDP	3.2	4–6	4½–5¼	5.4
Real GDP	.2	1½–2¾	1¾–2½	2.2
Consumer price index[2]	2.9	2½–3½	3–3½	3.1
Average level, fourth quarter (percent)				
Unemployment rate[3]	6.9	6¾–7¼	6¾–7	6.8

1. From average for fourth quarter of 1990 to average for fourth quarter of 1991.
2. All urban consumers.
3. Percentage of civilian labor force

cline that has occurred in market rates. These deposit-rate reductions could be especially large if credit continues to be channeled outside depositories; in this case, relatively modest growth in M2 would be adequate to support a satisfactory outcome for the economy. On the other hand, as the balance sheets and capital positions of depositories continue to improve, banks and thrifts may adopt a generally more accommodative posture with respect to credit extensions and would therefore have greater need for retail deposits. In that event, somewhat faster growth of M2 would be appropriate.

On balance, the Committee's M2 range for 1992 allows room for a variety of developments in the intermediation process and thus in the behavior of monetary velocity. Flexibility in interpreting M2 within its range is particularly important at this time, in light of the ongoing and unpredictable shifts in the patterns of credit usage and financial intermediation that likely will continue to buffet our financial system. Looking ahead to future years, the Committee also recognizes that the range for M2 growth may eventually have to be lowered in order to put in place the monetary and credit conditions consistent with price level stability.

The target range for M3 growth in 1992 remains at 1 percent to 5 percent. Although credit growth is expected to pick up somewhat in 1992, in line with a firming of economic activity, much of this credit likely will be financed outside the depository system. The thrift industry is expected to contract further as activity by the Resolution Trust Corporation continues apace, and banks, faced with continued—though moderating—pressures on capital positions, will still be somewhat hesitant to expand. At the same time, additional households are likely to refinance adjustable-rate mortgages with fixed-rate obligations that can easily be securitized, and corporations will probably continue to turn to equity markets and long-term bonds rather than bank loans. As a result, depository funding needs are likely to remain damped relative to the pace of economic activity, and the velocity of M3 should consequently rise further.

The monitoring range for the aggregate debt of domestic nonfinancial sectors for 1992 is 4½ percent to 8½ percent, also unchanged from 1991. Federal government borrowing is expected to remain heavy in 1992, given the large budget deficit. Debt growth in nonfederal sectors, however, should remain fairly subdued relative to economic activity as borrowers and lenders alike maintain a cautious approach to leverage, in part because of a desire to make further repairs to damaged balance sheets.

Economic Projections for 1992

Although the long-standing structural problems that aborted the fledgling recovery last summer clearly are being addressed, the speed of their resolution—and the associated restraint on economic growth—is quite difficult to gauge, augmenting the usual uncertainties in assessing the economic outlook. On the whole, however, the members of the Board of Governors and the Reserve Bank presidents believe that, with the easing of monetary conditions to date providing considerable impetus to the economy, the most likely outcome is for a moderate reacceleration of activity over 1992. At the same time, they anticipate that the trend toward price stability, which now appears to be rooted more securely, will be sustained through this year.

The forecasts of most of the governors and presidents for growth of real gross domestic product are in a range of 1¾ percent to 2½ percent measured from the fourth quarter of 1991 to the fourth quarter of 1992. With employers likely to be cautious about hiring until they are fully persuaded of the sustained vitality of the upturn, gains in employment are expected to come slowly. Thus, only a small improvement in the unemployment rate is anticipated this year, with the central tendency of projections being a range of 6¾ percent to 7 percent for the fourth quarter of 1992. With regard to inflation, the central tendency range for the CPI increase this year is 3 percent to 3½ percent. These forecasts are, in general, very similar to the projections presented by the Administration in the fiscal year 1993 budget. Indeed, the Administration's forecast for nominal GDP is well within the Committee's central tendency range and thus appears to be quite consistent with the FOMC's monetary ranges.

In their early February discussion of the economic outlook, the Board members and Reserve Bank presidents observed that the effects of recent job losses and weak consumer confidence are likely to restrain activity in the near term. Under the circumstances, the Board members and Bank presidents stressed that economic developments need to be monitored closely to guard against the possibility that the economy might falter. Nonetheless, the monetary stimulus already in train is expected to provide effective support for economic growth this year, and in this regard the early indications of a marked pickup in residential real estate activity and a rise in retail sales are a particularly favorable sign.

It is also expected that the drags on growth from disruptions in credit supply and from the restructuring of household and business balance sheets will begin to lessen over the year. As noted above, this is obviously an area of substantial uncertainty. However, as household and corporate debt loads diminish in an environment of stronger economic activity, and as lower interest rates continue to ease financing burdens of borrowers, consumers and businesses should be poised to participate more fully in the economic expansion. Moreover, the problems of credit availability that have plagued the economy over the past couple of years should begin to ease in 1992 as the economic recovery takes hold and lenders become more confident about extending credit.

Nonetheless, the pace of expansion this year is expected to remain weaker than in previous business cycle recoveries. In large part, this expectation reflects some still-unresolved economic and financial imbalances in particular segments of the economy. The persistent overhang of space in office and other commercial buildings undoubtedly will inhibit new construction in that sector for some time. In addition, the budgetary constraints that have capped government spending are likely to linger; a good many states and localities are finding that budget gaps are reopening despite the spending cuts and tax increases they instituted last year. Meanwhile, the external sector is expected to have a relatively neutral net influence on domestic production this year; foreign demand—particularly from Mexico and developing countries in Asia—should continue to boost export growth, but the anticipated pickup in domestic purchases is likely to draw in additional imports as well, limiting the potential for further substantial improvement in the trade balance.

Only a minority of Board members and Reserve Bank presidents foresee a smaller increase this year in the overall CPI than the 3 percent rise experienced in 1991. But the pickup in inflation suggested by the 3 percent to 3½ percent central tendency range is deceptive: the underlying trends in price movement are more favorable. The CPI was held down to a substantial degree last year by the unwinding of the energy price shock that followed Iraq's invasion of Kuwait in August 1990, and further sharp declines in energy prices do not appear likely in the current environment. However, an ongoing deceleration in prices is evident for a wide range of other goods and services, and with inflationary tendencies under considerable restraint from several factors—including further moderation in labor cost growth, continued slack in industrial product markets, and small increases in import prices—"core" inflation is expected to move down appreciably in 1992. Indeed, this trend should carry into 1993—a pattern that bodes well for the achievement of a balanced, sustained economic expansion.

THE PERFORMANCE OF THE ECONOMY IN 1991

The year 1991 began with the U.S. economy in the midst of recession. Activity had contracted sharply after the jump in oil prices that followed Iraq's invasion of Kuwait in August 1990, and this weakness spilled into the first quarter with further reductions in production and employment. By the spring, however, economic data indicated that the decline in economic activity had bottomed out. The rapid conclusion of the Persian Gulf war boosted consumer confidence, and the reversal of the earlier runup in oil prices and the cumulative effects of declining interest rates were providing support for an increase in household spending. Indeed, construction of single-family homes had already turned up noticeably by April, and consumer spending posted a moderate rise in the second quarter. Although businesses continued to liquidate inventories at a fairly rapid pace, industrial production grew steadily from April through July, and hiring activity increased.

However, the pickup in the economy evident from April to July failed to develop any momentum, as the thrust to domestic demand initiated by the end of the Gulf war dissipated during the summer. The absence of a more robust recovery likely reflected the drag on aggregate demand from some longer-term economic and financial adjustments. For example, imbalances long evident in the commercial and multifamily construction sectors damped enthusiasm for new projects, and ongoing difficulties in the financial sector continued to restrain credit availability; these influences undoubtedly muted the stimulus that normally would have been forthcoming from the decline in interest rates. Fiscal restraint evident at all levels of government weighed on aggregate demand in a way not typically observed in previous economic cycles. Significant restructurings of operations in a number of sectors had the effect of retarding employment and income growth, at least in the short run. And concerns about debt-servicing burdens as well as about economic prospects sustained a reluctance on the part of businesses and consumers to borrow and increase spending.

Despite their cautious planning, some businesses experienced inventory backups in the late summer and fall, necessitating another round of production adjustments. In part, the impact of these adjustments was felt abroad as businesses cut back their imports of foreign goods. However, domestic adjustments were evident as well, and, apart from atypical weather patterns that temporarily increased the demand for electricity, industrial production was flat over the second half of the year. The sluggish pace of activity in the industrial sector was joined by weakness in other parts of the economy, and overall, the nation's real gross domestic product is estimated to have risen a scant ¼ percent at an annual rate in the fourth quarter of last year. In the labor market, layoffs proliferated once again, and the civilian unemployment rate rose to 7.1 percent at the end of 1991.

The deterioration in both industrial activity and nonfarm employment extended into this year, with factory production down sharply in January and private payrolls edging beneath the low of last April. On the other hand, housing market activity appears to have picked up somewhat since the beginning of the year, and nominal retail sales rose about ½ percent in January.

Inflation slowed in 1991, with consumer prices up 3 percent over the year, much less than the 6 percent rise posted during 1990. In part, the slowing in inflation reflected the sharp drop in oil prices early in the year; consumer energy prices in December were 7½ percent below their level at the end of 1990, with the decline concentrated in the first quarter of the year. Food price inflation also moderated considerably, amounting to only 2 percent last year after three years of increases in excess of 5 percent.

Even apart from food and energy, inflation now appears to be on a downward trend. To be sure, there were sizable increases in the CPI excluding food and energy early in the year, as higher federal excise taxes and a pass-through of the sharp rise in energy prices boosted prices for a variety of goods and services. With the subsequent reversal in oil prices and no further major tax hikes, however, price pressures eased visibly beginning in the spring. On balance, the CPI excluding food and energy rose less than 4 percent at an annual rate in the second half of 1991, well below the 5 percent pace of 1990. Labor cost pressures also diminished last year, although substantial increases in health care expenses remained a problem for employers. As measured by the employment cost index, nominal compensation per hour rose about 4½ percent over 1991, somewhat less than the increases recorded in each of the three previous years.

Household Spending—Consumption and Residential Construction

With household finances adversely affected by job losses and declining real incomes, real consumer spending rose just ¼ percent over the year, the same as in 1990. At the beginning of the year, consumer purchasing power already had been sapped by the rise in energy prices and by declines in employment. And although the retreat in oil prices then in progress and an improvement in consumer confidence following the end of the Gulf war provided a boost to spending in the spring, the failure of the recovery to take hold and concerns about financial prospects and debt burdens restrained spending in the second half of the year. On balance, real consumer outlays edged down between July and December, retracing part of the rise that had occurred during the spring and early summer.

The weakness in consumer spending over the past year was particularly evident for durable goods. A sharp drop in motor vehicle purchases accounted for much of the overall decline in spending on durables; indeed, the level of motor vehicle sales in 1991, at 12¼ million units, was the lowest since 1983. Outlays for other durable goods were down slightly over the year, after a 1½ percent decline in 1990. As with total spending, purchases of other durables picked up somewhat in the spring and early summer, but then fell in the fourth quarter as consumers retrenched. Spending on nondurable goods also declined last year, with expenditures, especially for apparel, down sharply in the fourth quarter. In contrast, outlays for services continued to trend up at a pace similar to that registered in the two previous years.

The patterns of change among the components of consumer spending—particularly the steep decline in outlays for "big ticket" durable goods—underscore the role of household balance sheet concerns in restraining economic growth last year. Household debt burdens rose substantially during the 1980s, when consumers stepped up spending on motor vehicles and other consumer durables, often financing their purchases with credit. In some parts of the nation, this spending boom spread to residential real estate as well, with the associated borrowing, which was often predicated on expectations of rapidly rising family incomes, adding further to the financing burdens of households. As income growth weakened over the past year and a half, consumers struggled to meet the monthly obligations on their accumulated debt and apparently deferred some discretionary spending in the process. This financial stress also was evidenced by an increase in delinquency rates for consumer and mortgage loans last year to levels comparable to those experienced in the previous two recessions.

A renewed pessimism on the part of households may also have contributed to the reluctance of consumers to step up spending over the latter part of 1991. As noted previously, consumer confidence, which was quite low at the beginning of the year, rose markedly upon the conclusion of the Gulf war. However, as it became apparent that the anticipated recovery in the economy was not materializing and announcements of layoffs resumed, confidence turned down, dropping especially sharply toward the end of the year. In January 1992, the Survey Research Center's index of consumer sentiment stood at the levels of last winter, while the Conference Board's confidence index was below that seen in the 1981–82 recession. Many analysts observed that consumers appeared to be more apprehensive than normally might be expected, given the broad macroeconomic circumstances—for example, the unemployment rate has remained well below that reached in the early 1980s—suggesting that concerns about longer-run economic prospects may have contributed to the heightened anxiety among households last fall.

After dropping sharply in January, housing starts posted a moderate recovery over the remainder of the year, fueled by a reduction in mortgage rates to their lowest levels since the 1970s. Sales of new and existing single-family homes rose over the year, with the pickup in demand reportedly especially pronounced from first-time buyers. Reflecting the strengthening in demand, the excess supply of unsold new homes diminished, and the pace of single-family housing starts moved above 900,000 units at an annual rate by the fourth quarter, an increase of more than 16 percent from a year earlier. Nevertheless, production was well below that of earlier years, and, despite the upturn in activity, the single-family housing market remains softer than would be expected given recent mortgage rates and the rising number of households of prime homebuying age. Continued lender caution about granting land-acquisition and construction loans reportedly has damped production in some locales. However, given the absence of significant price pressures in the housing market, restraint on the demand for single-family homes, stemming from weak income growth, concerns about employment prospects, and poor conditions for home selling, likely has been a more prominent influence on homebuilding than have supply constraints.

In the multifamily housing market, an excess supply of vacant units and restraints on credit availability continued to depress construction last year. Starts of multifamily units fell about 30 percent over the twelve months of 1991, and the number of starts during the year was the lowest since the 1950s. There have been numerous reports of restrictive lending practices damping activity in this sector. However, vacancy rates for rental units remain exceptionally high—and rents soft—suggesting that in many areas new projects might well be of questionable economic viability. Until market supplies begin to tighten discernibly, activity in this segment of the market is unlikely to show appreciable improvement.

Business Spending—Investment in Inventories and Fixed Capital

In early 1991, the investment climate was dominated by the effects of the decline in the demand for business output and the jump in energy prices during the second half of 1990. With profit margins down sharply and inventory imbalances emerging in a number of sectors, businesses reduced production and employment substantially between October 1990 and March 1991. Cutbacks in the motor vehicle sector were especially sharp over that period, although output of most other types of goods and materials turned down as well.

By the spring, inventories generally were better aligned with sales, and operating profits, while still low, had turned up. As a result, the improvement in aggregate demand in the second quarter was accompanied by an increase in business output, and industrial production rose an average 0.7 percent per month from April to July. Despite the firming in sales, businesses remained cautious, and inventory levels continued to decline through midyear.

In late summer, however, final demand slackened, and after seven months of decline, business inventories accumulated at a substantial rate from September through December. The rise in inventories was centered in wholesale and retail trade, and inventory–sales ratios there moved into ranges that appeared undesirably high in light of carrying costs and expected sales. A portion of the accumulation appeared to consist of goods ordered from abroad; indeed, a partial reaction to the overhang may have been visible in the sharp drop in nonoil imports in November. Nonetheless, retailers evidently also reduced orders from domestic suppliers, contributing to the sluggish pattern of manufacturing output in the fourth quarter. By January of this year, factory production had dropped back to its level of a year earlier, and the operating rate in industry was back down to levels that, prior to last winter, had not been seen since the brief industrial slump of 1986.

Business investment in fixed capital fell 7 percent in real terms over the four quarters of 1991. As is typical during recessions, spending was inhibited by weak profits, a rise in excess capacity, and uncertainty regarding the outlook for sales. However, investment outlays last year also were depressed by a desire on the part of many businesses to reduce debt burdens and by a continued oversupply of office and other commercial space. Even adjusting for cyclical considerations, last year's weak pace of investment appeared to extend the relatively slow rate of capital formation evident for some time. The capital stock in the nonresidential business sector, net of depreciation, has risen about 2¾ percent at an annual rate over the past decade—down from 3¾ percent annually during the previous decade. In part, this pattern has owed to a shift toward shorter-lived assets—such as computers—that depreciate more quickly. However, such outlays, by generating a relatively high flow of capital services per dollar of investment, have cushioned the impact on productivity of the slowing pace of capital formation. Even so, the quantity of investment, which has also been depressed by large federal budget deficits and the resulting low level of national saving, has been inimical to productivity growth and thus to the advance of living standards.

Real spending for equipment fell 3¼ percent over 1991, as outlays plunged in the first quarter and showed only limited improvement on net over the remainder of the year. The strongest area in investment spending was computers, for which real outlays increased more than 40 percent at an annual rate over the second half of the year; these gains were driven by new product introductions and by the substantial price cuts offered by computer manufacturers. In contrast, business investment in other types of equipment generally declined, on balance, over the year. Outlays for industrial equipment continued to deteriorate as excess capacity limited expansion in the manufacturing sector, and business purchases of motor vehicles dropped off sharply. In addition, domestic orders for commercial aircraft plunged after midyear as a number of domestic airlines trimmed investment plans. Although the large backlog of unfilled orders that still remains should sustain production and shipments for some time, the slackening in demand indicated by the sharp downturn in aircraft orders suggests that the growth surge in this sector may have run its course.

Nonresidential construction plummeted 15 percent in real terms over the four quarters of 1991. The contraction was broadly based, but especially large declines in outlays were evident for office buildings and other commercial structures. Despite the sharp cutbacks in construction in recent years, prices of existing commercial properties have continued to fall, contributing to the substantial stress evident in the financial sector. Of course, the fundamental problem is the space overhang from the earlier overbuilding; the vacancy rate for office buildings nationwide was still close to 20 percent at the end of the year. However, a lack of liquidity in this market—in particular, the reluctance of lenders to finance acquisitions of commercial properties—has made the adjustment still more difficult. Such problems are especially acute in the market for office buildings, where appraised values have declined nearly 30 percent since 1985 and where lenders and developers generally have shown little interest in new projects. For other commercial structures—primarily shopping centers and warehouses—the outlook is slightly less downbeat, with the data on new contracts and building permits suggesting that the steepest declines may have already occurred. Spending for industrial structures also generally declined over the year, as low rates of capacity utilization curtailed plans for new factory construction. Petroleum drilling activity, meanwhile, dropped sharply in response to the decline in oil prices.

Federal banking regulators have taken a number of steps to ensure that supervisory pressures do not unduly restrict real estate lending. The agencies have, for example, addressed issues relating to accounting and appraisal, to make sure that illiquid real estate exposures are evaluated sensibly and consistently. And, they have issued guidance to examiners—and simultaneously to bankers—emphasizing that banks should not be criticized for renewing loans to creditworthy borrowers whose real estate collateral has fallen in value—even when the banks need to build up capital or reduce loan concentrations over time. However, with so adverse a supply–demand imbalance in the property market, lenders understandably have remained reluctant to bear the risks of real estate exposures.

The Government Sector

Budgetary pressures were widespread in the government sector in 1991. At the federal level, the unified budget deficit increased to $269 billion in fiscal year 1991, up $48 billion from the 1990 deficit. In large part, the rise in the deficit was attributable to the slowdown in economic activity, which reduced tax receipts and increased outlays for income-support programs such as unemployment insurance and food stamps. However, as in 1990, the fiscal 1991 deficit also was affected by special factors: A pickup in net outlays for deposit insurance added to the deficit, while one-time contributions from our allies to defray the costs of Operations Desert Shield and Desert Storm reduced it. Excluding deposit insurance and these foreign contributions, the 1991 deficit totaled $246 billion.

On the revenue side, federal tax receipts rose just 2 percent in fiscal 1991, the smallest increase in many years. The slowing in receipts largely stemmed from weak nominal income growth; indeed, personal income tax payments in 1991, which accounted for nearly half of total receipts, were about the same as in 1990 despite changes in tax provisions that were projected to raise $16 billion in new revenues.

Meanwhile, spending rose nearly 6 percent in fiscal 1991. Part of the $71 billion increase in nominal federal outlays reflected the slightly more rapid pace at which the Resolution Trust Corporation resolved insolvent thrift institutions last year. In contrast, outlays were reduced by allied contributions to the Defense Cooperation Account. These contributions, which are scored as negative outlays in the budget accounts, exceeded the outlays made in 1991 for U.S. involvement in the conflict; the excess will be put toward the replacement of munitions in 1992 and beyond. Excluding deposit insurance and contributions of allies, outlays rose about 9 percent in fiscal 1991. Spending for health programs continued to rise rapidly, elevated by large increases in health care costs and in outlays for the medicaid program. Among other entitlement programs, outlays for social security and other income-support programs, which together account for one-third of total federal spending, rose more than 11 percent in fiscal 1991, reflecting substantial increases in the number of beneficiaries. In contrast, declining interest rates reduced the growth of interest payments on the federal debt. Defense outlays—excluding foreign contributions—were up 5½ percent from fiscal year 1990 to fiscal year 1991, as the additional U.S. outlays for the Persian Gulf conflict were only partially offset by the spending cuts enacted in the 1990 budget agreement and in previous years.

Federal purchases of goods and services, the portion of federal spending that is included directly in GDP, fell 3¼ percent in real terms over the four quarters of 1991. Defense purchases jumped sharply early in the year to support operations in the Persian Gulf, but declined substantially over the remainder of the year as the effects of scheduled cuts in defense outlays were augmented by a dropoff in purchases for Desert Storm; on net, defense purchases were down about 4½ percent last year. In contrast, nondefense purchases were up slightly in 1991; increases for law enforcement, space exploration, and health research offset a drawdown in inventories held by the Commodity Credit Corporation.

The fiscal position of state and local governments, which had deteriorated sharply in 1990, remained poor in 1991. The deficit in the combined operating and capital accounts (excluding social insurance funds) narrowed to $34 billion in the third quarter of 1991 from a high of nearly $47 billion in the fourth quarter of 1990; the shrinkage of this deficit represents the first major improvement since 1984, when the state and local budget surplus peaked. Even so, relative to GDP, the deficit still is quite high on a historical basis. The credit quality of state and local government debt also continued to deteriorate last year, as illustrated by the downgrading of the general obligation debt of eight states by one rating agency; most of the rating changes were the direct result of budgetary imbalances.

The poor fiscal position of state and local budgets led to both severe restraints on spending and sizable tax hikes. Overall, real purchases of goods and services edged down over the four quarters of 1991. In nominal terms, total expenditures by these governments were up 4 percent last year, less than one-half the average pace in recent years. Receipts rose an estimated 7 percent over 1991, as numerous jurisdictions imposed a variety of new tax measures and federal aid to state and local governments—especially for medicaid—increased substantially. Nonetheless, many state and local governments continue to report revenue shortfalls and spending overruns for the current fiscal year, setting the stage for another round of budget-balancing measures ahead.

The External Sector

Measured in terms of the other Group of Ten (G-10) currencies, the trade-weighted foreign exchange value of the U.S. dollar appreciated 14 percent, on balance, from December 1990 to July 1991, reversing more than one-half of the decline that had occurred from the middle of 1989 to the end of 1990. In large part, the rise in the dollar over this period reflected the quick end to the Gulf war and expectations of a recovery in the U.S. economy, as well as developments in Eastern Europe that initially weighed on the German mark. However, as the U.S. economic recovery faltered in late summer and market participants viewed further easing actions by the Federal Reserve as more likely, the dollar again turned down, averaging in December 1991 only about 3 percent above its level in December 1990. The dollar rebounded somewhat in January on market perceptions of a diminished likelihood of an additional easing in U.S. interest rates and expectations that German authorities would not push their interest rates up further.

On a bilateral basis, the dollar rose 19 percent against the mark between December 1990 and July 1991, amid disappointment about the effect of German unification on German inflation and trade. During the second half of last year, German monetary policy tightened, and the dollar gave up much of its previous gains, finishing the year just 4 percent above its December 1990 level. Other currencies in the European Monetary System generally moved with the mark during 1991, although sterling slipped somewhat near year-end. The dollar declined about 4 percent on net against the yen in 1991, as increasing Japanese trade surpluses led to the view that an appreciation of the yen would be welcomed by the authorities.

The merchandise trade deficit narrowed to less than $75 billion in 1991, compared with $108 billion in 1990; the trade deficit last year was the smallest since 1983. An especially large decline in the deficit was registered early in the year, as the drop in oil prices sharply reduced the value of imports. In addition, trade flows during the first half of 1991 were influenced by the weakening of U.S. activity (which reduced demand for imports), by continued growth abroad (which boosted exports), and by the lagged effects of the decline in dollar exchange rates that had taken place in 1990. However, imports rose sharply in the third quarter, and the trade deficit widened somewhat in the second half of the year. The current account balance recorded a small surplus, on average, during the first three quarters of 1991, a sharp improvement from the $92 billion deficit in 1990. However, about half of that improvement resulted from cash grants from foreign governments to support operations in the Persian Gulf; excluding these transfers, the current account showed an average deficit of $48 billion at an annual rate over the first three quarters of 1991. The improvement in the current account (excluding transfers) was somewhat greater than that in the trade balance owing to a strengthening of net service receipts in such areas as travel, education, and professional services.

U.S. merchandise exports grew about 10 percent in real terms over the four quarters of 1991, tempering the production declines associated with the weakness in domestic demand. Exports rose fairly strongly in the second quarter, as high levels of investment in such countries as Germany and Japan boosted exports of computers and other capital equipment. Economic activity in the major foreign industrial countries weakened as the year wore on, however, and with a deterioration in the competitive position of U.S. companies following the appreciation of the dollar over the first half of the year, export growth slowed markedly in the third quarter. Exports surged again in the fourth quarter, led by sales of computers, aircraft, and other capital goods. However, some of the recent increase appears to represent a bunching of sales rather than an increase in economic activity abroad.

Merchandise imports excluding oil grew about 4 percent in real terms during 1991. Imports declined early in the year as weak domestic spending reduced the demand for foreign goods. As domestic demand in the United States turned up in the spring, imports—especially of automotive products, computers, and consumer goods—rose and remained strong through the summer. With the subsequent weakening in demand, however, some of the additional import volume apparently ended up on retailers' shelves. In response, U.S. businesses reduced orders from abroad, and import growth slowed sharply over the fourth quarter. The quantity of oil imports, which had plunged after the sharp rise in oil prices in the fall of 1990, generally moved up through the third quarter as refiners moved to rebuild inventories. However, oil import volumes turned down again in the fourth quarter, reflecting sluggish U.S. activity and unseasonably warm weather.

The sharp reduction in the recorded U.S. current account deficit in the first three quarters of 1991 was mirrored by changes in recorded capital inflows and the statistical discrepancy. The statistical discrepancy in the international accounts, which had jumped to $64 billion in 1990, declined to virtually zero in the first three quarters of 1991.

Inflows of official capital were about matched by outflows of private capital in the first three quarters of 1991. Net official inflows amounted to $16 billion despite net intervention sales of dollars in foreign exchange markets by the G-10 countries and a drawdown of reserves held in the United States by countries helping to cover the costs of Desert Storm; some countries also financed their contributions by borrowing and liquidating investments in the Euromarkets. Net private capital outflows were $18 billion in the first three quarters, largely accounted for by banks. In part, these outflows reflected the increased net demand for funds in the Euromarkets associated with Desert Storm transfers. In addition, the elimination by the Federal Reserve of certain reserve requirements in December 1990 led some U.S. agencies and branches of foreign banks to increase their issuance of large time deposits in the United States and to reduce their reliance on borrowing from abroad.

Securities transactions in the first three quarters of 1991 reflected the continued internationalization of financial markets. Although the net inflow was modest, private foreigners added substantially to their holdings of U.S. stocks and bonds, while U.S. residents bought a large volume of foreign stocks and bonds. Reflecting interest rate developments that encouraged shifting from short- to long-term financing, both issues of foreign bonds in the United States and issues of Eurobonds by U.S. corporations were strong. Capital outflows associated with U.S. direct investment abroad also were sizable, as U.S. investors positioned themselves to take advantage of EC 1992 and participated in the privatization of previously state-owned enterprises in such countries as Mexico. In contrast, foreign direct investment in the United States was far below recent peaks; foreign takeovers of U.S. businesses declined, and reinvested earnings were depressed by the recession.

Labor Markets

Labor market conditions generally deteriorated in 1991, and the unemployment rate rose above 7 percent by the end of the year, the highest level since 1986. Employers had moved quickly to shed workers when the recession took hold during the second half of 1990, and this pattern continued into 1991, with nonfarm payroll employment down sharply over the first four months of the year. Economic conditions improved in the spring, and labor demand turned up for a time. However, the subsequent weakening in activity in the late summer led to a renewed bout of layoffs that has continued into early 1992, retracing the job gains recorded during the spring and summer.

The net job losses last year were widespread by industry and reflected both the cyclical weakness in labor demand associated with the recession and more fundamental efforts by many businesses to restructure operations and permanently reduce the size of their workforces. Employment in manufacturing, which began its decline in 1989, fell more than 400,000 over 1991 with most of the losses in the durable goods sector. The continued contraction in commercial building depressed construction employment despite the moderate recovery in residential housing demand. Efforts to restructure existing operations and to downsize workforce levels were evident in the finance, insurance, and real estate sector as well, where job losses last year stood in contrast to the past pattern of continued hiring during recessions. Employment in trade establishments also fell substantially over the year, pushed down by the decline in consumer spending and the high degree of financial distress among retailers. In contrast, employment in services continued to trend up over the latter part of the year, as steady gains in health services more than offset sluggish hiring in the more cyclically sensitive business and personal service industries.

Reflecting the substantial declines in output and employment over the past year and a half, the unemployment rate rose more than 1½ percentage points between July 1990 and December 1991. Moreover, the distribution of job losses was especially wide compared with previous episodes of rising unemployment. Increases in unemployment were broadly based across regions, industries, and occupations, and an unusually large proportion appeared to constitute permanent layoffs.

Nonetheless, the rise in the jobless rate has been less than in prior episodes of increasing unemployment. In part, the rise has been smaller because labor force growth has been unusually slow over the past two years. In particular, the labor force participation rate, which stood at about 66 percent at the beginning of this year, is ½ percentage point below its average during the first half of 1990. This decline in participation appears to contain some elements of a cyclical pattern: The number of discouraged workers rose over the year, and sizable increases in the number of retirees were reported, perhaps reflecting to some extent a spate of early retirement programs. However, the weak labor force growth of recent years may also represent a downshift in the trend rate of increase in labor supply that—if not offset by productivity gains—could translate into a reduction in the rate of trend potential output growth. In this regard, the composition of the corresponding increase in nonparticipants is, in part, a favorable long-term development. There has been a sharp rise in recent years in the number of individuals who have left the labor force in order to attend school. Although that increase may, to some degree, reflect declining opportunity costs associated with the poor job prospects of last year, recognition of the longer-term decline in relative wages among lower-skilled workers may also have played a role. As these individuals reenter the labor force upon completion of their schooling, their increased skills should boost labor productivity and potential output in future years.

Efforts to increase labor productivity have also intensified in the business community. If the aforementioned plans to reorganize corporate structures and to downsize the labor force requirements of existing operations are successful, the possible outcome is a significant improvement in the productivity trend, much as occurred in the manufacturing sector after the considerable compression of manufacturing organizations in the early 1980s. The performance of productivity, which rose about 1 percent for the nonfarm business sector in 1991, has been somewhat better than is typical in a weak economy. However, last year's advance came after a decline in 1989 and no change in 1990, and it is difficult at this stage to distinguish more fundamental changes in productivity trends from the apparent cyclical tendency last year for employers to reduce labor inputs aggressively in response to deteriorating sales.

With widespread layoffs and the unemployment rate rising throughout the year, the upward pressures on wages that had intensified between 1987 and mid-1990 diminished somewhat over 1991. As measured by the employment cost index, increases in hourly compensation for private nonfarm workers rose 4½ percent over the four quarters of 1991, down from more than 5 percent in the first half of 1990. The wage and salary component of hourly compensation, which rose 3 percent at an annual rate over the second half of last year, exhibited the most deceleration. Although employer costs for benefits have also decelerated from their mid-1990 peak, increases in benefit costs—at 6¼ percent in 1991—remained well above those for wages alone. Expenses for health insurance have continued to spiral upward despite considerable efforts on the part of employers to control costs by negotiating directly with providers and by increasing workers' share of health expenditures. Employer premiums for workers compensation insurance also rose sharply last year, reflecting both a swelling in the number of claims and the rapid pace of inflation of medical care costs.

Price Developments

Evidence that a significant slowing of inflation is under way mounted over 1991. The consumer price index rose 3 percent during the year, about half the rate of increase in 1990. A sharp swing in energy prices accounted for a major part of this deceleration. However, the elements of a more fundamental diminution of inflation moved into place: Labor cost increases moderated; expectations of inflation eased; and upward pressures from import prices and industrial raw material prices were virtually absent during the year.

Energy prices dropped sharply in 1991, mirroring the changes in oil prices over the year. The CPI for energy fell 30 percent at an annual rate in the first quarter of last year, as the sequence of events in the Middle East reduced the posted price of West Texas Intermediate crude oil from a peak of about $39 per barrel in October of 1990 to less than $20 by February of last year. Oil prices subsequently held near that level, but gasoline prices firmed somewhat during the summer as reduced imports and domestic refinery problems led to some tightness in inventories. However, these forces were offset by declines in natural gas and electricity rates, and energy prices changed little, on balance, in the second and third quarters. Price pressures again emerged in the fall as crude oil prices trended up in September and October on concerns about supplies from the Soviet Union. Since October, however, oil prices have retreated again, with the most recent quotes at about $18 per barrel. These latest reductions probably will show up at the retail level in the first quarter of 1992; indeed, the energy component of the producer price index fell nearly 3 percent in January, and other preliminary information points to sizable declines in both retail gasoline and heating oil prices.

The CPI for food rose just 2 percent over 1991, well below the increases of 5 percent to 5½ percent in the three previous years. In part, the subdued pace of food price inflation reflects an increased supply of livestock products. Beef production turned up last year in response to the strong prices that prevailed in the preceding few years, and supplies of pork and poultry rose sharply; in response, meat and poultry prices fell about 2 percent over the year. The deceleration in food prices also extended to food groups whose prices are influenced more by the cost of nonfarm inputs than by supply conditions in agriculture; for example, the increase in the price of food away from home last year was the smallest since 1964. Elsewhere, there were large monthly variations in prices for fruits and vegetables, as adverse weather conditions temporarily boosted prices in the first half of the year and prices for some fresh vegetables jumped toward the end of the year because of the whitefly infestation in California.

The consumer price index for items other than food and energy rose 4½ percent in 1991, about ¾ percentage point less than in 1990. The index was boosted early in the year by increases in federal excise taxes on cigarettes and alcoholic beverages and by an increase in postal rates. Price increases last winter also were enlarged by the pass-through of the rise in energy prices to a wide range of nonenergy goods and services. However, the subsequent decline in energy prices soon spread to the nonenergy sector, and except for an uptick during the summer associated with some bunching of price increases, this measure of core inflation moderated significantly over the remainder of the year.

Prices for nonenergy services decelerated considerably last year, rising 4½ percent after an increase of 6 percent in 1990. Reflecting weak real estate markets, rent increases slowed sharply, with both tenants' rent and owners' equivalent rent up less than 4 percent last year. The drop in interest rates pushed down auto financing costs more than 7 percent. And, after a brief spurt early in the year, airfares receded as energy costs fell and the weak economy cut into demand; more recently, however, airfares have turned up again as carriers have reduced the availability of and increased restrictions on low-end "super-saver" fares. In contrast, prices for medical care services rose 8 percent over the year, while tuition costs and other school fees were up nearly 10 percent.

The CPI for commodities excluding food and energy rose 4 percent in 1991, about ½ percentage point faster than in 1990. In large part, the more rapid rate of inflation in goods prices reflected the aforementioned hike in excise taxes and, despite weak sales, larger increases in prices for both new and used cars. However, a slowing in price increases was evident for a number of other goods, notably apparel, household paper products, and personal care items.

The easing of inflationary pressures has been even more evident at earlier stages of processing. The producer price index for finished goods edged down over 1991 after an average 5 percent annual rate of increase over the three preceding years; this index posted another small decline in January of this year. Falling prices for energy and consumer foods accounted for much of the overall deceleration last year. Even apart from food and energy, however, producer prices slowed to a 3 percent pace. Prices for intermediate materials excluding food and energy declined ¾ percent over the year, reflecting declining fuel and petroleum feedstock costs, an easing of wage pressures, and weak demand. The downturn in economic activity also depressed industrial commodity markets last year. After dropping sharply in the fourth quarter of 1990, spot prices for these commodities continued to decline gradually over most of 1991.

MONETARY AND FINANCIAL DEVELOPMENTS IN 1991

The principal objective of monetary policy this past year has been to help lay the groundwork for a sustainable expansion without sacrificing the progress against inflation that had already been set in motion. The Federal Reserve progressively eased money market conditions in 1991 amid signs of continued sluggish economic activity, weak growth in the broader monetary and credit aggregates, and diminishing inflationary pressures. A more generous provision of reserves through open market operations, coupled with five separate reductions in the discount rate—which now stands at its lowest level in nearly 30 years—brought the federal funds rate and most other short-term interest rates down about 3 percentage points over the course of the year. These actions, building on earlier easing efforts, pushed the federal funds rate down to 4 percent, its lowest sustained level since the 1960s and nearly 6 percentage points below its most recent peak in the spring of 1989.

The faltering of the economic recovery in the second half of 1991 owed in part to an unusually cautious approach to credit on the part of both borrowers and lenders. Efforts by debt-burdened households and businesses to pare debt in order to strengthen balance sheets that had been strained by the general slowdown in income and by declines in property values exerted further damping effects on credit demands and on aggregate spending. Faced with deteriorating asset values and pressures on capital positions, depositories and other lenders maintained tighter lending standards and were somewhat hesitant to extend credit. The more circumspect attitude toward credit and spending on the part of borrowers and financial intermediaries was manifest in the behavior of the aggregate debt of domestic nonfinancial sectors, which grew near the bottom of the Federal Open Market Committee's monitoring range despite burgeoning U.S. Treasury borrowing. Not only was overall credit growth subdued, but credit flows continued to be rechanneled away from depositories, reflecting the more restrictive lending standards at banks and thrifts as well as efforts by borrowers to make greater use of longer-term debt and equity in order to strengthen their balance sheets. Partly as a result, the monetary aggregates M2 and M3 also finished the year near the bottoms of their target ranges.

To prevent these forces from stifling the recovery, the Federal Reserve eased money market conditions aggressively in the latter part of the year. In light of weak aggregate demand and reduced inflationary potential, long-term interest rates—which had largely failed to respond to monetary easings earlier in the year—came down substantially toward the end of 1991. This decline prompted a flood of mortgage refinancings and additional corporate and municipal bond offerings, which helped reduce the financing burdens of nonfederal sectors. Lower interest rates also contributed to a major stock market rally, which induced firms to boost equity issuance and pay down debt, partially reversing the trend of the 1980s toward increased leverage that had severely stretched corporate balance sheets.

On the whole, the nation made considerable progress in strengthening its balance sheet in 1991. Less reliance on debt, greater use of equity, and lower financing costs have helped ease debt-servicing burdens for many financially troubled households and corporations. Although to date the trend toward deleveraging has exerted a restraining effect on aggregate spending, over time this trend should help put consumers, firms, and financial intermediaries on a sounder financial footing, paving the way for healthy, sustainable economic growth.

The Implementation of Monetary Policy

The Federal Reserve eased money market conditions several times in the first few months of 1991, extending the series of easing moves initiated in the latter stages of 1990. Against a backdrop of further declines in economic activity, abating price pressures, weakness in the monetary aggregates early in the year, and continuing credit restraint by banks and other financial intermediaries, a more expansive open market posture was adopted, in conjunction with two ½ percentage point reductions in the discount rate, to engender a 125 basis point decline in the federal funds rate over the first four months of the year. Short-term Treasury rates generally followed suit, and banks reduced the prime rate in three 50 basis point increments to 8½ percent.

Long-term interest rates, by contrast, were roughly unchanged on balance over the first few months of the year. At first, these rates fell somewhat in response to the continued downturn in economic activity and declining energy prices, especially in light of initial successes in the Gulf war that ensured an unimpeded flow of oil. Success in the initial phases of the war also prompted a brief dip in the exchange value of the dollar, as safe-haven demands that had been propping up the dollar's value in the face of falling interest rates in the United States dissipated.

In March, bond yields drifted up on the post-war rebound in consumer confidence and other evidence, particularly from the housing industry, that an economic upturn was at hand. The improving outlook for recovery also contributed to narrowing risk premiums on private securities, especially on below-investment-grade issues, which had reached very high levels in January. The debt and equity instruments of banks performed especially well over this period, responding to lower short-term interest rates and the likelihood that an economic rebound would help limit the deterioration in their loan portfolios. Moderate official support for the dollar, better prospects for a U.S. economic recovery, and a rise in U.S. long-term interest rates relative to those abroad, together with an uncertain economic and political situation overseas, especially in the Soviet Union, helped to reverse the dollar's slide on foreign exchange markets.

As evidence of a nascent economic recovery cumulated through the remainder of the spring and into early summer, interest rates and the dollar continued to firm, and quality spreads narrowed further. Although the increases in rates during this period were most pronounced at the long end of the maturity spectrum, short-term rates backed up a bit as well as prospects for additional monetary easings faded. Indeed, with the pace of economic activity apparently quickening, and with the broader monetary aggregates near the middles of their target ranges, the Federal Reserve held money market conditions steady, as the stimulus already in train seemed sufficient to support an upturn in aggregate spending.

As the summer passed, however, the strength and durability of the recovery appeared less assured. Aggregate spending, production, and employment began to falter, easing wage and price pressures. In addition, the broader monetary aggregates suddenly weakened dramatically, with M2 coming to a virtual standstill and M3 actually declining in the third quarter. The softness in the aggregates was symptomatic of a warier approach to spending and borrowing on the part of households and corporations, whose balance sheet problems were exacerbated by the stagnant economy. In addition, credit standards at financial intermediaries remained restrictive, and spreads between loan and deposit rates remained high by historical standards, reinforcing households' inclinations to pay down debt rather than to accumulate assets.

To help ensure that these forces did not imperil the recovery, the Federal Reserve moved to ease money market conditions further during the latter part of the year. Pressures on reserve positions were reduced slightly in August and again in September, with the latter move accompanied by a 50 basis point reduction in the discount rate. With the economic climate remaining stagnant, price pressures subdued, and the broader monetary aggregates still mired near the bottoms of their target ranges, the System's easing moves became more aggressive in the fourth quarter, culminating in a full 1 percentage point reduction in the discount rate on December 20. All told, these moves combined to drive the federal funds rate down from 5¾ percent in July to 4 percent by year-end. Most other short-term interest rates declined by similar magnitudes, and the prime rate was reduced by 2 percentage points, to 6½ percent.

The decline in short-term interest rates, in combination with flagging economic activity, depressed credit demands, and prospects for lower inflation, contributed to bringing long-term interest rates down significantly in the latter part of 1991. The thirty-year Treasury bond rate dropped about a percentage point over the second half of the year, and mortgage interest rates tumbled to their lowest levels in many years. Declining interest rates prompted a spate of mortgage refinancings, corporate and municipal bond offerings, and a major stock market rally, which propelled most indexes to record highs. Although monetary growth bounced back a bit in the fourth quarter, both M2 and M3 remained near the lower ends of their respective growth cones. The dollar, which had begun to lose ground in foreign exchange markets in the summer—when the weakness in money and credit raised the specter of additional easings of U.S. monetary policy—depreciated further in the fourth quarter as the economic situation deteriorated and the pace of policy easings quickened. Rising interest rates in Germany also put downward pressure on the foreign exchange value of the dollar. In January 1992, the dollar rebounded somewhat, reflecting an emerging view that interest rate declines in the United States and interest rate increases in Germany might have come to an end. The former view was also reflected in the U.S. bond market, where rates retraced a portion of their earlier declines, partly on brightening prospects for the U.S. economy but also on concerns that impending fiscal stimulus may increase federal government demands on credit markets.

Monetary and Credit Flows

Patterns of credit usage and financial intermediation, which began to shift even before the onset of the economic downturn, continued to evolve in 1991, distorting traditional relationships between overall economic activity and the monetary and credit aggregates.

These changes were evident in the behavior of the aggregate debt of nonfinancial sectors, which expanded 4¾ percent in 1991, leaving this aggregate near the bottom of its monitoring range. Robust growth in federal government debt, owing to the economic downturn and to additional outlays for federal deposit insurance, masked an even weaker picture for nonfederal debt. Households, nonfinancial corporations, and state and local governments accumulated debt at an anemic 2¾ percent rate in 1991, the slowest advance in decades and below even the sluggish growth rate of nominal GDP.

The small rise in nonfederal debt velocity last year runs counter to the pattern seen in the 1980s, when the accumulation of debt vastly outstripped growth in nominal GDP. The rapid buildup of debt in the 1980s was likely a result of the deregulation of interest rates and financial innovations, which combined to lower the cost of borrowing to households and businesses, spawning a surge in leveraging activity. Greater debt burdens may also have been accumulated under the assumption that nominal income growth would be sustained at the elevated pace of the mid-1980s and that the prices of assets purchased with credit would continue to climb.

In recent years, however, asset values and income growth have fallen short of these expectations. In particular, depressed commercial and residential real estate values, coupled with slower income growth, have eroded the net worth of some borrowers and severely strained the ability of highly leveraged households and corporations to service debt. These difficulties, in turn, have fed back on to the strength of the financial intermediaries that extended the credit. In an effort to bolster depleted capital positions, reduce financing burdens, and shore up weakened balance sheets, both borrowers and lenders have adopted a more chary attitude toward additional credit.

This more cautious approach to leverage has interacted with the sluggish pace of economic activity to restrain borrowing across nearly all sectors of the economy. Nonfinancial business sector debt, held in check by the decline in financing needs associated with weak aggregate demand and by efforts of debt-laden firms to restructure their balance sheets, grew only ½ percent in 1991. Taking advantage of a buoyant stock market, particularly in the latter part of the year, corporations turned to equity financing; net equity issuance for the year was positive for the first time since 1983, and the ratio of the book value of nonfinancial corporate

3. Growth of money and debt
Percent

Period	M1	M2	M3	Debt of domestic nonfinancial sectors
Annually, fourth quarter to fourth quarter[1]				
1980	7.5	8.9	9.5	9.2
1981	5.4 (2.5[2])	9.3	12.3	9.9
1982	8.8	9.1	9.9	9.2
1983	10.4	12.2	9.9	11.3
1984	5.4	8.0	10.8	14.1
1985	12.0	8.7	7.6	13.8
1986	15.5	9.2	9.0	13.8
1987	6.3	4.3	5.9	10.4
1988	4.3	5.2	6.4	9.4
1989	0.6	4.8	3.6	8.2
1990	4.2	3.8	1.7	6.9
1991	8.0	3.1	1.3	4.7
Quarterly (annual rate)[3]				
1991: 1	5.2	3.5	3.3	4.5
2	7.4	4.3	1.8	4.0
3	7.5	1.1	-1.1	4.9
4	11.1	3.3	1.2	5.2

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.

2. Adjusted for shift to NOW accounts in 1981.

3. From average for preceding quarter to average for quarter indicated.

debt to equity, which had soared in the 1980s amid a flurry of corporate restructurings, actually turned down in 1991. Firms also took advantage of lower interest rates to refinance higher-rate long-term bonds and to reduce uncertainty about their future financing burdens by substituting long-term debt for short-term borrowing. Overall, the mixture of less debt, more equity, and lower interest rates had a salubrious effect on the financial positions of many firms. Indeed, the ratio of interest payments to cash flow for all nonfinancial firms declined in 1991, reversing some of the runup seen in the late 1980s. Consistent with an improving financial picture and prospects of an economic rebound, quality spreads on corporate issues narrowed considerably from their peaks in early 1991, especially on below-investment-grade securities. In addition, downgradings of corporate bonds dropped sharply in the third and fourth quarters, although they still ran higher than the pace of upgrades.

Deleveraging was also evident in the household sector in 1991. Consumer credit declined as households reined in expenditures, curbed their accumulation of financial assets, and pared existing debt burdens. Households took advantage of declining interest rates, particularly in the fourth quarter, by refinancing outstanding mortgages; they also substituted home equity loans for installment debt and other consumer credit, which carry higher financing costs and are no longer tax deductible. By reducing their net accumulation of debt and refinancing a substantial volume of their remaining borrowings at lower rates, households were able to ease their financing burdens, reducing the ratio of scheduled debt payments to disposable personal income, which had risen sharply in the 1980s. Even so, loan delinquency rates rose through much of 1991, albeit to levels not out of line with what was seen in previous cyclical downturns. On the other side of the ledger, many households that had net creditor positions saw their interest incomes decline last year.

Faced with intensifying budgetary pressures and numerous downgradings, state and local governments also put only limited net demands on credit markets in 1991. The outstanding debt of this sector grew but 3 percent last year, the smallest increase in more than a decade. Gross issuance of municipal bonds was substantial, however, as states and localities moved to refinance debt at lower rates.

Efforts by borrowers to restructure balance sheets by substituting long-term debt and equity for short-term borrowing, along with more restrictive credit standards by some lenders and the closing and shrinkage of troubled thrifts, have affected the channels through which debt flows. In particular, in recent years there has been a major rerouting of credit flows away from depository institutions. The decline in the importance of depositories, when measured by the credit they book relative to the total debt of nonfinancial sectors, has been striking, and this trend was extended in 1991. Not only did the thrift industry continue to contract, as the direct result of RTC resolutions as well as the retrenchment of marginally capitalized institutions, but commercial banks cut back on their net credit extensions. Indeed, bank credit increased only 4 percent, not even enough to offset the continued runoff at thrifts. Weakness was particularly evident in bank lending, which shrank ¼ percent last year; banks' holdings of government securities, by contrast, expanded at a rapid clip.

Although the shifting composition of bank asset flows in 1991 was reminiscent of patterns seen in previous periods of languid economic activity, the magnitude of the downturn in loan growth last year was more pronounced than the usual experience. Apparently, loan growth was depressed not only by reduced credit demands, but also by a more restrained bank lending posture. Faced with deterioration in the quality of their assets, higher deposit insurance premiums, and more stringent requirements for capital, banks retrenched, adopting a more cautious attitude regarding credit extensions. Concerns about capital, especially in light of rising loan delinquency rates and mounting loan loss provisions, induced many banks to continue tightening lending standards through the early part of 1991 and to maintain fairly restrictive standards over the balance of the year.

A more prudent approach to capitalization and lending decisions is, in the main, a positive development that ultimately will result in strengthened balance sheets for the nation's depositories. Reflecting this improved outlook, prices of outstanding bank debt and equity increased markedly from their lows in late 1990 and early 1991, outperforming broader market indexes. Bank profits, benefitting from wide spreads between loan rates and deposit rates, also showed improvement relative to the depressed levels of recent years, although they remained low by broader historical standards.

To date, depository retrenchment appears to have had some restraining effects on aggregate borrowing. Of course, in some areas, much of the credit formerly extended by banks and thrifts has been supplanted by other intermediaries and by credit advanced directly through securities markets, at little if any additional cost to borrowers. For example, growing markets for securitized loans largely have filled the vacuum created by depository restraint in the areas of residential mortgage and consumer lending. Similarly, many large businesses have turned to stock and bond markets to meet credit needs and to restructure balance sheets, reducing their reliance on banks as well. Both banks and thrifts have cut back on other types of lending that can less easily be rechanneled, however, including construction and nonresidential real estate loans, loans to highly leveraged and lower-rated borrowers, and loans to small and medium-sized businesses. Other financial intermediaries, including life insurance companies, have been afflicted by some of the same balance sheet problems plaguing depositories and have also curbed their lending to these sectors. As a result of the pullback in credit supplies, these borrowers now face somewhat more stringent borrowing terms.

As in 1990, the retrenchment of banks and thrifts and the associated redirection of credit flows away from depositories continued in 1991 to have profound effects on the broad monetary aggregates and their traditional relationships with aggregate economic activity. M3, which comprises most of the liabilities used by banks and thrifts to fund credit expansion, has been most affected by the reduced importance of depository credit in funding spending. The velocity of this aggregate, which declined through much of the 1980s, has trended up in recent years; this trend continued in 1991, as M3 rose only 1¼ percent, well below the pace of nominal GDP, leaving this aggregate near the bottom of its target range.

In the first few months of the year, M3 showed surprising strength, boosted in part by a firming of its M2 component, which benefited from declining interest rates. The most important single factor contributing to strong M3 growth in the early part of 1991, however, was the rebirth of the market for "Yankee CDs"—large time deposits issued by foreign banks in the United States. After the 3 percent reserve requirement against nonpersonal time deposits and net Euroborrowings was lifted at the end of 1990, foreign banks showed a distinct preference for funding with such instruments, rather than borrowing from their overseas affiliates or in the federal funds or repurchase agreement markets. Domestic depositories, by contrast, faced with high and rising U.S. deposit insurance premiums, exhibited no inclination to alter their funding strategies in favor of large time deposits.

The surge in Yankee CD issuance, which totaled nearly $40 billion over the first quarter, began to taper off a bit as the year progressed, revealing the underlying weakness in M3. After slowing somewhat in the second quarter, this aggregate contracted at a 1¼ percent annual rate in the third quarter, reflecting feeble loan demand in a tepid economy as well as the restructuring of depositories. The Resolution Trust Corporation played a direct role in damping M3 growth by taking assets formerly held by thrifts and funded with M3 deposits onto its own books and financing them with Treasury securities. Although M3 rebounded a bit in the fourth quarter, in line with some firming of bank credit, its growth remained subdued.

The effects of depository restructuring on M2 remain imperfectly understood. In the past, the velocity of M2 has tended to move in tandem with changes in a simple measure of the opportunity cost of holding this aggregate—that is, with changes in the returns on alternative short-term investments relative to those available on assets included in M2. Typically, when the opportunity cost of holding M2 declines as decreases in money market interest rates outpace drops in yields on deposits, holdings of M2 strengthen relative to expenditures—and velocity drops. In recent years, however, this relationship appears to have broken down, with the velocity of M2 holding up despite a steep, persistent drop in this measure of opportunity cost. This was particularly evident in 1991, when M2 expanded at about the same pace as nominal GDP despite a significant decline in such opportunity costs. M2 finished the year near the bottom of its target range and much weaker than would be expected on the basis of historical relationships among income, interest rates, and the public's appetite for monetary assets.

In the early months of the year, M2 growth accelerated somewhat from its lackluster pace of late 1990. Narrowing opportunity costs generated substantial inflows to liquid deposits, particularly those in M1, which more than offset continued runoffs in small CDs. Money growth also was temporarily boosted by strong foreign demands for U.S. currency as a safe haven during the crisis in the Persian Gulf. Through May, M2 growth remained broadly consistent with the general configuration of opportunity costs and income, and near the middle of its target range.

M2 began to slow in June, however, and stalled in the third quarter, despite expansion in nominal income and further declines in opportunity costs. Growth in this aggregate resumed in the following quarter, fueled by a surge in transactions deposits owing to additional declines in opportunity costs, but inflows to M2 remained fairly weak, and this aggregate ended the year only a little above the bottom of its target range.

Although the unusual behavior of M2 relative to income and opportunity costs has not been fully explained, it surely is related to the restructuring of financial flows and to the downsizing of the banking system. With inflows of M2 deposits apparently tending to be more than sufficient to fund weak depository credit growth, banks and thrifts seem to have pursued additional retail deposits less aggressively than in the past. Although rates offered on these deposits did not, until very recently, fall unusually rapidly in response to declining market interest rates, depositories seem to have acted in other ways to reduce the cost of funds, including adjustments in advertising and marketing strategies that would not show up in traditional measures of opportunity costs. In addition, by keeping deposit rates very low relative to loan rates, partly in an attempt to bolster profit margins while shrinking their balance sheets, depositories provided households with a greater incentive to finance spending by holding down the accumulation of M2 assets rather than by taking on new debt. This incentive likely reinforced the impetus to borrowing restraint stemming from household concerns about their own balance sheets.

The slowdown in M2 growth, particularly in the third quarter, also appears to have been related to the configuration of returns on financial assets. Yields on small time deposits and money market mutual funds largely tracked the downward path of market interest rates, falling to their lowest levels since the deregulation of deposit rates and prompting significant outflows from these components of M2. Although some of these funds shifted into the liquid deposit components of M2—whose offering rates responded slowly, as they normally do, to the declines in market interest rates—a portion of these funds appear to have left the aggregate. The primary lure seems to have been the stock and bond markets, which offered higher returns, in part because of the steep upward slope of the yield curve. Indeed, inflows to stock and bond mutual funds were robust throughout 1991, and especially since midyear, when investors seemed particularly intent on reaching for higher yields by lengthening the maturity of their portfolios. Depositories, faced with weak loan demand and pressures on capital positions, seemed disinclined to compete aggressively for these funds by offering competitive rates on longer-term CDs.

The rapid pace of activity by the Resolution Trust Corporation also likely depressed M2 growth in the third quarter, as it did throughout the year. The abrogation of existing retail CD contracts and the disruption of long-standing depositor relationships often attending resolutions of failed thrift institutions may have encouraged investors to reshape their portfolios, substituting nonmonetary financial assets for M2 deposits.

Despite sluggish income growth, M1 expanded 8 percent in 1991, the swiftest advance since 1986. Unlike M2, this aggregate has responded to declining market interest rates about as would be expected given historical relationships. M1 was boosted by large inflows to NOW accounts, whose offering rates responded very slowly, until the end of the year, to declining market interest rates. Falling rates also brought new life to demand deposits, as compensating balances to pay for bank services surged. Demand deposits likely benefited as well from the pickup in mortgage refinancings, because the proceeds from mortgage prepayments are sometimes housed temporarily in demand accounts. Rapid growth in currency, owing in part to continued strong foreign demands, also contributed to the strength in M1, as well as in the monetary base, which increased 8¼ percent last year. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period November 1991 through January 1992, provides information on Treasury and System foreign exchange operations. It was presented by William J. McDonough, Executive Vice President in charge of the Foreign Group at the Federal Reserve Bank of New York and Manager of Foreign Operations for the System Open Market Account. Robert Ennis was primarily responsible for preparation of the report.[1]

The dollar declined through the end of the calendar year, approaching historical lows against both the German mark and the Japanese yen as sentiment toward the prospects for U.S. economic recovery turned increasingly negative and large short-dollar positions were built up. Early in the new year, however, the dollar recovered somewhat as expectations about the economy tended to stabilize and short positions were significantly reduced. The dollar's decline was consequently pared back at the end of the period to a net 3½ percent against the mark and 4 percent against the yen. On a trade-weighted basis, the dollar declined 2¾ percent, on balance, over the period.[2] On January 17, the U.S. authorities sold $50 million against yen in their only intervention operation of the period.

NOVEMBER AND DECEMBER

As the period opened, skepticism was deepening about the prospects for a U.S. economic recovery. During the fall, it had become increasingly apparent that the tentative pickup in consumer spending after the Persian Gulf war had served merely to work off inventories and would not lead to a sustained pattern of growth. Then, just before the period, any remaining hopes of recovery suffered a severe blow when the Conference Board's index of consumer confidence took an unexpected plunge. Thus, by early November, market participants were beginning to question what mechanism might still be able to spark recovery, noting that up to that point monetary policy had been about the only instrument available to support the economy.

Under these circumstances, the November 6 announcement that the Federal Reserve had cut its discount rate ½ percentage point to 4½ percent was widely anticipated. But market observers noted that the Federal Reserve had now cut the discount rate five times in eleven months, producing a cumulative drop of 2½ percentage points, and they were beginning to doubt whether monetary policy could do much more to facilitate recovery. At the same time, they were sensitive to the political pressures generated by disappointment about the economy and concerned about what alternative measures might be proposed. Operators in the exchange markets, who were mindful that interest rate differentials were already widely unfavorable to the dollar, especially in relation to the German mark, felt a strong incentive to sell the dollar short.

The dollar declined as events in November and early December tended to confirm pessimism about U.S. economic prospects. In mid-November, when financial markets grew nervous about a congressional proposal to spur consumer spending by capping credit card interest rates, a sharp drop in U.S. equity prices dragged the dollar down for a few days. In late November and early December, release of data showing a further drop in consumer confidence and a much sharper-than-expected drop in payroll employment prompted another sell-off. Meanwhile, statistics for consumer price inflation suggested to financial markets that the Federal Reserve had further leeway to ease monetary policy.

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, mail stop 138, Washington, DC 20551.

2. The trade-weighted basis is as measured by the Federal Reserve Board index.

In addition, speculation mounted that an excessively expansionist fiscal package might be forthcoming.

The dollar declined more against the German mark during this period than against other currencies. This occurred, in part, because interest rates in Germany were at, and were expected to stay near, historically high levels. The German economy was still going through the transition associated with unification. Although the full force of the unity-related boom had dissipated earlier in the year, credit demands were still significant enough to keep monetary aggregate growth stronger than desired, and inflationary pressures were being kept alive by high wage demands. Accordingly, market participants believed that the Bundesbank would seek to maintain a tight monetary policy stance. They interpreted the Bundesbank's money market operations as clear evidence of its intention to resist domestic and international pressures to ease. They saw this policy stance as implying that the large interest rate differentials against the dollar would be maintained for the foreseeable future.

Market participants also suspected that there might be tension between the monetary policy objectives of Germany and those of other European countries where economic activity was generally decelerating more rapidly. And they were wary of the possibility that these tensions might be reflected sooner or later in pressures within the exchange rate relationships of the European Monetary System (EMS), pressures that might spill over into the exchange markets more broadly—especially because final negotiations over eventual monetary union in Europe were scheduled for early December in Maastricht, the Netherlands.

In this environment, two announcements by the Finnish authorities in mid-November, first, that the Finnish markka would float and, later, that it would be effectively devalued about 12 percent, heightened the sense of exchange rate risk and boosted the German mark. This episode served as a reminder that market pressures could at times force unwanted changes in exchange rate policy. In response, market participants rushed to reduce their holdings of assets denominated in those European currencies that had previously appeared attractive because of their high yields but that no longer carried a yield sufficient to compensate for their perceived exchange risk. The Swedish krona, for example, came under significant pressure, forcing the Riksbank to raise its marginal lending rate a total of 7 percentage points by early December.

As market participants sought to shift funds from higher-yielding currencies into the mark, the exchange rate mechanism (ERM) of the EMS became strained. Market participants questioned whether an ERM realignment at the upcoming Maastricht summit could be avoided, raising further uncertainty about the effects such developments might have on the dollar. Support for the mark was partly offset, from time to time, by concerns about the rapidly moving political situation in the Soviet Union and its possible negative effects on European countries, including Germany.

In the event, the Maastricht summit proceeded without incident, and tensions among European currencies abated somewhat by mid-December. But the growing disparity in economic conditions between the United States and Germany persisted. As wage negotiations in Germany became more tense, the Bundesbank moved to increase interest rates both sooner and by a larger amount than the market had expected, announcing ½ percentage point rises for both its discount and Lombard rates on December 19. To avoid renewed exchange rate pressures, all other EMS central banks except the Bank of England followed this interest rate move, at least in part, over the next several days. By contrast, on December 20, the Federal Reserve reduced its discount rate more than had been expected. The cut of 1 percentage point brought the discount rate to 3½ percent, its lowest level since 1964. The Federal Reserve also appeared to signal that it had relaxed reserve pressures to an extent consistent with a decline of about ½ percentage point in the federal funds rate.

As the foreign exchange market responded to these divergent moves in interest rates, the dollar continued its decline against the German mark. After having moved irregularly lower in November and early December, the dollar moved down a further 3½ percent after December 19, hitting its low of the period of DM1.5025 on December 27. At this level, the dollar had depreciated 10 percent from DM1.6713 at the period's start and 18½ percent from its 1991 high.

The dollar's decline against the yen during November and December was more tempered than its decline against the mark. Evidence was accumulating that the pace of expansion in Japan was clearly decelerating. Japan's monetary growth was slowing, business confidence and investment intentions were weakening, and flagging domestic demand was being reflected in a widening of Japan's trade surplus. Market participants had therefore come to expect that the Japanese monetary authorities, who had eased official interest rates the previous July, would continue moving to a somewhat more accommodative monetary policy stance so that U.S.–Japanese interest differentials would remain relatively stable. Indeed, official Japanese interest rates declined during these two months. The Bank of Japan trimmed its official discount rate once in mid-November and again at the end of December. At the same time, persistent weakness in Japan's equity market and political uncertainty caused by recent scandals also weighed on the yen at a time when the dollar was declining generally.

As a result, the dollar eased only moderately against the yen during November. Although the pace of decline quickened during December, the dollar rebounded at the end of the year to close December at ¥124.80, down on balance 4¾ percent from ¥130.75 at the beginning of the period.

JANUARY

By early January, the dissolution of the Soviet Union was introducing a new level of uncertainty, especially regarding the outlook for Europe. Although recurring rumors about the Soviet Union's financial condition had been a concern during the earlier months, market participants were now faced with the prospects of greater disarray stemming from changing political structures and moves to liberalize prices in January. Accordingly, the German mark was increasingly susceptible to selling pressures whenever new financial or political difficulties in the former Soviet Union became evident.

Meanwhile, market participants' assessment of the German mark and the German economy weakened considerably after the new year. Press commentary at that time increasingly focused on the sustained slowdown in Germany's expansion. Not only was the pace of domestic demand moderating but export orders were also sagging under the weight of slowing economies in other industrialized countries. Market participants did not believe that this evidence would lead to any near-term moderation of the Bundesbank's tight monetary policies; indeed, the Bundesbank appeared still to be concerned about wage inflation and credit demands. But the evidence did suggest that the scope for further policy tightening was more limited and the prospects for growth in the coming year more clouded than previously perceived. Under these circumstances, market participants began to question whether interest differentials so unfavorable to the dollar would continue to widen.

Moreover, the financial markets appeared to react positively to the Federal Reserve's policy move of mid-December. The capital markets in the United States had responded favorably, with long-term interest rates easing and the stock market showing sustained strength. Also, the move appeared to have broken the pattern of market expectations concerning U.S. interest rates. Market participants were less certain that a weaker-than-expected U.S. economic statistic would immediately trigger another monetary policy action, and they were more likely than before to attribute weakness in the data to temporary factors. Moreover, they became mindful once again of the possibility that some statistics might show greater-than-expected strength.

The dollar's decline against the European currencies therefore lost momentum early in January. Market participants were aware that the dollar had been under virtually continuous selling pressure for almost six months. Many investors as well as foreign exchange market operators had portfolios that were heavily weighted in assets denominated in European currencies. The developments of November and December had led to an even greater concentration in these portfolios of assets denominated in German marks. Under the circumstances, there was a perception of a large risk of loss if market sentiment should switch in favor of the dollar and a perception of a diminishing chance for gain if sentiment should remain negative to the dollar.

For a short while, however, the focus of market attention was the Japanese yen, a currency against which the dollar continued to decline in early January. Talk had already begun to circulate before the turn of the year that the United States and Japan would agree on some official action to support yen appreciation. Commentary about President Bush's trip to Japan to meet with Prime Minister Miyazawa suggested that the deteriorating condition of the U.S. economy would prompt the President to seek ways to reduce the U.S. trade deficit. There was also speculation the Japanese government was looking for ways to counter weakness in Japan's stock market. In this context an upward move in the yen's exchange rate was thought to be acceptable to both governments.

In response to these expectations, the dollar received only a temporary boost from the year-end cut in the Bank of Japan's discount rate. During the first five business days of January, the dollar resumed its downward trend against the yen, declining 1½ percent to a low of ¥122.80 on January 7, the day that President Bush arrived in Tokyo. At this level, the dollar was down 6 percent from the start of the period and 13½ percent from its 1991 high.

Thereafter, expectations of official action to support the Japanese yen gradually faded. Market participants became less convinced during President Bush's stay in Japan that the two countries would take immediate steps to strengthen the yen against the dollar. In keeping with these diminished expectations, the President and the Prime Minister agreed "that recent exchange rate movements were consistent with current economic developments." Nontheless, market participants continued to focus on the possibility that a more generalized Group of Seven (G-7) policy toward the yen might be considered at an upcoming G-7 meeting on January 25. This possibility seemed credible to market participants because the yen had lagged behind rising European currencies during previous months and because this gap appeared to be generating economic and political concerns in several countries other than the United States. But in time, even this proposition lost standing in the marketplace.

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, January 31, 1992
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
Deutsche Bundesbank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss Francs	600
Dollars against other authorized European currencies	1,250
Total	30,100

When the G-7 meeting occurred in New York, the finance ministers and central bank governors issued a communiqué in which they agreed to intensify their cooperative efforts to strengthen world economic growth. With reference to exchange markets, the G-7 "agreed to continue to monitor market developments and reaffirmed their commitment to cooperate closely in exchange markets, thus contributing to favorable conditions for stable exchange markets and economic recovery." Market participants, however, were somewhat disappointed by the absence of any specific mention of the yen exchange rate.

As expectations of a yen appreciation subsided, market participants began to worry that there was an overhang of short-dollar positions against the yen as well as against the European currencies. Concerns about the technical position of the market came to the surface when the dollar did not fall off sharply on news that President Bush had become ill and had had to leave a state dinner during his Tokyo trip. The dollar's unusual lack of sensitivity to potentially disturbing news about an American president's health was interpreted as indicating how unwilling market professionals were to extend their short-dollar positions further and how great the risks were that the dollar might rise abruptly if a general effort to cover some of these short-dollar positions were to develop.

Under these circumstances, the dollar drifted higher and staged an uneven recovery during most of January. In some instances, particular events triggered dollar buying: the announcement in January of a stronger-than-expected report for U.S. employment, testimony by Chairman Greenspan that further dampened expectations of an early easing of Federal Reserve monetary policy, and rumors out of the former Soviet Union of violence and political upheaval. In other instances, however, the dollar's rise was precipitated by the bidding of market professionals and their customers that reflected pent-up demand from previous months.

2. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury[1]
Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding as of October 31, 1991	November	December	January	Outstanding as of January 31, 1992
National Bank of Panama	143.0[2]	...	...	...	143.0	143.0

1. Data are on a value-date basis. Components may not add to totals because of rounding.

2. Represents a bilateral credit facility with the National Bank of Panama that was established on January 28.

These pressures were particularly intense around midmonth. The dollar rose sharply to trade at levels that had not been expected just weeks before and that therefore threatened to unleash yet further rounds of bidding as market participants continued to cover their short positions. Under these circumstances, the U.S. monetary authorities entered the market on January 17, in an operation coordinated with the Japanese monetary authorities, selling $50 million against yen. The intervention sale was shared equally by the Federal Reserve and the Treasury's Exchange Stabilization Fund (ESF). After this operation, the dollar declined sharply. Although subsequently finding support, it remained below the highs of DM1.6355 and ¥129.37 reached on January 15. The dollar closed the period at DM1.6125 and ¥125.75, down on balance over the three months nearly 4 percent against the two currencies. At these levels, the dollar was about 12 percent below its 1991 highs against both the mark and the yen.

In other operations, a total of $1,301 million in off-market spot and forward foreign currency sales, executed by the U.S. monetary authorities with foreign monetary authorities, settled during the period.

• The two remaining forward purchases of $551.1 million and $549.9 million against marks settled on November 27 and December 27 respectively completing the $5,548.5 million of spot and forward dollar purchases from the Bundesbank. As previously reported, the operation was initiated in June 1991 to adjust the foreign currency reserves of the Federal Reserve and the ESF. For each transaction, 60 percent was executed for the account of the Federal Reserve and 40 percent for the ESF account.

• On November 22, the Federal Reserve agreed to purchase $200 million against German marks from a foreign monetary authority.

The ESF continued to purchase special drawing rights (SDRs) against marks in transactions by agreement with the International Monetary Fund (IMF). During the period, a total of $341.7 million equivalent of such SDR purchases settled, of which $41 million equivalent was transacted in the previous report period. The ESF also purchased a total of $443.4 million against sales of SDRs in transactions by agreement with foreign monetary authorities needing SDRs to pay IMF charges or for repurchases. An additional $50.6 million, which was transacted in October, settled in the period.

The Treasury agreed to participate in a special financial facility for the first time since March 1991. On January 28, the Treasury, through the ESF, established a $143 million bilateral credit facility to assist Panama in repaying its arrears to international creditors. Panama drew the full amount on January 31. The facility is scheduled to expire on March 20, 1992.

During the November–January period, the Federal Reserve and the ESF realized profits of $75 million and $3.9 million respectively from the sales of foreign currencies. As of the end of January, cumulative bookkeeping or valuation gains

3. Net profits or losses (−) on U.S. Treasury and Federal Reserve foreign exchange operations[1]
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of October 31, 1991	2,764.8	1,132.6
November 1, 1991–January 31, 1992		
Realized	75.0	3.9
Valuation profits and losses on outstanding assets and liabilities as of January 31, 1992	3,615.2	1,941.6

1. Data are on a value-date basis.

on outstanding foreign currency balances were \$3,615.2 million for the Federal Reserve and \$1,941.6 million for the ESF. The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign governments. As of the end of January, Federal Reserve holdings in these securities amounted to \$8,938.8 million equivalent, and the Treasury holdings amount to \$9,203.5 million equivalent, valued at end-of-period exchange rates. □

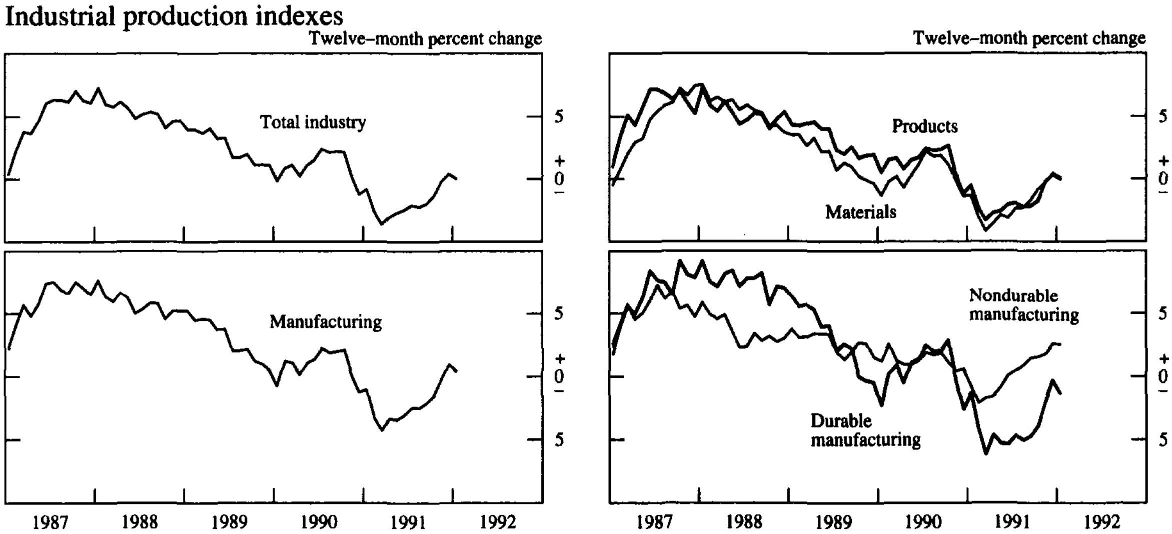
Industrial Production and Capacity Utilization

Released for publication February 14

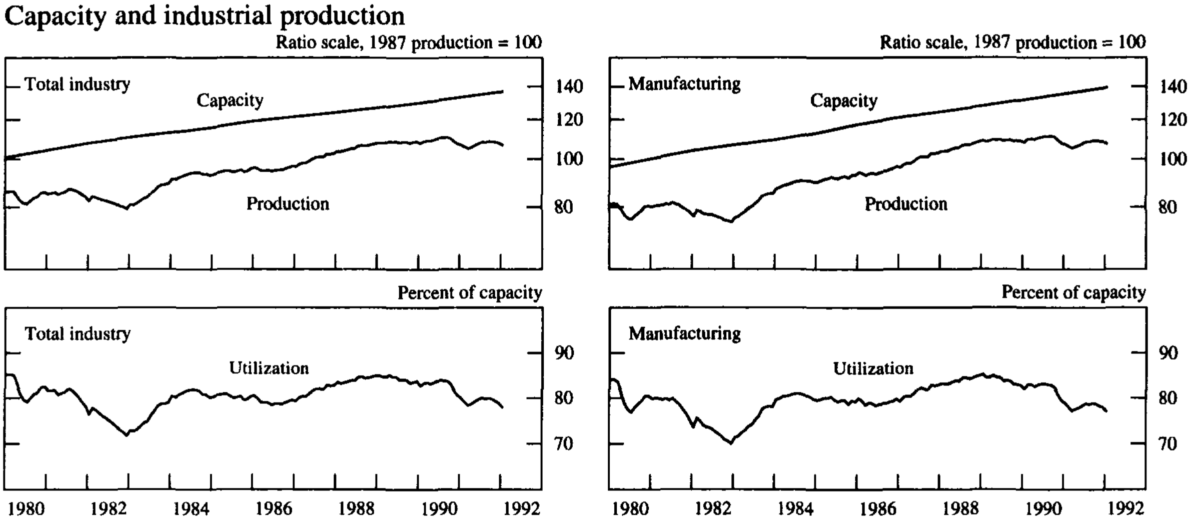
The index of industrial production dropped 0.9 percent in January, after having fallen 0.4 percent in December. The decline in January was broadly based, although the most significant loss occurred in the motor vehicles and parts industry, where output declined about 8 percent. At 106.7 percent of its 1987 annual average, total industrial production in January was about even with its year-ago level. Total industrial capacity utilization dropped 0.8 percentage point in January, to 78.0 percent.

When analyzed by market group, the data show that the production of consumer goods fell 0.7 percent in January, mainly because of the drop in motor vehicle production. The output of consumer

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization

Category	Industrial production, index, 1987=100[1]								
	1991			1992	Percentage change				
					1991[2]			1992[2]	Jan. 1991 to Jan. 1992
	Oct.[r]	Nov.[r]	Dec.[p]	Jan.[p]	Oct.[r]	Nov.[r]	Dec.[p]	Jan.[p]	
Total	**108.4**	**108.1**	**107.6**	**106.7**	**.0**	**–.3**	**–.4**	**–.9**	**.0**
Previous estimate	108.2	108.0	107.8	...	–.1	–.2	–.2	...	...
Major market groups									
Products, total	109.0	109.0	108.8	107.8	.1	.0	–.2	–.9	–.0
Consumer goods	109.7	110.0	109.7	108.9	.3	.3	–.2	–.7	3.1
Business equipment	122.3	121.7	121.7	120.3	.1	–.5	–.1	–1.1	–1.0
Construction supplies	95.4	95.8	95.6	95.3	–1.2	.5	–.2	–.3	–2.5
Materials	107.4	106.6	105.8	104.9	–.1	–.8	–.7	–.9	–.1
Major industry groups									
Manufacturing	109.0	108.6	108.5	107.5	.1	–.4	.1	–1.0	.4
Durable	108.2	107.7	107.2	105.8	–.2	–.4	–.5	–1.3	–1.3
Nondurable	110.1	109.7	110.1	109.6	.4	.4	.4	–.5	2.5
Mining	100.7	99.3	97.8	97.6	–.7	–1.4	–1.6	–.2	–4.1
Utilities	109.4	111.0	108.1	107.7	–.3	1.5	–2.6	–.4	.0

Category	Capacity utilization, percent								Memo Capacity, percentage change, Jan. 1991 to Jan. 1992
	Average, 1967–90	Low, 1982	High, 1988–89	1991				1992	
				Jan.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[p]	
Total	**82.1**	**71.8**	**85.0**	**80.0**	**79.8**	**79.3**	**78.8**	**78.0**	**2.6**
Manufacturing	81.4	70.0	85.1	78.9	78.7	78.2	78.0	77.0	2.8
Advanced processing	81.0	71.4	83.6	78.2	77.6	77.2	76.9	75.9	3.2
Primary processing	82.3	66.8	89.0	80.6	81.4	80.8	80.5	79.7	2.1
Mining	87.4	80.6	87.2	89.5	87.9	86.6	85.2	85.0	.9
Utilities	86.7	76.2	92.3	84.1	84.8	85.9	83.6	83.2	1.1

1. Seasonally adjusted.
2. Change from preceding month to month indicated.

r Revised.
p Preliminary.

goods other than automotive products also edged down in January. The production of business equipment other than motor vehicles again drifted down in January because of further weakness in industrial equipment. Continued retrenchments by manufacturers of defense and space equipment and by oil and gas well drillers also contributed to the overall decrease in equipment production. The production of construction supplies declined a bit in each of the past two months; materials output dropped sharply in January for the third consecutive month. Although the production of energy materials flattened out in January after having fallen rapidly in November and December, the output of both durable and nondurable materials fell more than 1 percent last month. Although the declines were widespread, the reductions in output of parts and supplies for the motor vehicle industry and in paper were the most noticeable.

When analyzed by industry group, the data show that manufacturing production fell 1.0 percent in January, after having declined ½ percent over the last two months of 1991. The factory operating rate dropped to 77.0 percent in January, its lowest level since August 1983. The slack in utilization is especially evident in advanced-processing industries, where the operating rate in January fell to 75.9 percent, 5 percentage points below its 1967–91 average and about 1 percentage point below its low in March 1991. In recent months, the decline in advanced processing has mainly resulted from cutbacks in motor vehicle production, where the operating rate in January was still 4 percentage points above its level in March 1991. Unlike motor vehicle production, the output of instruments, electrical and nonelectrical machinery, and aerospace and miscellaneous transportation equipment never recovered significantly last spring and summer, and their operating rates in January were below their levels of last March. The utilization rate for primary processing declined for a third consecutive month in January; paper, industrial chemicals, and stone, clay and glass products have been the largest contributors to this recent decline. Nonetheless, in contrast to the utilization rate for advanced processing, the rate for primary-processing industries in January was only 2½ percentage points below its long-run average and was still above its level of last March.

Mining output decreased 0.2 percent in January, despite a 2½ percent increase in coal mining. Utilities output fell 0.4 percent.

Statements to the Congress

Statement by David W. Mullins, Jr., Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives, February 3, 1992

Thank you for this opportunity to present the Federal Reserve Board's views on reforms to the regulation of the government securities market. Since September, when I last testified before this Committee, staff of the Federal Reserve, the Treasury Department, and the Securities and Exchange Commission (SEC) have conducted an exhaustive examination of this market, the results of which were released two weeks ago. My prepared remarks will touch upon some of the main conclusions of this report from the particular perspective of the Board of Governors of the Federal Reserve System. Our perspective differs somewhat from the perspectives of the other agencies contributing to the report because of differences in legislative mandates. The Board of Governors has little direct regulatory authority for the U.S. government securities market.

Although the Board has general oversight responsibility for all Federal Reserve District Banks, it is the District Banks that act as fiscal agents of the Treasury, thus sharing operating responsibility for the market with the Treasury. The SEC's charge is to enforce the securities laws that seek to foster a high degree of fairness in the marketplace. With neither the direct responsibilities of funding the government nor substantial regulatory oversight, the Board of Governors can view this market from a somewhat different vantage point—a policy perspective that allows it to examine these issues in an economywide context.

When we look to the government securities market, we see a market that works as well as any on earth. U.S. government debt is an ideal trading vehicle because it is all closely substitutable and has none of the default risk or idiosyncratic problems of private issues. As a result, market participants, in the aggregate, willingly commit substantial amounts of risk capital and exchange a large volume of securities each day. Positions are large, yet trading skills are so sharply refined that bid–ask spreads are razor thin, a small fraction of the size of spreads in major equity markets.

The government securities market generates widespread macroeconomic benefits. It efficiently absorbs the large quantity of new issues required to finance the deficit. With real-time quotes on a range of instruments, this market serves as the foundation for private market rates and a haven for ready liquidity. Further, this deep and liquid market gives the Federal Reserve a powerful, reliable mechanism for implementing monetary policy.

Nonetheless, the admission of wrongdoing by Salomon Brothers, episodes of price distortions, and other evidence uncovered in our joint study all suggest that this market has faults. It can be improved. The proposals contained in the joint report, along with other reforms announced earlier, constitute a careful, comprehensive modernization of the mechanisms and practices in the government securities market. In our view, implementing these proposals represents a formidable, though feasible, task.

Over the longer term, the most effective force in enhancing market efficiency and reducing the potential for manipulative abuses is the force of competition. And the effect of these proposals is to open up the government securities market to broad-based participation. Automating Treasury auctions; facilitating direct bidding by customers, including nonprimary dealers; implementing a single-price open-auction technique; and reducing the barriers to primary dealer membership—all will serve, in time, to broaden participation in the primary market and in the secondary market for newly issued securities. More depth and breadth in this end of the market should increase efficiency, reduce Treasury financing costs, and lessen the potential for manipulative trading abuses. In addition, the competitive force of broader participation will be reinforced by proposals targeted at manipulative abuse: tighter enforcement of auction rules and enhanced market surveillance by the Federal Reserve Bank of New York to identify potential manipulative episodes that could trigger SEC investigation and Treasury supply management to reopen offerings.

Taken together, these actions should serve to deter manipulative practices and allow quick detection of abuses should they occur. Moreover, they are relatively low-cost, market-based responses that should achieve these benefits without impairing the efficiency and liquidity of this vital market.

Of course, many other alternatives could be considered to combat the potential for abuses in this market. However, the government securities market is too important a national resource and works too well to be put at risk by regulatory change for the sake of change. From the Board of Governors' perspective, a compelling case must be established that the benefits outweigh the costs.

In our view, such a compelling cost–benefit analysis has not been made with respect to proposals to establish a broad-based apparatus of reporting requirements or audit trails in this market. Although increased reporting would deter manipulation and facilitate the investigation of abuses, such systems would impose substantial potential costs on this market. The reporting burden would fall on all traders—the good and the bad—boosting the cost of every trade. While the direct costs of additional recordkeeping might be kept manageable, an indirect cost looms larger. Rather than risk divulging their finances and trading strategies, participants might withdraw from this market, thereby raising the cost of Treasury finance. And, of course, the stakes are high: A tiny increase in Treasury rates aggregates into a very substantial increase in cost to U.S. taxpayers.

Because it might be difficult to resist implementing, even backup authority risks sending a chilling message about the U.S. market to all participants choosing a trading arena in the global marketplace. Moreover, in view of the extensive nature of the other changes proposed in this report, one might question the capacity of this market to absorb, at an acceptable cost, this additional change—the imposition of broad-based reporting requirements for this market. The agencies agree that large position reporting requirements should not be implemented at this time. Rather than risk slipping into this fundamental change through backup authority, the Board of Governors feels it would be a wiser course of action to return to the Congress in the future should such authority appear necessary.

The interagency report provides an alternative to burdensome regulation—a low-cost, market-based solution to the problem that targets manipulative behavior without impairing the liquidity of this important market. This overall strategy has three basic elements: improved auction mechanisms, enhanced market surveillance, and active supply management.

Although many aspects of the Salomon Brothers admission of wrongdoing and the results of the subsequent investigation cause concern, one is particularly unsettling: Because of the falsification of bids at auctions, the Treasury was the direct counterparty in attempts to manipulate the market. Immediate steps were taken to reduce the risk of a reoccurrence, including tightening the enforcement of auction rules and implementing measures to encourage more direct bidding. Looking forward, automation of the auction process, already under way and expected to be completed by year-end, should efficiently snare any infraction of the rules.

More important still, automation will facilitate consideration of alternative auction techniques. At a minimum, switching to single-price awards from the current multiple-price format should foster greater participation and likely reduce gaming behavior at the auction. But more can be done. Linking bidders directly by a computer network and conducting the auction in real time will expose any would-be manipulator to public scrutiny in time for the competition to react. With the element of surprise gone, the potential return to manipulation should disappear. Thus, the auction of the near future may well be played in the open, on a level field, with sharply defined and easily policed foul lines.

The report also finds that the benefits of enhanced monitoring extend to when-issued and secondary market trading. Manipulative behavior leaves its footprints in market quotes because a shortage of an issue will be evidenced by a yield below that of similar securities and by depressed financing rates. The agencies agreed that the Federal Reserve Bank of New York, with its substantial experience as the operating arm of the Federal Open Market Committee and (along with the other Reserve Banks) as one of the fiscal agents of the Treasury, should have primary responsibility for market surveillance; the Bank, in turn, will provide information to the Treasury, the SEC, and the Board of Governors. The view of the Board of Governors is that rigorous monitoring of the behavior of market rates will expose manipulative behavior without the need to gather the positions of large traders routinely.

Indeed, automation and enhanced market monitoring also present the opportunity to correct a longstanding market misimpression. Although the Federal Reserve Bank of New York has no statutory authority to regulate the primary dealers, many people view the primary dealer system as evidence of some measure of oversight of those firms by the Federal Reserve Bank of New York. Ongoing automation and enhanced monitoring capabilities will let the Bank move to a more open set of trading relationships, thus disabusing market participants of the notion that the primary dealers have a special status. To further that end, the Bank will eliminate its dealer surveillance unit, showing unambiguously that responsibility rests with the primary regulator. The Bank will also lower the impediments to primary-dealer membership, thereby encouraging a broadening of membership in the primary-dealer system.

The careful monitoring of the market will be made more credible by action: Persistent and large-scale price anomalies consistent with a manipulative squeeze will call forth two sets of policy responses. First, if other evidence (including discussions with market participants) suggests manipulation, then the SEC will begin an investigation to determine if any security laws have been broken. Second, and more immediately, the Treasury will act in the market to narrow those price anomalies, thereby limiting the extent of the market disruption in general and reducing the potential gain if manipulative behavior was the root cause. The Treasury's actions will be effected by either holding a new auction of the sought-after security—a reopening—or through the sale of those securities into the market by the Trading Desk of the Federal Reserve Bank of New York on behalf of the Treasury—a tap issuance. The resulting expansion of supply should slash the manipulator's potential gain, making it unlikely that any one would even try to manipulate the market. Circumstance and experience over time will dictate when an increase in supply will be required and which means of augmenting the issue will be taken.

It is the judgment of the Board of Governors that the reforms that I have outlined—changes in auction mechanisms, active and rigorous monitoring of market rates, and the clear willingness to use relative supplies to punish manipulative behavior—will work to prevent a replay of last year's events. These reforms are fundamental changes in market mechanisms that promise to open this market to broad-based participation while, at the same time, enhancing regulatory surveillance and remedial capabilities. These responses are measured, targeted, and commensurate to the problem at hand and in our view obviate the need to punish many with reporting burdens because of the actions of a few. This strategy also offers flexibility to deal with future problems as they arise. It is perhaps ironic that the most serious abuses in the history of this market—the Salomon Brothers episode—have served as the catalyst for changes that promise substantial long-term benefits. Taken together, these proposals and those already implemented constitute a thorough, thoughtful, and feasible renovation of the government securities market and will result in a healthier, more efficient market for U.S. government securities. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, February 4, 1992

I am pleased to appear here today. As you know, the Federal Reserve will submit its semiannual report on monetary policy to the Congress later this month. That report will cover in detail the

System's policy targets for 1992, as well as our expectations for growth and inflation. Today, I would like to focus on some of the broad considerations bearing on our economic prospects.

The recent performance of the economy clearly has been disappointing, and it is apparent that some strong forces have been working against a typical cyclical revival in economic activity. Indeed, in many respects, these underlying forces, which were obscured for a time by the gyrations associated with the crisis in the Persian Gulf, have been impeding growth since well before the economy tilted into recession in the fall of 1990.

During the 1980s, large stocks of physical assets were amassed in several sectors, largely financed by huge increases in indebtedness. The buildup of debt was originally largely collateralized or matched by rising asset values, but because of the weakening of property values, the debts have become more troubling. The endeavor to redress these debt imbalances has led many businesses and households to divert cash flows to debt repayment rather than investment and consumption, thereby depressing aggregate economic demand.

In the business sector, the most obvious example is that of commercial real estate, with the accumulation of vast amounts of office and other commercial space—space beyond the plausible needs in most locales well into the future. Our financial intermediaries, not just depository institutions but other lenders as well, lavished credit upon developers, and they are paying the price today in the form of loan losses and impaired capital positions, with adverse effects on their willingness to extend credit. This process has also damaged the asset positions, creditworthiness, and possibly the willingness to borrow of many developers, entrepreneurs, and other businesses. Another characteristic of the 1980s was the wave of mergers and buyouts—purchases of corporate assets, often involving the substitution of debt for equity and anticipating the sale of assets at higher prices.

In the household sector, purchases of motor vehicles and other consumer durables ran for several years at remarkably high levels and were often paid for with installment or other debt that carried longer maturities than had been normal. In some parts of the United States, the household spending boom reached to the purchase of homes, not simply for essential shelter, but as speculative investments—and often involving borrowing that constituted a heavy call on current and expected family incomes.

Most analysts, of course, were aware of the increasingly disturbing trends of rising household debt and elevated corporate leverage. However, they did not think that these burdens had reached a magnitude that would restrain the U.S. economy from a moderate cyclical recovery in 1991. Indeed, output began to move up last spring and, as inventory liquidation abated at midyear, closed the gap with the consumption of goods and services in much the same manner evident in the early stages of recoveries in other recent business cycles.

By late summer, however, with half the decline in output during the recession recovered, it became clear that the cumulative upward momentum that had characterized previous recoveries was spent. The continued strong propensity of households to pare debt and businesses to reduce leverage was a signal that the balance sheet restraints, a concern of many for a long time, had indeed taken hold.

Consumer spending on motor vehicles and other items softened, while household and business sentiment, which had rebounded in a normal fashion as the cyclical recovery began last spring, fell back in the autumn as the recovery stalled. Inventories backed up in the wholesale and retail trade sectors, particularly of goods ordered earlier from abroad in anticipation of climbing sales. The inventory bulge, in turn, contributed to the drop in imports of late and to the persistent slackness in industrial production in the United States. Moreover, although export activity has remained a bright spot for us, recessions and slower-than-expected economic growth in several major industrial countries over the second half of 1991 limited the growth of demand from abroad for our goods. All told, U.S. industrial output changed little between July and December.

Against a backdrop of sluggish activity, receding inflationary pressures, and weakness in the monetary aggregates, the Federal Reserve eased monetary policy over the last several months of

1991—at times aggressively. As we indicated in our press release accompanying the cut in the discount rate to 3½ percent in December, we expect that the amount of monetary ease in the pipeline is adequate to turn the economy onto the path of sustained recovery.[1] But, assessing the economic outlook at the present time is extraordinarily difficult. We are, of course, continuing to evaluate whether some additional insurance in the way of further monetary ease would be appropriate.

Not unexpectedly, lower interest rates are reducing debt service burdens and are encouraging companies and households to hasten the repair of stretched balance sheets. Offerings of new corporate equity shares in our capital markets have risen to record levels, and large bond issues are funding short-term liabilities and higher-cost long-term debt. Households are not only repaying debt but are initiating heavy mortgage refinancings that are reducing their debt service burdens as well.

We thus have already made considerable progress in the balance sheet adjustment process, and this unusual restraint on economic activity should begin to dissipate, it is hoped, in the reasonably near future. But resumption of a sustainable, healthy recovery also depends, among other things, on a restoration of consumer and business confidence.

On the surface, the extraordinary apprehension on the part of consumers and businesses does not seem to square with the broad macroeconomic circumstances. To be sure, our recent economic performance is disappointing when measured against the norms of previous recoveries—or even against the forecasts made last summer. And such gains as have occurred since last spring have not reached all sectors of the economy or all regions of the nation. But, it does not appear that we are tumbling into another significant contraction in overall activity.

This situation suggests that the highly aggregated macroeconomic data may not be capturing the full story. For example, although consumers as a group are clearly benefiting from the recent developments in financial markets, some individuals—many of them retirees—are suffering because their interest income has shrunk. And on the employment front, the unexpectedly sharp slowing in labor force growth over the past few years suggests that individuals' assessments of job availability may be much more negative than is implied by many of the traditional labor market indicators. In addition, the string of job cuts announced by many large corporations undoubtedly has heightened concern about job security—both now and in the future.

More fundamentally, I suspect that what troubles consumers, and indeed everyone, is that the current pause in activity may be underscoring a sense of retardation in the growth of living standards over the long run. So long as the recovery remained convincingly on track, these latent concerns did not surface. But as the recovery failed to meet expectations, earlier worries about our long-run economic prospects and whether the current generation will live as well as previous ones reemerged.

The record of the past decade provides ample reason for concern. Although we saw some improvement in productivity trends—at least relative to the experience of the late 1970s—our performance left much to be desired, a fact reflected in our loss of international competitiveness in several industries and in the disappointing real incomes of too many American families. Especially disturbing was the failure of many young persons to acquire the education and skills needed to keep pace with the demands of our rapidly changing economy—and the prospect that they will fall even further behind in the 1990s.

The attainment of rising living standards in the future will hinge crucially on our ability to elevate productivity growth. To be sure, economists have not had great success in forecasting, or even explaining after the fact, the shifts in productivity in years past. It is thus conceivable that the payoff from the restructuring efforts of American business will turn out to be considerably larger than we now expect. But we cannot count on such an outcome. The surest way to ensure a better productivity trend is to take actions that will increase domestic investment; it is here that our major policy focus must rest.

1. See *Federal Reserve Bulletin*, vol. 78 (February 1992), p. 125.

I, and others, have long argued before this committee that bolstering the supply of saving available to support productive private investment must be a priority for fiscal policy. In that regard, reducing the call of the federal government on the nation's pool of saving is essential. Above all, I urge you to adhere to a budgetary strategy for fiscal year 1993 and beyond that is geared to the longer-run needs of the U.S. economy. At a minimum, maintaining a commitment to the elimination of the structural budget deficit over the coming years will help enormously to alleviate the concerns of the American people about our economic future. □

Statement by David W. Mullins, Jr., Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking Finance and Urban Affairs, U.S. House of Representatives, February 6, 1992

Thank you for this opportunity to present the Federal Reserve Board's views on reforms to the regulation of the government securities market. Just two weeks ago, staff of the Federal Reserve, the Treasury Department, and the Securities and Exchange Commission (SEC) released results of their exhaustive examination of this market. My prepared remarks will touch upon some of the main conclusions of this report from the particular perspective of the Board of Governors of the Federal Reserve System. Our perspective differs somewhat from the perspectives of the other agencies contributing to the report because of differences in legislative mandates. The Board of Governors has little direct regulatory authority for the U.S. government securities market.

Although the Board has general oversight responsibility for all Federal Reserve District Banks, it is the District Banks that act as fiscal agents of the Treasury, thus sharing operating responsibility for the market with the Treasury. In addition, it is the District Banks that routinely examine the financial institutions for which the Federal Reserve System has primary oversight responsibility, virtually all of which hold, and some of which actively trade, government securities. The SEC's charge is to enforce the securities laws that seek to foster a high degree of fairness in the marketplace. With neither the direct responsibilities of funding the government nor substantial regulatory oversight, the Board of Governors can view this market from a somewhat different vantage point—a policy perspective that allows it to examine these issues in an economywide context.

When we look to the government securities market, we see a market that works as well as any on earth. U.S. government debt is an ideal trading vehicle because it is all closely substitutable and has none of the default risk or idiosyncratic problems of private issues. As a result, market participants, in the aggregate, willingly commit substantial amounts of risk capital and exchange a large volume of securities each day. Positions are large, yet trading skills are so sharply refined that bid–ask spreads are razor thin, a small fraction of the size of spreads in major equity markets.

The government securities market generates widespread macroeconomic benefits. It efficiently absorbs the large quantity of new issues required to finance the deficit. With real-time quotes on a range of instruments, this market serves as the foundation for private market rates and a haven for ready liquidity. Further, this deep and liquid market gives the Federal Reserve a powerful, reliable mechanism for implementing monetary policy.

Nonetheless, the admission of wrongdoing by Salomon Brothers, episodes of price distortions, and other evidence uncovered in our joint study all suggest that this market has faults. It can be improved. The proposals contained in the joint report, along with other reforms announced earlier, constitute a careful, comprehensive modernization of the mechanisms and practices in the government securities market. In our view, implementing these proposals represents a formidable, though feasible, task.

Over the longer term, the most effective force in enhancing market efficiency and reducing the potential for manipulative abuses is the force of competition. And the effect of these proposals is to open up the government securities market to broad-based participation. Automating Treasury auctions; facilitating direct bidding by customers, including nonprimary dealers; implementing a single-price, open auction technique; and reducing the barriers to primary dealer membership—all will serve, in time, to broaden participation in the primary market and in the secondary market for newly issued securities. More depth and breadth in this end of the market should increase efficiency, reduce Treasury financing costs, and lessen the potential for manipulative trading abuses. In addition, the competitive force of broader participation will be reinforced by proposals targeted at manipulative abuse: tighter enforcement of auction rules and enhanced market surveillance by the Federal Reserve Bank of New York to identify potential manipulative episodes that could trigger SEC investigation and Treasury supply management to reopen offerings.

Taken together, these actions should serve to deter manipulative practices and quickly detect abuses should they occur. Moreover, they are relatively low-cost, market-based responses that should achieve these benefits without impairing the efficiency and liquidity of this vital market.

Of course, many other alternatives could be considered to combat the potential for abuses in this market. However, the government securities market is too important a national resource and works too well to be put at risk by regulatory change for the sake of change. From the Board of Governors' perspective, a compelling case must be established that the benefits outweigh the costs.

In our view, such a compelling cost–benefit analysis has not been made with respect to proposals to establish a broad-based apparatus of reporting requirements in this market, either directly or through audit trails or transparency requirements. Although increased reporting would deter manipulation and facilitate the investigation of abuses, such systems would impose substantial potential costs on this market. The reporting burden would fall on all traders—the good and the bad—boosting the cost of every trade. Although the direct costs of additional recordkeeping might be kept manageable, an indirect cost looms larger. Rather than risk divulging their finances and trading strategies, participants might withdraw from this market, thereby raising the cost of Treasury finance. And, of course, the stakes are high. A tiny increase in Treasury rates aggregates into a very substantial increase in cost to U.S. taxpayers.

Because it might be difficult to resist implementing, even backup authority risks sending a chilling message about the U.S. market to all participants choosing a trading arena in the global marketplace. Moreover, in view of the extensive nature of the other changes proposed in this report, one might question the capacity of this market to absorb, at an acceptable cost, this additional change—the imposition of broad-based reporting requirements for this market. The agencies agree that large position reporting requirements should not be implemented at this time. Rather than risk slipping into this fundamental change through backup authority, the Board of Governors feels it would be a wiser course of action to return to the Congress for enabling legislation in the future should such authority appear necessary.

This committee's important mandate is to ensure that a legislative framework that provides for the adequate supervision of the government securities activities of banks is in place. In the Board's opinion, the current supervisory structure secures a full measure of prudential oversight of the activities of commercial banks and bank-related dealers in government securities. The Federal Reserve System's share of responsibility for that supervision and oversight has three components.

First, under the Government Securities Act of 1986 (GSA), government securities brokers and dealers that are financial institutions are subject to oversight by their primary federal supervisory agency. In this capacity, the Federal Reserve's watch extends to state member banks of the Federal Reserve System, foreign banks, state branches and agencies of foreign banks, and commercial lending companies owned or controlled by foreign banks. As a part of their annual examinations, Federal Reserve examiners review dealer compliance with all aspects of GSA-mandated rules adopted by the Treasury Department. Specifically included are rules designed for protection of investor securities and funds, recordkeeping, registration of associated persons, and rules governing custodial holdings of government securities—the latter of which are applicable to all depository institutions.

Second, the Federal Reserve examines the trading and investment practices of nonbank subsidiaries of bank holding companies that deal in or underwrite securities—including government securities—to ensure that they are being prudently managed and do not pose an undue risk to bank affiliates. These subsidiaries are registered with the SEC and are examined by a self-regulatory organization (SRO), such as the National Association of Securities Dealers, for compliance with all rules applicable to broker-dealers. Federal Reserve inspection procedures are designed to prevent, to the extent possible, duplication of the procedures of the various SROs. For the so-called "section 20 subsidiaries," which have been authorized to underwrite and deal in bank-ineligible securities, the Federal Reserve also examines for compliance with its "firewall" provisions, which importantly insulate affiliated depositories and the federal safety net from the risks inherent in the securities business. Moreover, section 20 inspections check compliance with the Board's revenue test, verifying that section 20 subsidiaries do not become principally engaged in the distribution of securities in violation of the Glass–Steagall Act. Moreover, all inspections of nonbank subsidiaries include an evaluation of their financial impact, if any, on the parent bank holding company.

Third, the Federal Reserve supervises state member banks' investment activities, which in virtually all instances include investments in government securities. Despite the diminished concerns about credit quality afforded by a portfolio of government securities, examiners still must scrutinize those holdings. For example, a portfolio's liquidity and interest rate risk must be evaluated to determine whether the investments are consistent with the institution's financial position and management's expertise. Indeed, only last month the Federal Reserve and other depository institution regulatory agencies issued a revised supervisory policy statement that describes securities trading practices that are inappropriate to be conducted in an investment portfolio.

Returning to the broader issue of the health of the government securities market, it is the Board of Governors' judgment that the reforms outlined in the interagency report—changes in auction mechanisms, active and rigorous monitoring of market rates, and the clear willingness to use relative supplies to punish manipulative behavior—will work to prevent a replay of last year's events. These reforms are fundamental changes in market mechanisms that promise to open up this market to broad-based participation while, at the same time, enhancing regulatory surveillance and remedial capabilities. These responses are measured, targeted, and commensurate to the problem at hand and, in our view, obviate the need to punish many with reporting burdens because of the actions of a few. This strategy also offers flexibility to deal with future problems as they arise. It is perhaps ironic that the most serious abuses in the history of this market—the Salomon Brothers episode—have served as the catalyst for changes that promise substantial long-term benefits. Taken together, these proposals and those already implemented constitute a thorough, thoughtful, and feasible renovation of the government securities market and will result in a healthier, more efficient market for U.S. government securities. □

Statement by E. Gerald Corrigan, President, Federal Reserve Bank of New York, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, February 6, 1992

I am pleased to have this opportunity to appear before you this morning to share with you my observations on the Joint Report on the Government Securities Market, with particular emphasis on those aspects of the report that relate directly to the activities or responsibilities of the Federal Reserve Bank of New York.

Let me say at the outset that I strongly support the overall thrust of the joint report. Taken as a whole, the changes and legislative recommendations outlined in the report represent a comprehensive yet well-balanced approach to the problems that surfaced in the government securities market last year. Let me quickly add that the changes are at or near the outer threshold of what I believe the market can reasonably absorb in the near term without running undue risks to market efficiency, Treasury debt management practices, or the flexibility of Federal Reserve open market operations.

With those general observations in mind, let me turn to the specific aspects of the report that relate directly to the responsibilities of the Federal Reserve Bank of New York. There are three such major areas: first, the changes in the Bank's administration of relationships with primary dealers; second, the Bank's role in the development, testing, and implementation of new automated systems for Treasury auctions and Federal Reserve open market operations; and third, the Bank's expanded role with regard to day-to-day surveillance of the government securities market. The statement concludes with a brief status report from the Federal Reserve's standpoint on the Salomon Brothers situation, as requested by the committee.

Administration of Relationships with Primary Dealers

Attached to this statement is a paper issued late last month by the Federal Reserve Bank of New York outlining revised procedures for the administration of the Bank's relationships with primary dealers.[1] Although that document itself represents a careful balancing of many considerations and viewpoints, it is based on the following key and interrelated considerations:

First, although change was needed, the complete dismantling of the primary-dealer system—including the responsibility of dealers to make markets for Federal Reserve open market operations and to participate meaningfully in Treasury auctions—would not have been a prudent step.

Second, it was important to provide for a more "open" system of primary dealers, in part because the existing approach has been viewed as conferring on dealer firms special status that carries with it elements of "franchise" value, and in part because of fairness and equity considerations. This provision has been accomplished by the elimination of the so-called 1 percent market share requirement and the use of straightforward and objective capital standards for eligibility as a primary dealer. Taken together, these changes will substantially increase the potential number of firms that can become primary dealers.

Third, it was important that the Federal Reserve Bank of New York make absolutely clear to the marketplace that the Bank does *not* regulate the primary-dealer firms, in part because of "moral hazard" considerations and in part because of legal and regulatory realities. For this reason we are disbanding the Bank's *dealer* surveillance unit.

Fourth, for obvious reasons, it was necessary to clarify the reasons and the conditions under which the Federal Reserve Bank of New York would alter its relationship with a primary-dealer firm. Under the new administrative procedures, the three independent sets of circumstances under which that might occur, are the following:

- A dealer firm's status will be altered if the firm fails to meet its responsibilities to make reasonable markets for Federal Reserve open market operations *or* if it fails to participate meaningfully in Treasury auctions *or* if it fails to meet its responsibilities to provide the Federal Reserve with meaningful market intelligence over time. To the extent that a firm's dealer status is altered for any or all of the above reasons, that action by the Federal Reserve will reflect considerations relating to the business relationship alone and will carry no implication about the creditworthiness, financial strength, or managerial competence of the firm.
- A dealer firm's status will be altered if its capital falls below the relevant capital standards and it does not, in the eyes of its primary federal regulator, have a credible plan to restore such capital in a reasonable period of time.

1. The attachment to this statement is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

• A dealer firm's status will be altered if the *firm* is convicted of a felony under U.S. law or pleads guilty or *nolo contendere* to a felony under U.S. law for activities directly or indirectly related to its business relationship with the Federal Reserve. This provision should create powerful incentives for a firm—when faced with wrongdoing by individual employees—to take immediate and strong actions to root out the source of the problem to minimize the risk to that firm.

Although major elements of the changes in the administration of the relationships with primary dealers will begin to take place immediately, the full benefits of these changes will occur only as the automation of Treasury auctions and Federal Reserve open market operations take place and as the other changes contemplated by the Joint Report take hold. Over time, however, the automation efforts may prove particularly important. These initiatives are described below.

Automation Efforts of the Federal Reserve Bank of New York

The design work for the automation of the competitive bidding portion of Treasury auctions based on existing auction techniques has been under way for some time and should be completed late this year. The software for the automation of the auctions is not particularly difficult to develop. The difficult aspects of this task relate more to its communications system—particularly as the number and nature of prospective direct participants in the auctions change. But what makes this automation effort especially difficult is the need to build into the computer systems and the communications systems a very high level of operation integrity as well as multiple levels of backup for various contingencies.

If the Treasury were to decide to move to a different auction technique, the strategy would be to enhance the system now being developed to accommodate both types of auctions. Although important elements of the work being done for the current auction procedures can be used with a new auction technique, the enhancement of the system being developed to accommodate the new procedures will take some time after the requirements have been defined. This enhancement will not, however, delay the planned implementation of automated procedures for the current auction by the end of this year.

The committee might gain a more useful insight into exactly how the automated Treasury auction system will work in practice if the major characteristics of the system are thought of, at the risk of a great oversimplification, in the following terms:

First, each institution that is "eligible" to submit competitive bids in Treasury auctions would have a terminal-based telecommunications link to the Federal Reserve Bank of New York, either directly or through another Federal Reserve Bank. The basic "hardware" used for this purpose will be the FedLine terminal that is currently used in more than 9,000 depository institutions nationwide. The communications network will be the proven and highly reliable Fedwire telecommunications system. Finally, the new auction system will utilize the same security and encryption devices that are currently used for Fedwire operations.

Second, for each such "eligible" bidder, certain data—including any affiliations with other "eligible" bidders—would have to be housed in our database, as would acceptable methods for making payment for securities and for receiving delivery of securities awarded in the auctions. Because payment and delivery must be made in electronic form, nonbanks would have to have suitable "auto-charge" agreements in place with banks for this purpose.

Third, after electronic announcements of notices of auctions, bidders would be able to submit bids electronically until the auction cutoff time, which currently is 1:00 p.m. Eastern time. To provide adequate backup for contingencies, however, the system must be designed so that all bids can be routed to *both* the Federal Reserve Bank of New York's main data processing center in lower Manhattan and its remote backup processing center.

Fourth, the computers would then sort through the bids on the basis of the highest prices (lowest yields) received, in much the same fashion as in today's manual procedures. As a part of this process, several internal audit and control procedures are planned to ensure compliance with

Treasury auction rules and to "flag" outlier bids, including those resulting from clerical errors in message preparation.

Fifth, once the proper audits have been performed, the information has been sent to the Treasury, and the "awards" have been made, the payment for and delivery of the securities must be initiated and completed. This process will be carried out through the Federal Reserve's money and securities transfer systems (Fedwire).

Finally, and in the normal course, after the initial delivery and payment for the securities in question is completed, end-of-day verifications and reconcilements must be made as a part of the overall controls on operating systems that often handle more than $1 trillion of transaction per day.

The full automation of Federal Reserve open market operations is even a more complex and time-consuming task, especially because it is impossible to prejudge with any precision the number, location, and other characteristics of potential counterparties for such operations. Moreover, the operating systems and communications systems associated with this effort must be integrated with several other highly complex automated systems, including the Federal Reserve's existing money and securities transfer systems. Because of this complexity, an extraordinarily high level of reliability and integrity will be needed. To illustrate the concerns I have in mind, just imagine for a moment what might have occurred on the morning of October 20, 1987, if the Federal Reserve had been unable—because of technical problems with such a system—to furnish substantial liquidity through open market operations as a part of the effort to stabilize financial markets in the wake of the stock market crash.

The Role of the Federal Reserve Bank of New York in the Market Surveillance Process

Little needs to be added to what is contained in the joint report as it pertains to the expanded role of the Federal Reserve Bank of New York—in cooperation with the other agencies—with regard to day-to-day surveillance of the government securities market except to emphasize that (1) *market* surveillance is quite distinct from *dealer* surveillance, which we are discontinuing and (2) it will take some time to put in place the new or altered statistical reporting arrangements that might be agreed upon by the interagency surveillance working group over the period immediately ahead.

As a first step, the Federal Reserve Bank of New York expects to have the initial redeployment of key personnel necessary for this effort in place later this month. Final decisions about the number and mix of personnel needed for this effort will have to await agreement among the agencies about the precise scope and nature of the statistical reporting and other aspects of the market surveillance effort, which should be essentially completed in a month or two.

The Salomon Brothers Situation

Because the official investigation into the Salomon Brothers wrongdoings is still under way, very little can be said at this time regarding the particulars of that situation. The firm, in response to inquiries by the Federal Reserve Bank of New York, has provided the Bank with several reports over the period of September through December 1991. In general, these reports cover (1) the sweeping changes in management and management structure that were put in place after the disclosures made by the firm last August, (2) the major changes in internal control procedures and compliance systems that have been put in place over the period in question, (3) various estimates of the profits associated with the auctions in which irregularities have been acknowledged by the firm, and (4) further details regarding the firm's financing activities in certain of the Treasury issues. All relevant materials have been made available to the Securities and Exchange Commission (SEC) and the U.S. Attorney.

It is contemplated that any decision by the Federal Reserve Bank of New York regarding the status of Salomon Brothers as a primary dealer will be made in the context of the findings reached by the SEC as a result of its ongoing investigation of the matter. This approach, which has the support of the other agencies, is being followed in deference to fairness and due process considerations and to minimize uncertainties that might follow from multiple and uncoordinated announcements of this nature. The timing of the Salomon Brothers episode is such that certain sanctions by the Federal Reserve Bank of New York might apply even if the firm is not convicted of, or if it pleads guilty or *nolo contendere* to, a felony under U.S. law. □

Statement by Edward C. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System, before the Subcommittee on Treasury, Postal Service, and General Government of the Committee on Appropriations, U.S. Senate, February 24, 1992

I am pleased to have this opportunity to appear before this subcommittee on behalf of the Federal Reserve Board and to discuss issues related to bank mergers in the United States. However, I am not in a position to discuss issues or to answer questions directly related to the proposed BankAmerica–Security Pacific merger—which I understand is the subject of these hearings—because that merger is under consideration by the staff, preparatory to presentation to the Board of Governors.

As you know, the U.S. banking system is in the midst of a major restructuring in response to a variety of forces in the marketplace and the continuing removal of legal barriers to entry by the individual states. A substantial volume of bank mergers has been a natural response to the changing banking environment. The Board is very aware of this evolution but is equally aware of its statutory responsibility to manage events so as to preserve competition and ensure a safe and sound banking system for the benefit of consumers, businesses, and taxpayers.

My testimony will discuss recent structural changes in the banking system, the Federal Reserve's continuing efforts to ensure that competition is maintained, and some of the potential benefits that may be expected from the restructuring of the banking industry that is currently under way. In my brief remarks today, I will not address specifically two other areas of Board concern—bank safety and soundness and Community Reinvestment Act issues. Both of these areas were covered, however, in Governor LaWare's testimony of last fall, which I understand you already have.

Recent Structural Changes in Banking

The restructuring of the banking industry accelerated in the past decade. There were 188 mergers of healthy banks involving about $9 billion in acquired assets in 1980, 710 such mergers involving $131 billion in acquired assets in 1987, and an estimated 550 mergers of healthy banks with $60 billion in acquired assets in 1989.

Such an increase in merger activity did not come about spontaneously. It was instead a natural response to the removal of many long-standing legal restrictions on entry that had, until recently, balkanized the banking industry, not only between states but within states as well. As recently as 1985, only eighteen states allowed statewide branching, but by early 1992 only four states prohibited statewide banking. In 1985, only nine states permitted interstate banking, but by early 1992, only two states prohibited banking operations by out-of-state banks.

As the banking industry has responded to the changing environment, mergers have not been the only source of structural change. Indeed, the banking industry has been characterized by a great deal of entry and exit that is indicative of a very healthy, active competitive environment. For example, while there were approximately 5,000 acquisitions of healthy banks during the 1980s, about 2,700 new banks were formed, 16,000 new bank branches were opened, 6,600 branches were closed, and about 1,100 banks failed.

After a decade of remarkable changes in the banking industry, and with a major restructuring of the industry under way, almost no change has occurred in the concentration in local banking markets, the battlefield on which competition is measured and analyzed. The fact that concentration in both urban and rural banking markets has remained largely unchanged during the past decade is an indication of the continuing intensely competitive structure of the banking industry. This structure reflects, in part, the efforts of the regulators to ensure a competitive banking environment. That concentration has not increased, especially in urban markets, is even more notable because in many of these markets banking concentration could increase considerably without raising any questions about competition under the antitrust laws or the merger guidelines of the Justice Department.

THE FEDERAL RESERVE'S EFFORTS TO ENSURE COMPETITION

In view of the apparent success of the regulators in ensuring a competitive banking environment, I would like to discuss briefly what the Federal Reserve does to carry out its responsibilities for evaluating the competitive effects of mergers.

Each and every bank merger or acquisition subject to the Board's jurisdiction—that is, those mergers involving member banks and all acquisitions by, and mergers of, bank holding companies—are reviewed for the possibility of anticompetitive effects. The review process begins at one of the twelve Federal Reserve Banks. At this stage, the appropriate geographic market for analyzing the merger is determined. This determination may involve the collection of data on commuting, shopping patterns, banking relationships, and so forth. If such data prove to be insufficient, telephone surveys may be conducted and, if necessary, on-site visits made by Federal Reserve staff to conduct interviews.

Once the appropriate geographic area that encompasses the local banking market is determined, an initial screening analysis is conducted. This analysis essentially involves calculating basic pre-merger and post-merger measures of market structure (market shares and the Herfindahl index) to determine whether the proposed merger would be acceptable under the merger guidelines of the Justice Department. If these guidelines are not breached, the application is approved at the Reserve Bank and the process goes no further. However, structural measures that exceed the merger guidelines are taken as an indication that the merger may have anticompetitive effects, and Board review is required. The reason I say that a merger that exceeds the merger guidelines *may* have anticompetitive effects is that, although market structure is important, it is only one factor that may influence competition in banking.

For cases submitted to Board review, other factors are analyzed that would not need to be examined if the basic commercial bank concentration ratios imply competitive structures. These factors include the following: (1) the importance of nonbank thrift institutions as commercial bank rivals, especially with respect to their newer lending and checking powers; (2) the importance of potential competition, both in terms of the likelihood of new entry into the market and the current competitive effect from the threat of entry; (3) the importance of other depository and nonbank financial institutions, such as credit unions and finance companies, in the market; (4) the financial health of the target firm; (5) the economic health of the market (to determine whether exit from a declining market is necessary marketplace adjustment); and (6) the competitive importance of the target bank if the target has proved to be an unusually weak competitor.

This brief overview of procedures for the competitive analysis of merger proposals at the Federal Reserve suggests the seriousness with which the Federal Reserve takes its responsibility for ensuring competition in banking.

The Federal Reserve's bank merger policy and past actions discourage the filing of merger applications that would clearly be anticompetitive. The self-screening of such cases means that the vast majority of merger proposals submitted to the Board do not raise any competitive issues. Furthermore, in some of the relatively few cases in which a merger application does raise competitive problems, the Federal Reserve will accept a divestiture of the merged bank's offices in local markets when competition may otherwise be harmed. Such divestitures eliminate the anticompetitive aspects of the merger while allowing the basic merger to proceed. Thus, the Board accepted divestiture proposals in thirty-five merger cases from 1982 to 1991. The rationale for such a policy is to ensure that competition is maintained in local markets while government interference with the marketplace in our private-property-based system is minimized. That is, if there are no competitive or other public policy problems arising from a merger, no reason exists to impede decisions in the marketplace, whether or not clear public benefits are evident. This issue of public benefits brings me to the last point I would like to discuss—the potential for public benefits from bank mergers.

Potential Public Benefits

Possible public benefits from a merger are considered under the "convenience and needs" test and may be used to override some of the anticompetitive elements that may exist in a given merger application. If, for example, a target bank is expected to fail, the benefit to the community of uninterrupted banking servicesvices, the continued operation of convenient offices, and possibly the maintenance of some employment may provide the basis for approving the merger in spite of some anticompetitive effects.

During the past few years, poor operating performance and the increasingly competitive environment have caused many banks, as well as other firms, to focus a great deal of attention on increasing their efficiency. Banks, like other firms, must be efficient to be profitable; equally important, they must be profitable to be healthy.

Researchers, bankers, and bank consultants all agree that some banks are much more efficient than others and that opportunities exist to increase the overall efficiency of the industry. Many bankers believe that mergers provide an important vehicle for achieving significant efficiency gains, particularly from merging large, sophisticated back-office and computer operations and from closing redundant offices. Or mergers may provide the environment necessary to justify the tough cost-cutting measures that are required.

The historical evidence indicates that there have been few efficiency gains from past mergers, but these studies have been based on mergers from an era in which banks were almost surely less cost conscious. Today, bankers, like other business managers, know that if they are to remain competitive they must carefully manage their costs. Thus, the future may hold a potential for more cost savings than research has demonstrated to date. Moreover, the possibility of efficiency gains may be greater in some cases than in others. Thus, the Board carefully considers the potential for these gains on a case-by-case basis. In the last analysis, however, regardless of any anticipated efficiency gains, the Board is sensitive to its statutory responsibility to maintain competitive banking markets.

Let me conclude by emphasizing that the Board is aware of, and is monitoring, the changes that are taking place in the financial system. It continues to devote substantial efforts to the analysis of the competitive effects of all proposed mergers and acquisitions. Although we at the Board have not yet seen systematic evidence of efficiency gains from mergers, the potential for substantial cost savings clearly exists. Thus, we continue to research this topic because of the possibility of important public benefits in this area, not the least of which is that a safe and sound banking system is also a profitable one. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, February 25, 1992

I am pleased to present the Federal Reserve's Monetary Policy Report to the Congress.[1] The policy decisions discussed in the report were made against the backdrop of a troubled economy. The recovery that seemed to be in train at the time of our last report to the Congress

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 78 (April 1992), pp. 223–41.

stalled, job losses have mounted, and confidence remains low.

Looking forward, however, there are reasons to believe that business activity will pick up. Indeed, anecdotal reports and early data seem to be indicating that spending is starting to firm in some sectors. These signs should not be exaggerated; the prospective incipient recovery could peter out, as indeed the much more vigorous recovery of last spring petered out. Nonetheless distinct financial indications of improvement are apparent at this time. Several measures suggest that the balance sheets of many households and businesses have been strengthened, a development that should facilitate spending in the recovery. Similarly, banks and other lenders have taken steps to bolster their capital positions so that they will be able to supply the credit to support additional spending. And, most recently, broad measures of money have strengthened. Moreover, there are clear signals that core inflation rates are falling, implying the prospect that within the foreseeable future we will have attained the lowest rates of inflation in a generation, an encouraging indicator of future gains in standards of living for the American people. Still, the outlook remains particularly uncertain. This means that we at the Federal Reserve have to be particularly sensitive to signs that the anticipated strengthening in business activity is not emerging and be prepared to act should the need arise.

As background, I would like to discuss our recent economic performance, reviewing in some detail the causes of the disappointments we have experienced and the important balance sheet adjustments in process that promise eventually to support a resumption of sustainable economic growth.

Macroeconomic Performance and Monetary Policy in 1991

After the contraction of economic activity in the autumn of 1990 that resulted from the invasion of Kuwait and the subsequent sharp rise in oil prices, economic activity continued to decline in the first quarter of 1991. In response to the weakening of activity and anemic money growth, the Federal Reserve eased policy substantially over late 1990 and into early 1991.

By the spring, many signs pointed to economic recovery. The quick and successful conclusion of the Gulf war bolstered consumer confidence. Growth of the money stock was strengthening. Homebuilding had begun to stir, consumer spending had turned up, and industrial production was advancing. The lower interest rates and the retracing of the earlier jump in oil prices appeared to be providing support for an expansion of aggregate demand. In these circumstances, the odds appeared to favor a continued moderate recovery in jobs and employment during 1991.

Over the third quarter, however, evidence began to surface that the recovery had not taken hold. The impetus to consumer sentiment and spending that was provided by the completion of the Gulf war seemed to ebb, and consumer outlays turned down again. Businesses, apparently caught by surprise by this development, saw their inventories back up in the late summer and fall. With demand slackening, businesses engaged in another round of layoffs, and private nonfarm payrolls declined over the second half of 1991 while the civilian unemployment rate rose to 7.1 percent.

In addition, growth of the monetary aggregates slowed unexpectedly during the third quarter. Expansion of M2 virtually ceased, while M3 actually contracted—a nearly unprecedented occurrence. Judging from our surveys of banks, other contacts in the financial industry, and anecdotal information from borrowers, the supply of credit for many borrowers remained quite tight, particularly for those firms without access to open market sources of funds. Moreover, private credit demands weakened further.

Against this background, and with signs that inflationary pressures were diminishing, the Federal Reserve took several steps to ease policy further in the second half of 1991. Through both open market operations and reductions in the discount rate, money market interest rates were lowered nearly 2 percentage points between August and December.

These monetary policy actions, building on those actions over the previous two and one-half years, have resulted in a large cumulative reduction of interest rates. The federal funds rate has declined nearly 6 percentage points from its cyclical peak and the discount rate 3½ percentage points. Other short-term interest rates have fallen substantially as well. The prime rate also has been reduced appreciably but by somewhat less than market rates as commercial banks have sought to bolster lending margins. In longer-term markets, bond and mortgage yields have dropped 1 to 2 percentage points on balance from their cyclical highs, with much of the decline coming in the latter half of 1991. The decreases in interest rates appear to have given stock prices a boost as well, with most major indexes rising to record levels early this year.

Despite substantial decreases in interest rates in late 1990 and throughout 1991, however, M2 growth was only about 3 percent in 1991, the same as the sluggish pace of expansion of nominal gross domestic product (GDP). M3 rose only 1¼ percent. Both aggregates ended the year only modestly above the lower bounds of their respective annual ranges. Growth of domestic nonfinancial sector debt, at 4¾ percent, also was near the lower bound of its monitoring range. Outside the federal sector, debt increased less than 3 percent for the year in reflection not only of depressed spending but also of a deleveraging in the household and business sectors and financial difficulties of many state and local governments.

The behavior of the monetary aggregates in 1991 relative to other economic variables was somewhat puzzling. Doubtless, part of the slow money growth was related to the weakness in borrowing and spending. But even after taking account of weak spending, growth of money was unusually slow. The velocity of M2 was about unchanged over the year rather than falling as would ordinarily be expected in circumstances of sharp declines in short-term market interest rates. It appears that certain interest rate relationships gave households incentives to limit their money holdings. Commercial banks, restraining their own balance sheets in response to weak loan demand and in an attempt to conserve capital, lowered deposit interest rates appreciably, especially late in the year. On the other hand, interest rates on consumer debt, particularly when adjusted for the lack of tax deductibility, remained relatively high. As a result, many households apparently used deposit balances to pay off or to avoid taking on consumer credit. Also, the steep yield curve and the attractive returns recorded by bond mutual funds, as well as impressive gains in the stock market, apparently led many households to shift funds out of deposits and into capital market instruments, which are not included in the monetary aggregates.

Finally, a brisk pace of activity by the Resolution Trust Corporation (RTC) appears to have depressed the monetary aggregates, especially M3. When the RTC takes savings and loan assets onto its own balance sheet, they are financed with Treasury securities rather than depository liabilities. In effect, the RTC has taken on some of the role of thrift institutions, but its liabilities are not included in the monetary aggregates. In addition, the disruption of banking relationships as institutions are resolved, including the abrogation of some time deposit contracts, seems to lead investors to reassess their portfolio allocation and, in some cases, to shift funds out of deposits.

Thus, several factors reduced the public's demands for monetary balances in 1991. Some of these factors tended to raise the velocity of money so that to an extent slow growth of M2 was not reflected in income flows. But the pattern of money and credit growth over the past half of the year appeared also to stem importantly from forces depressing spending and economic activity, which the Federal Reserve attempted to counter through easing money market conditions.

BALANCE SHEET ADJUSTMENTS

Understanding these forces and the appropriate role for monetary policy under the circumstances requires stepping back several years. As I have discussed with you previously, the 1980s saw outsized accumulation of certain kinds of real assets and even more rapid growth of debt and leverage. To a degree, this buildup of balance sheets was a natural and economically efficient outcome of deregulation and financial innovation. It also may have reflected a lingering inflation psychology from the 1970s—that is, people may have expected a rapid increase in the general price level and especially in the prices of specific real assets such as real estate properties that would make debt-financed purchases profitable. But in retrospect, the growth of debt and leverage was out of line with subsequent economic expansion and asset price appreciation. Indeed, the burden of debt relative to income mounted as asset values, especially for real property, declined or stagnated. In part, our current economic adjustments can be seen as arising out of a process in which debt is being realigned with a more realistic outlook for incomes and asset values.

Rapid rates of debt-financed asset accumulation were broad-based during the 1980s. For example, households purchased cars and other consumer goods at a brisk pace. Although household income was increasing swiftly in this period, the growth of expenditures was faster. Household saving rates dropped from about 8 percent at the beginning of the decade to a 4 to 5 percent range by its end. This drop was reflected in part in burgeoning consumer installment credit, which expanded at an average annual rate of 15 percent between 1983 and 1986. In addition, mortgage debt expanded at an 11 percent pace between 1983 and 1989. Most of this increase was against existing homes, representing borrowing against rising values either in the process of home turnover or as owners borrowed against higher equity. Mortgage borrowing also financed a substantial amount of buying of new homes, which in some parts of the country at times seemed to be motivated more by speculative considerations than by fundamental needs.

The 1980s also witnessed a dramatic increase in desired leverage of the business sector, which fostered a wave of mergers and buyouts. These transactions typically involved substantial retirements of equity financed through issuance of debt; equity retirements in the nonfinancial corporate sector exceeded new equity issuance by a staggering $640 billion in the 1984–90 period. Such restructurings often were based, at least in part, on a well-founded quest for increased efficiency, and gains were achieved by several firms. However, many of these deals also were predicated on overly optimistic assumptions about what the economy could deliver—that rapid economic growth could continue without setback and that asset prices would always rise.

A primary example of the accumulation of debt and real assets occurred in commercial real estate markets. In the early 1980s, when space was in unusually short supply, commercial real estate received an additional push from the Economic Recovery Tax Act, which provided an acceleration of depreciation allowances for capital goods. Although an adjustment was appropriate and overdue, that for commercial structures was excessive, resulting in tax lives that were far shorter than economic fundamentals would dictate. This shift in incentives led to a surge in debt-financed commercial construction during the 1980s.

Financial institutions, of course, participated in this process by lending heavily; indeed, their aggressive lending behavior probably contributed to the speed of debt accumulation. During the economic expansion, bank credit expanded at an average annual rate of nearly 9 percent, well in excess of the growth of nominal income. Banks lent heavily against real estate collateral, for corporate restructurings, and for consumer credit, and, in addition, for more traditional business purposes. Life insurance companies also expanded their portfolios rapidly, with growth in real estate loans especially prominent.

By the end of the 1980s, the inevitable correction was upon us. The economy was operating close to capacity, so that growth had to slow to a pace more in line with its long-run potential. Inflation did not pick up much, contrary to what some might have expected as capacity was approached. In the commercial real estate sector, soaring vacancy rates and a change in tax law in 1986 brought the boom to an end, producing sharp decreases in prices of office buildings in particular.

Together, these developments resulted in declines in the value of assets and growing problems in servicing the associated debt out of current income. Because of the runup in leverage over previous years, these problems have been more severe than might be expected just from the slowing in income and spending. And the difficulties of both borrowers and lenders have fed back on spending, exacerbating the economic downturn during the Gulf crisis and inhibiting the recovery.

Faced with mounting financial problems and uncertainty about the future, people's natural reaction is to withdraw from commitments when possible and to conserve and even build savings and capital. Both households and businesses, concerned about their economic prospects, over the past two years or so have taken several measures to reduce drains on their cash flow and to lower their exposure to further surprises. Part of this process has involved unusually conservative spending patterns, and part has involved the early stages of a restructuring of financial positions.

Businesses, for example, have strived to reduce fixed costs. To do this, they have cut back staffing levels and closed plants. They have tried to decrease production promptly to keep inventories in line. Firms also have taken steps to lower their risk exposures by restructuring their sources of funds to reduce leverage, enhance liquidity, and cut down on interest obligations.

The response of households has been analogous. To increase their net worth, households have taken steps to increase their savings by restraining expenditures. To reduce interest expenses, they have paid down consumer debt, and as long-term interest rates have declined, they have refinanced mortgages and other debt at lower interest rates.

Lenders too have drawn back. With capital impaired by actual and prospective losses on loans, especially on commercial real estate, banks and other intermediaries have not only adopted much more cautious lending standards but also have attempted to hold down asset growth and bolster capital. They have done so, in part, by aggressively reducing what they pay for funds by more than they have reduced what they charge for credit. Like other businesses, they have taken steps to pare expenses generally, including reducing work forces and looking for cost-saving consolidations with other institutions. To a considerable extent, this response has been rational and positive for the long-term health of our financial intermediaries. But in many cases it seems to have gone too far, impelled to an extent by the reaction of supervisors to the deteriorating situation.

The Federal Reserve has taken several measures to facilitate balance sheet restructuring and adequate flows of credit. Together with other supervisors, we have directed examiners to consider not only the current market value of collateral against performing loans but the overall quality of the credits. We also have met on numerous occasions with bankers as well as bank examiners to clarify bank supervisory policies and to emphasize the importance of banks continuing to lend and take reasonable risks.

Monetary policy also has, in part, been directed in recent quarters to supporting balance sheet restructuring that is laying the groundwork for renewed, sustained, economic expansion. We recently reduced reserve requirements on transactions deposits. This reduction will free up some funds for lending or investment and should over time enhance the ability of banks and their customers to build capital.

In addition, lower short-term interest rates clearly have been helpful to debtors, but their contribution to the restructuring process would be relatively muted if long-term rates had not also declined at the same time and stock prices were not buoyant. Reductions in short-term rates that were expected very soon to be reversed or that were not seen as consistent with containing inflation would contribute little to the strengthening of balance sheets fundamental to enhancing our long-term economic prospects.

In part, because we have seen declines in long- as well as short-term rates and increases in equity prices, progress has been made in balance sheet restructuring, and it is hoped that more is in train. As a result of lower interest rates, household debt service as a percentage of disposable personal income has fallen in the past year from about 19½ to about 18½ percent. Moreover, further declines are in prospect as more refinancing occurs and as interest costs on floating-rate debt, such as adjustable-rate mortgages, gradually reflect current interest rates.

In the business sector, similar patterns can be observed. With corporate bond rates close to their lowest levels in more than a decade, a large number of firms in recent months have called, retired, and replaced a considerable volume of high-cost debt. A flood of issuance of longer-term debt and equity shares has reduced dependence of firms on short-term obligations. Several of the equity deals constituted so-called reverse LBOs—the deleveraging of highly leveraged and therefore rather risky firms. The ratio of corporate debt to equity in book value terms has only begun to edge down, but the increase in equity, together with the lower level of interest rates, has enabled many corporations to make significant headway in lowering interest expenses over the past two years, and further decreases in corporate debt burdens are presumably in prospect. Restraint on inventories and other spending has contributed to this result by keeping outlays in close alignment with internally generated funds. And the strengthening of balance sheets is paying off in terms of credit evaluations. Downgrades of nonfinancial firms, though still greater than upgrades, are well below the levels of last winter and spring, and upgrades have risen slightly.

The condition of our financial institutions also is improving. In the banking sector, wider interest margins seemed to be boosting profits by the end of last year. In addition, many institutions have taken difficult but necessary measures to control noninterest expenses. Reflecting an improved earnings outlook and a generally favorable equity market, the stock prices of large banks have doubled on average from their 1990 lows, and the premium paid by many money-center banks on uninsured debentures has dropped several percentage points. Increased share prices have spurred several holding companies to sell substantial volumes of new equity shares in the market, contributing to a significant rise of capital ratios in the banking system, despite still-large provisions for loan losses. Measures of bank liquidity, such as the ratio of securities to loans in bank portfolios, have risen appreciably, signalling an improved ability of banks to lend.

The balance sheet adjustments that are in progress in the financial and nonfinancial sectors alike are without parallel in the postwar period. Partly for that reason, assessing how far the process has come and how far it has to go is extraordinarily difficult. As increasingly comfortable financial structures are built, however, the restraint arising from this source eventually should begin to diminish. In any case, the nature and speed of balance sheet restructuring are important elements that we will need to continue to monitor on a day-by-day basis in assessing whether further adjustments to the stance of monetary policy are appropriate.

Economic Expansion and Money and Credit Growth in 1992

Against this background of significant progress in balance sheet strengthening as well as lower real interest rates, the Board members and Reserve Bank Presidents expect a moderate upturn in economic activity during 1992, although in the current context the outlook remains particularly uncertain. According to the central tendency of these views, real output should grow between 1¾ and 2½ percent this year. The unemployment rate is projected to begin declining, finishing the year in the vicinity of 6¾ to 7 percent.

An especially favorable aspect of the outlook is that for inflation. The central tendency of the Board members' and Reserve Bank Presidents' forecast is that inflation, as measured by the consumer price index (CPI), will be in the neighborhood of 3 to 3½ percent over the four quarters of 1992, compared with a 3 percent rise in 1991. However, the CPI was held down last year by a retracing of the sharp runup in oil prices that had resulted from the Gulf crisis. Consequently, our outlook anticipates a significant improvement in the so-called core rate of inflation. With appropriate economic policies, the prospects are good for further declines in 1993 and beyond even as the economy expands.

To support these favorable outcomes for economic activity and inflation, the committee reaffirmed the ranges for M2, M3, and debt that it had selected on a tentative basis last July—that is, 2½ to 6½ percent for M2, 1 to 5 percent for M3, and 4½ to 8½ percent for debt, measured on a fourth-quarter-to-fourth-quarter basis. These ranges are the same as those used for 1991. The 1992 ranges were chosen against the backdrop of anomalous monetary behavior during the past two years. Since 1989, M2 has posted widening shortfalls from the levels that historical experience indicates would have been compatible with actual nominal GDP and short-term market interest rates.

The appropriate pace of M2 growth within its range during 1992 thus will depend on the intensity with which forces other than nominal GDP turn out to affect money demand. Depository institutions are likely to continue reducing their rates on retail deposits in lagged response to the steep declines in money market yields before year-end. Those deposit-rate reductions could be significant, especially if banks are not seeking retail deposits, given their continued caution in extending credit and borrowers' continued preference for longer-term sources of credit to strengthen balance sheets. With the effects of lower deposit rates contributing to further shifts of funds into longer-term mutual funds and into debt repayment, and with the RTC remaining active in resolving troubled thrift institutions, the velocity of M2 could increase this year, independently of changes in market interest rates.

The ongoing restructuring of depository institutions, as in the past two years, is likely to continue to have an even larger influence on M3 than on M2 growth. Assets previously on the books of thrift institutions that are acquired by the RTC will be financed by Treasury debt rather than by the liabilities of thrift institutions. Managed liabilities in M3 should continue to be more depressed by resolution activity than retail certificates of deposit. The reaffirmed range for M3 growth thus remains lower than that for M2.

Nonfinancial debt growth is likely to be a little faster than last year's 4¾ percent increase. The wider federal deficit in prospect for 1992 will increase Treasury borrowing. Assuming that output and incomes are again expanding, balance sheets are in somewhat better condition, and credit conditions are no longer tightening, the borrowing of households and businesses may pick up a little, although their overall posture probably will remain cautious.

Will these ranges for money and credit growth prove to be appropriate? Obviously, we believe that the answer is yes. But I should reemphasize the sizable uncertainties that prevail. The ongoing process of balance sheet restructuring may affect spending, as well as the relationship of various measures of money and credit to spending, in ways we are not anticipating. In assessing monetary growth in 1992, the Federal Reserve will have to continue to be sensitive to evolving velocity patterns.

Concluding Comments

Our focus, quite naturally and appropriately, has been on our immediate situation—the causes of the recent slowdown and the prospects for returning to solid growth this year. However, as we move forward, we cannot lose sight of the crucial importance of the longer-run performance of the economy. As I have noted before, much of the difficulty and dissatisfaction with our economy comes from a sense that it is not delivering the kind of long-term improvement in living standards we have come to expect. The contribution monetary policy can make to addressing this deficiency is to provide a financial background that fosters saving and investment and sound balance sheet structures. Removing over time the costs and uncertainties associated with ongoing inflation encourages productivity-enhancing investment. Moreover, inflation tends to promote leverage and overaccumulation of real assets as a hedge against increases in price levels; progress toward price stability provides a backdrop for borrowing and lending decisions that lead to strong balance sheets, far less apt to magnify economic disturbances.

A crucial aspect of our recent economic performance is the difficult situation of our financial sector. Clearly, some of the weakness of the economy over the past two years arose from the restraint on the supply of credit—the so-called credit crunch. Both depository institutions and other financial intermediaries made some of the same mistakes of judgment about the likely appreciation of asset prices as did borrowers. In addition, however, the balance sheets of many financial intermediaries themselves were not robust; many lacked adequate capital to continue to lend to good credit risks in the face of losses from their previous lending mistakes. Our emphasis on improving the capitalization of depository institutions over time, where we have already made substantial progress, should help bolster their ability to lend both in good times and bad. We could make further strides in strengthening our depository institutions through removal of outmoded constraints on their behavior. By loosening strictures on the ability of these firms to compete across arbitrary boundaries of product line and geography, we would improve their profitability and capital. Their strengthened position should augment their ability to lend and potentially could reduce demands on the federal safety net.

Finally, we should consider carefully the effects of the extremely low rates of national saving that we have experienced for a decade. Certainly, low personal and corporate saving rates have contributed to the deterioration in balance sheets that has impaired our economic performance in recent years. The large stocks of federal debt that have been built up, too, likely have adversely affected our economic prospects by putting upward pressure on real interest rates and thus stunting the growth of the capital stock, on which our future incomes depend. In considering the various fiscal options that are before you as members of the Congress, I urge you to keep in mind their long-term implications for national saving. Through a combination of fiscal policies directed at reducing budget deficits and boosting private saving and monetary policies aimed at noninflationary growth, we can achieve the strong economic performance that our fellow citizens rightly expect. □

Chairman Greenspan presented similar testimony before the Subcommittee on Domestic Monetary Policy of the House Committee on Banking, Finance and Urban Affairs, February 19, 1992.

Announcements

REAPPOINTMENT OF ALAN GREENSPAN AS CHAIRMAN OF THE BOARD OF GOVERNORS AND AS A MEMBER OF THE BOARD

President Bush on July 10, 1991, announced his intention to reappoint Alan Greenspan as Chairman of the Board of Governors and as a member of the Board for a full fourteen-year term. Dr. Greenspan's appointments were subsequently confirmed by the Senate on February 27, 1992, and he took the oath of office on March 3, 1992. His full term as a member of the Board began February 1, 1992, while his four-year term as Chairman began March 2.

In making the announcement at a White House press conference on July 10, 1991, President Bush stated:

> Just to top the day with a very important announcement, I want to say that it is my intention to send as soon as possible to the Senate my intention to reappoint Chairman Greenspan as Chairman of the Federal Reserve, and also nominating him to another term as a Governor of the Federal Reserve.
>
> I, of course, would encourage the Senate to move as quickly as possible on this important nomination. The respect that Alan Greenspan has around the world and in this country, particularly in the financial marketplaces, is unparalleled. And it gives me great pleasure to move forward at this time, quite a bit in advance of the expiration of the term, but nevertheless, I think, most appropriately, to ask him to serve.
>
> And, you know, it's not a one-way street. This is a very complicated job. It is a time-consuming job. It's a job of great pressure. And I'm extraordinarily grateful to Chairman Greenspan for being willing to undertake another term as Chairman of the Fed. He has done an outstanding job. Everyplace I go abroad, I get the same reports and the same vote of confidence that I get here from the central bankers abroad, from the finance ministers abroad, as well as from the heads of state and government.
>
> So this country is very fortunate to have the important affairs of the Federal Reserve Bank in Alan Greenspan's hands, and I am very grateful that he is willing to continue in this most important job.
>
> And so, Alan, my thanks to you, sir, for your service to your country, and the mike is all yours.

Chairman Greenspan made the following comment at that time:

> I thank you very much, Mr. President. It's certainly been an honor to serve as Chairman of the Federal Reserve under your presidency. And, hopefully, if the Senate sees fit to find my credentials appropriate, I look forward to another four years of what is really, for an economist, the most interesting job that there is in government.
>
> Needless to say, the last four years have been rather extraordinary, and I suspect that the next four years will have as many surprises as the last four.
>
> Again, let me thank you very much, Mr. President. It has certainly been an honor to work with you.

(On August 9, 1991, President Bush announced the recess appointment of Dr. Greenspan as Chairman, effective August 10. Dr. Greenspan's first four-year appointment as Chairman expired on August 10, 1991.)

REDUCTION IN RESERVE REQUIREMENTS ON TRANSACTION ACCOUNTS OF DEPOSITORY INSTITUTIONS

The Federal Reserve Board announced on February 18, 1992, that it will reduce reserve requirements on transaction accounts of depository institutions effective in April.

The reduction from 12 percent to 10 percent in the reserve ratio on net transaction accounts will reduce funding costs for depositories and strengthen their balance sheets. Over time, it is expected that most of these cost savings will be passed on to depositors and borrowers.

The Board noted that the reduction should strengthen the financial condition of banks and thereby improve their access to capital markets, thus putting them in a better position to extend credit.

The effective date in April is designed to provide depository institutions time to adjust their reserve management strategies by increasing use of their required clearing balances, economizing on vault cash, and generally providing more efficient management of their accounts.

This change is the first major one in the reserve ratio on net transaction accounts since the Monetary Control Act was adopted by the Congress in 1980. That law made all depositories—not just member commercial banks—subject to reserve requirements. In an action announced in December 1990, the Board reduced from 3 percent to 0 the reserve requirement on nonpersonal time deposits and Eurocurrency liabilities.

Reserve requirements are held by depositories in the form of deposits at Federal Reserve Banks and vault cash. Had the lower reserve ratio been in place in 1991, required reserves would have been about $8 billion below the nearly $50 billion level that prevailed last year. About $7¼ billion of the decline would have been in required reserve balances and less than $1 billion in applied vault cash. In light of the increase in required reserves over last year, the drop in required reserves and required reserve balances will be somewhat larger when today's action is implemented.

Today's action will be effective with the two-week reserve maintenance period beginning on April 2, 1992.

At the same time, on February 18, 1992, the Board said that it will request public comment on the following proposed changes in reserve requirement regulations:

1. A proposal to double the carryover allowance for reserve balances to the larger of $50,000 or 4 percent of required reserves plus required clearing balances. This change will provide institutions with more flexibility in managing reserves from one maintenance period to another.

2. A proposal to shorten by two weeks the lag in counting vault cash toward required reserves to reduce the decline in required reserve balances early in the year.

The Board also said that previous proposals to prevent erosion of the reserve base for transaction accounts remain under consideration. The proposals, issued for comment last April 12, would classify certain sweep arrangements including certain commingled time deposits as transaction accounts and make other changes designed to prevent avoidance of reserve requirements.

DISCONTINUANCE OF THE USE OF THE SUPERVISORY DEFINITION OF HIGHLY LEVERAGED TRANSACTIONS

The Federal Reserve Board has voted to discontinue use of the supervisory definition of highly leveraged transactions (HLTs) after June 30, 1992. The Board will also discontinue the reporting of HLT exposure by banking organizations it regulates after the June 30, 1992, reporting date.

In the interim, the Board has approved revisions to the supervisory definition of HLTs to be used by banks and bank holding companies for reporting their HLT exposure as of March 31, 1992, and June 30, 1992.

Although the Board will phase out the use of the formal supervisory definition of HLTs, guidance previously issued by the Board for assessing individual credits that finance corporate restructurings and for evaluating internal processes for initiating and reviewing these credits will continue to be used by examiners for this purpose.

Because of the complex nature and level of risk associated with such HLT financings, boards of directors and management at banking organizations will be expected to continue to monitor carefully their banking organization's risk exposure to these credits.

Similar action to discontinue use of the HLT definition and reporting has also been approved by the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

CONSUMER AFFAIRS BROCHURES ON MORTGAGE FINANCING AVAILABLE

Buying a new house? Refinancing your existing home? One of the following pamphlets published by the Federal Reserve may be of help to you:

- *A Consumer's Guide to Mortgage Refinancings*
- *A Consumer's Guide to Mortgage Settlement Costs*
- *A Consumer's Guide to Mortgage Lock-Ins*
- *Consumer Handbook on Adjustable Rate Mortgages*
- *Home Mortgages: Understanding the Process and Your Right to Fair Lending*

Copies of any or all of these pamphlets may be obtained by writing or telephoning Publications Services, Federal Reserve Board, mail stop 138, Washington, DC 20551 (telephone 202-452-3245). There is no charge for single copies of these brochures.

PROPOSED ACTIONS

The Federal Reserve Board issued for public comment on February 13, 1992, a proposal to revise the Board's Regulations O (Loans to Executive Officers of Member Banks) and Y (Bank Holding Companies) to conform the regulations to the amendments of section 22(h) of the Federal Reserve Act (12 U.S.C. §375b) made by section 306 of the Federal Reserve Deposit Insurance Corporation Improvement Act of 1991. Comment was requested by March 20, 1992.

The Federal Reserve Board requested public comment on February 19, 1992, on a proposal to revise its capital adequacy guidelines for bank holding companies and state member banks to provide explicit guidance on the types of intangible assets that may be included in the tier 1 capital calculation for risk-based and leverage capital purposes. Comments were due by March 27, 1992.

ERRATA

Federal Reserve Bulletin

Two textual errors have been identified in the January 1992 *Bulletin* article "Changes in Family Finances from 1983 to 1989: Evidence from the Survey of Consumer Finances." First, on page 4 the article states that real median family income was virtually unchanged between 1983 and 1989 and that this fact was supported by data from the Current Population Survey (CPS). The reference to the CPS is in error. The CPS estimate of household income increased about $2,900 over this period. Nevertheless, the amount of increase in family income estimated from the Survey of Consumer Finances (SCF)—an increase of about $100—was calculated correctly. The difference probably reflects a combination of sampling and definitional variations in the two surveys. As the appendix to the article indicates, the SCF definition of "family" differs from that used by the CPS. In particular, the SCF excludes household members who are outside the main economic unit and who have independent finances. As a result, differences between the SCF income figures and those of the CPS could occur. In addition, the SCF and the CPS have very different sample designs. Estimates based on these surveys may also differ because of sampling error, which is present in all sample surveys.

Second, on page 2 the figures in table 1 on income for families with heads having at least some college education are correct. However, the words "at least" should have been deleted from the sentence on page 4, "The median income for families headed by persons with at least some college experience rose, but this increase was offset by declines in all other education categories." Family income rose only for those with some college and fell for all other education groups except the lowest (those with eight or fewer years of education) for whom income did not change significantly.

REVISIONS TO MONEY STOCK DATA

Measures of the money stock were revised in February of this year as a result of the annual benchmark and seasonal factor review. Data in tables 1.10 and 1.21 in the statistical appendix to the *Bulletin* reflect these changes beginning with this issue.

Data for the monetary aggregates were benchmarked using call reports through September 1991 and other sources. Seasonal factors for the monetary aggregates have been revised using the X-11-ARIMA procedure that has been employed for this purpose since 1982. Following the method introduced last year, seasonal factors for deposit series, beginning with January 1990, have been constructed with data aggregated across banks and thrift institutions. Owing to changes in the deposit reports (FR 2900) effective September 17, 1991, the series for savings deposits and MMDAs have been combined. Beginning with January 1990, seasonal factors have been constructed from this combined series. Up to December 1989, each of the four series—savings deposits at banks, savings deposits at thrift institutions, money market deposit accounts (MMDAs) at banks, and MMDAs at thrift institutions—continues to be seasonally adjusted individually. Through that date, the four adjusted bank and thrift series are then summed to yield the seasonally adjusted total savings deposits and MMDAs.

More detail on the revisions is available in the Board's H.6 statistical release, "Money Stock, Liquid Assets, and Debt Measures," dated February 13, 1992. Complete historical data are available from the Money and Reserves Projections Section, Division of Monetary Affairs, mail stop 72, Board of Governors of the Federal Reserve System, Washington, DC 20551. Revised monthly historical data for M1, M2, M3, and total nonfinancial debt also are available from the economic bulletin board of the U.S. Department of Commerce. Call 202-377-1986 for information on subscriptions to the Commerce bulletin board.

1. Monthly seasonal factors used to construct M1, M2, and M3, January 1991–March 1993

Year and month	Currency	Nonbank travelers' checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1991—January	.9931	.9493	1.0205	1.0105	1.0197	1.0003	.9957
February	.9921	.9608	.9714	.9913	.9994	1.0007	1.0021
March	.9983	.9625	.9753	1.0011	1.0053	1.0034	1.0055
April	.9989	.9545	1.0057	1.0309	1.0334	1.0023	.9977
May	1.0029	.9699	.9757	.9906	.9866	.9970	1.0043
June	1.0058	1.0280	.9991	.9980	.9933	.9982	1.0017
July	1.0060	1.0943	1.0056	.9950	.9877	1.0003	.9975
August	1.0026	1.1067	.9952	.9930	.9884	1.0006	1.0052
September	.9956	1.0616	.9928	.9942	.9920	.9987	1.0001
October	.9939	1.0076	.9999	.9881	.9855	1.0003	.9939
November	1.0011	.9607	1.0121	.9972	.9954	1.0003	.9986
December	1.0101	.9419	1.0469	1.0100	1.0132	.9979	.9957
1992—January	.9943	.9519	1.0209	1.0103	1.0197	1.0001	.9961
February	.9924	.9621	.9714	.9911	.9993	1.0006	1.0031
March	.9970	.9630	.9755	1.0013	1.0054	1.0035	1.0063
April	.9993	.9545	1.0053	1.0309	1.0335	1.0024	.9982
May	1.0036	.9689	.9757	.9906	.9865	.9970	1.0048
June	1.0040	1.0275	.9988	.9984	.9935	.9982	1.0018
July	1.0067	1.0927	1.0053	.9949	.9875	1.0003	.9971
August	1.0022	1.1057	.9954	.9932	.9884	1.0006	1.0052
September	.9940	1.0614	.9928	.9944	.9922	.9988	.9995
October	.9951	1.0081	.9994	.9879	.9854	1.0005	.9931
November	1.0004	.9616	1.0124	.9972	.9954	1.0002	.9982
December	1.0089	.9428	1.0471	1.0099	1.0131	.9978	.9956
1993—January	.9949	.9530	1.0213	1.0101	1.0197	1.0000	.9963
February	.9923	.9625	.9712	.9909	.9992	1.0005	1.0039
March	.9967	.9632	.9754	1.0014	1.0054	1.0035	1.0068

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

Additional tables on seasonal factors follow.

2. Monthly seasonal factors for selected components of the monetary aggregates, January 1991–March 1993

Year and month	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small denomination time	Large denomination time	In M2	In M3 only
1991—January	.9952	1.0028	.9934	.9989	1.0303
February	.9947	1.0026	.9969	1.0136	1.0453
March	1.0021	1.0006	1.0014	1.0242	1.0310
April	1.0035	.9992	.9967	1.0175	1.0066
May	.9996	.9972	1.0031	.9925	1.0027
June	1.0044	.9966	1.0034	.9874	.9805
July	1.0048	.9998	.9991	.9876	.9749
August	1.0024	.9993	1.0048	.9954	.9848
September	.9985	.9993	1.0042	.9965	.9679
October	.9983	1.0018	1.0005	.9947	.9719
November	.9998	1.0008	.9993	.9976	.9946
December	.9962	1.0003	.9965	.9933	1.0064
1992—January	.9946	1.0031	.9930	.9988	1.0308
February	.9946	1.0025	.9968	1.0139	1.0461
March	1.0023	1.0004	1.0014	1.0249	1.0327
April	1.0040	.9990	.9968	1.0178	1.0087
May	1.0000	.9969	1.0038	.9923	1.0037
June	1.0047	.9963	1.0042	.9877	.9800
July	1.0050	.9996	.9994	.9874	.9735
August	1.0026	.9993	1.0051	.9952	.9846
September	.9986	.9994	1.0038	.9967	.9668
October	.9983	1.0019	1.0001	.9952	.9716
November	.9995	1.0010	.9987	.9969	.9935
December	.9958	1.0006	.9964	.9927	1.0064
1993—January	.9942	1.0031	.9929	.9989	1.0306
February	.9946	1.0025	.9970	1.0141	1.0473
March	1.0024	1.0005	1.0016	1.0251	1.0341

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

3. Weekly seasonal factors used to construct M1, M2, and M3, December 1991–April 5, 1993

Week ending	Currency	Nonbank travelers' checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
1991—December 2	1.0037	.9402	1.0316	.9990	.9925	.9972	1.0025
9	1.0095	.9399	1.0331	1.0218	1.0165	1.0008	.9970
16	1.0080	.9412	1.0445	1.0084	1.0070	.9999	.9952
23	1.0165	.9425	1.0420	1.0063	1.0137	.9955	.9944
30	1.0092	.9438	1.0633	1.0022	1.0161	.9948	.9952
1992—January 6	1.0048	.9460	1.0863	1.0432	1.0487	.9974	.9824
13	.9986	.9492	1.0410	1.0292	1.0349	1.0014	.9988
20	.9951	.9524	1.0089	1.0111	1.0192	1.0012	.9986
27	.9871	.9555	.9807	.9804	.9946	1.0001	.9984
February 3	.9877	.9587	.9877	.9849	.9958	1.0000	1.0035
10	.9962	.9603	.9829	1.0015	1.0075	1.0006	1.0065
17	.9945	.9619	.9760	.9891	.9979	1.0004	1.0008
24	.9897	.9635	.9542	.9826	.9912	1.0005	1.0002
March 2	.9898	.9651	.9623	.9911	.9945	1.0012	1.0055
9	1.0010	.9644	.9795	1.0123	1.0119	1.0023	1.0052
16	.9982	.9634	.9773	1.0006	1.0051	1.0038	1.0058
23	.9968	.9624	.9627	.9942	.9997	1.0034	1.0067
30	.9949	.9614	.9753	.9954	1.0032	1.0045	1.0083
April 6	1.0031	.9596	1.0171	1.0336	1.0319	1.0074	1.0008
13	1.0035	.9567	1.0211	1.0446	1.0471	1.0076	.9975
20	1.0006	.9537	1.0169	1.0498	1.0560	1.0010	.9971
27	.9950	.9508	.9797	1.0105	1.0098	.9973	.9959
May 4	1.0001	.9496	.9849	1.0019	1.0038	.9959	1.0023
11	1.0057	.9587	.9757	1.0023	.9936	.9960	1.0047
18	1.0026	.9678	.9854	.9884	.9809	.9976	1.0011
25	1.0024	.9768	.9550	.9818	.9763	.9975	1.0060

3. Weekly seasonal factors used to construct M1, M2, and M3—continued

Week ending	Currency	Nonbank travelers' checks	Demand deposits	Other checkable deposits[1]		Nontransaction components	
				Total	Held at banks	In M2	In M3 only
June 1	.9983	.9858	.9843	.9798	.9836	.9978	1.0094
8	1.0077	1.0011	1.0043	1.0127	1.0052	.9993	1.0037
15	1.0053	1.0187	1.0134	1.0074	.9995	.9991	1.0067
22	1.0038	1.0361	.9873	.9932	.9854	.9971	.9998
29	1.0020	1.0534	.9824	.9807	.9869	.9974	.9966
July 6	1.0148	1.0687	1.0350	1.0099	1.0040	.9980	.9963
13	1.0113	1.0815	1.0205	1.0061	.9978	1.0019	.9914
20	1.0059	1.0944	1.0024	.9933	.9850	1.0007	.9946
27	1.0004	1.1072	.9770	.9765	.9710	.9997	.9999
August 3	1.0011	1.1201	.9995	.9953	.9879	1.0010	1.0073
10	1.0083	1.1137	1.0068	1.0078	.9965	1.0015	1.0059
17	1.0022	1.1074	1.0033	.9945	.9912	1.0010	1.0067
24	.9982	1.1010	.9813	.9824	.9823	1.0001	1.0052
31	.9934	1.0947	.9819	.9815	.9808	.9996	1.0022
September 7	1.0017	1.0842	1.0086	1.0118	1.0087	.9997	1.0005
14	.9976	1.0705	1.0143	1.0090	1.0059	1.0000	1.0007
21	.9932	1.0567	.9802	.9916	.9881	.9979	.9991
28	.9886	1.0430	.9679	.9718	.9739	.9974	.9991
October 5	.9953	1.0301	1.0160	.9952	.9948	.9997	.9952
12	.9982	1.0191	.9948	.9967	.9938	1.0014	.9960
19	.9943	1.0081	1.0083	.9899	.9867	1.0011	.9909
26	.9910	.9972	.9810	.9736	.9724	.9998	.9909
November 2	.9919	.9862	1.0012	.9821	.9799	1.0001	.9934
9	1.0028	.9756	1.0118	1.0055	1.0017	1.0006	.9999
16	1.0000	.9651	1.0183	.9983	.9964	1.0014	.9963
23	.9989	.9546	.9985	.9930	.9905	1.0010	.9946
30	1.0007	.9441	1.0188	.9921	.9934	.9978	1.0033
December 7	1.0072	.9404	1.0352	1.0179	1.0157	1.0000	.9949
14	1.0069	.9418	1.0452	1.0107	1.0135	1.0001	.9960
21	1.0120	.9432	1.0480	1.0104	1.0125	.9969	.9911
28	1.0142	.9445	1.0460	1.0012	1.0116	.9941	1.0002
1993—January 4	1.0047	.9462	1.1008	1.0225	1.0245	.9982	.9963
11	1.0007	.9494	1.0510	1.0290	1.0320	1.0017	.9904
18	.9945	.9525	1.0218	1.0151	1.0251	1.0007	.9957
25	.9889	.9557	.9810	.9965	1.0097	.9995	.9977
February 1	.9864	.9589	.9767	.9866	1.0000	.9990	1.0024
8	.9941	.9607	.9816	1.0005	1.0051	.9997	1.0016
15	.9939	.9620	.9762	.9905	.9971	1.0003	1.0099
22	.9913	.9633	.9628	.9856	.9956	1.0010	.9971
March 1	.9909	.9646	.9634	.9884	.9960	1.0013	1.0077
8	1.0000	.9644	.9806	1.0138	1.0097	1.0022	1.0039
15	.9991	.9635	.9811	1.0042	1.0063	1.0039	1.0069
22	.9980	.9627	.9685	1.0004	1.0054	1.0035	1.0045
29	.9954	.9619	.9635	.9911	1.0032	1.0040	1.0114
April 5	1.0006	.9596	1.0044	1.0157	1.0185	1.0059	1.0077

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

Additional table on seasonal factors follows.

4. Weekly seasonal factors for selected components of the monetary aggregates, December 1991–April 5, 1993

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small denomination time	Large denomination time	In M2	In M3 only
1991—December 2	.9980	1.0009	.9963	.9975	1.0017
9	1.0017	1.0003	.9970	.9970	1.0012
16	1.0001	.9995	.9966	.9968	1.0116
23	.9926	.9993	.9949	.9940	1.0091
30	.9892	1.0007	.9961	.9869	1.0085
1992—January 6	.9968	1.0030	.9942	.9736	.9811
13	.9988	1.0035	.9945	.9972	1.0368
20	.9950	1.0032	.9926	1.0068	1.0454
27	.9902	1.0026	.9918	1.0098	1.0473
February 3	.9908	1.0029	.9917	1.0060	1.0389
10	.9950	1.0034	.9965	1.0112	1.0490
17	.9951	1.0029	.9975	1.0121	1.0459
24	.9941	1.0018	.9978	1.0180	1.0439
March 2	.9965	1.0014	.9980	1.0190	1.0498
9	1.0015	1.0009	1.0011	1.0225	1.0354
16	1.0034	1.0003	1.0029	1.0250	1.0360
23	1.0018	.9996	1.0019	1.0268	1.0364
30	1.0028	1.0006	1.0005	1.0271	1.0219
April 6	1.0099	1.0004	1.0017	1.0235	1.0080
13	1.0116	.9993	.9986	1.0292	1.0219
20	1.0020	.9987	.9945	1.0198	1.0062
27	.9963	.9984	.9938	1.0095	1.0043
May 4	.9976	.9980	.9952	.9953	.9960
11	1.0002	.9975	1.0001	.9893	1.0113
18	1.0007	.9970	1.0039	.9880	.9947
25	.9992	.9964	1.0085	.9966	1.0156
June 1	1.0015	.9961	1.0082	.9938	.9969
8	1.0084	.9957	1.0087	.9918	.9889
15	1.0082	.9958	1.0091	.9906	.9806
22	1.0021	.9957	1.0044	.9859	.9768
29	1.0002	.9976	.9951	.9830	.9737
July 6	1.0066	1.0001	.9951	.9785	.9640
13	1.0085	.9998	.9978	.9884	.9684
20	1.0049	.9995	1.0003	.9903	.9810
27	1.0014	.9994	1.0022	.9903	.9802
August 3	1.0027	.9995	1.0026	.9885	.9719
10	1.0057	1.0000	1.0036	.9937	.9855
17	1.0045	.9995	1.0041	.9924	.9873
24	1.0009	.9990	1.0061	.9993	.9919
31	.9992	.9987	1.0077	.9981	.9794
September 7	1.0031	.9992	1.0050	.9923	.9745
14	1.0027	.9987	1.0053	1.0002	.9722
21	.9960	.9987	1.0028	1.0016	.9688
28	.9926	1.0000	1.0025	.9946	.9566
October 5	.9991	1.0028	1.0033	.9906	.9504
12	1.0013	1.0030	1.0017	.9956	.9724
19	.9990	1.0017	.9990	.9937	.9631
26	.9953	1.0011	.9988	1.0013	.9838
November 2	.9964	1.0010	.9981	.9928	.9864
9	1.0019	1.0011	.9993	.9950	.9874
16	1.0018	1.0010	.9991	.9954	.9883
23	.9984	1.0009	.9990	1.0011	1.0026
30	.9968	1.0010	.9976	.9972	.9978
December 7	1.0000	1.0010	.9968	.9954	.9998
14	.9992	1.0005	.9974	.9980	1.0129
21	.9927	.9999	.9964	.9956	1.0173
28	.9904	1.0002	.9958	.9875	1.0054
1993—January 4	.9976	1.0026	.9947	.9789	.9838
11	1.0000	1.0037	.9939	.9887	1.0229
18	.9946	1.0035	.9930	1.0044	1.0374
25	.9891	1.0029	.9923	1.0079	1.0435

4. Weekly seasonal factors for selected components of the monetary aggregates—continued

Week ending	Deposits[1]			Money market mutual funds	
	Savings and MMDAs	Small denomination *time*	Large denomination *time*	In M2	In M3 only
February 1	.9908	1.0028	.9909	1.0070	1.0478
8	.9947	1.0034	.9947	1.0102	1.0462
15	.9952	1.0030	.9980	1.0148	1.0479
22	.9942	1.0021	.9978	1.0155	1.0416
March 1	.9950	1.0013	.9985	1.0174	1.0542
8	1.0012	1.0012	1.0000	1.0210	1.0386
15	1.0038	1.0006	1.0022	1.0251	1.0413
22	1.0026	.9995	1.0025	1.0274	1.0378
29	1.0013	1.0003	1.0027	1.0276	1.0226
April 5	1.0081	1.0007	.9998	1.0260	1.0105

1. These seasonal factors are applied to deposits data at both commercial banks and thrift institutions.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON DECEMBER 17, 1991

Domestic Policy Directive

The information reviewed at this meeting indicated that the economy was sluggish and that business and consumer confidence remained depressed. Spending for housing and business equipment had been rising, but consumption expenditures had softened, commercial construction activity was still declining, and government spending at all levels was being restrained by budgetary imbalances. Recently, industrial production had fallen, and payroll employment had dropped sharply. Wage and price increases had continued to trend downward.

Total nonfarm payroll employment fell sharply in November after rising somewhat in the third quarter and changing little in October. Declines in employment were widespread: The number of manufacturing jobs decreased in November for a third straight month, and further job losses were reported in construction and in wholesale and retail trade. However, the average weekly hours worked by production or nonsupervisory workers in the private nonfarm sector edged up in November, and the civilian unemployment rate remained at 6.8 percent.

Industrial production fell appreciably in November after changing little in the previous three months. A portion of the November decline reflected a sizable drop in the output of motor vehicles and parts. In addition, however, the production of non-auto consumer goods slackened, and the output of business equipment other than motor vehicles remained near its low of last March; the latter reflected in part the persisting effects of a strike at a major producer of industrial equipment. As in most earlier months of the year, the production of defense and space products declined. With industrial output down in November, total industrial capacity utilization decreased, and declines in operating rates were widespread across industries.

Real consumer spending had been soft on balance in recent months, reflecting sluggish growth in disposable incomes, weak labor-market conditions, and depressed consumer confidence. Nominal retail sales expanded somewhat in November from a downward revised level for October. The November increase reflected a rebound in sales of nondurable goods other than food and a rise in sales at automotive dealers; sales of durable goods other than autos were about unchanged. Housing starts fell in November, retracing part of a substantial advance in October; on average, starts were appreciably higher in October and November than in the third quarter. Despite low mortgage interest rates and steady house prices, sales of single-family homes in October remained well below their spring levels.

After changing little over the third quarter, shipments of nondefense capital goods registered a sharp rise in October, reflecting a bulge in outlays for computing equipment; shipments of most other types of business equipment remained sluggish. Recent data on orders suggested little growth in aggregate outlays for business equipment over the near term. Nonresidential construction, notably of office and other commercial structures, continued to shrink in October. The vacancy rate for office buildings was still very high, and this along with available information on contracts and commitments suggested that nonresidential construction activity would remain weak for an extended period.

Business inventories turned up sharply in September after many months of liquidation. At the retail level, inventories rose further in October, with nearly half of the buildup occurring at auto dealers. The additional rise in stocks coupled with declines in sales led to higher inventory-to-sales ratios at many types of retail establishments. Aggregated over all retail establishments other than auto dealers, the ratio of inventories to sales in October was close to the peak posted in early 1991. By contrast, in manufacturing, stocks changed little in October, and the ratio of stocks to sales decreased and nearly reached its low of August 1990. Wholesale inventories were up slightly in October after a sizable decline in the previous month; the inventory-to-sales ratio remained in the narrow range that had prevailed in recent months.

The nominal U.S. merchandise trade deficit widened slightly further in September. For the third quarter, the deficit was somewhat above its average rate over the first half of 1991 but well below its rate in 1990. The value of exports in the third quarter remained close to the record high reached in the second quarter while the value of imports increased appreciably, with most of the rise reflecting larger imports of automotive products and consumer goods. The increase in imports of consumer goods appeared to have contributed to the substantial buildup in retail inventories in the United States, particularly in the month of September. The available data on economic activity in the major foreign industrial countries provided further evidence of relatively weak growth on balance in these countries in the third quarter and gave few indications of a revival in the fourth quarter. The trend toward reduced inflation had continued in most of the industrial countries.

Producer prices of finished goods advanced in November at about the slow pace recorded since midyear; over this period, declines in food prices roughly offset increases in energy prices. At the consumer level, food and energy prices jumped in November, but the increase in the prices of nonfood, non-energy items was about the same as that registered since midyear and considerably below the 1990 pace. Average hourly earnings of production or nonsupervisory workers in the October–November period increased at about the reduced third-quarter rate; over the past twelve months, average hourly earnings had risen more slowly than in the previous twelve-month period.

At its meeting on November 5, 1991, the Committee adopted a directive that called for an immediate slight easing in the degree of pressure on reserve positions and that provided for giving special weight to potential developments that might require some additional easing during the intermeeting period. Accordingly, the directive indicated that slightly greater reserve restraint might be acceptable during the intermeeting period or slightly lesser reserve restraint would be acceptable depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated under this directive were expected to be consistent with growth of M2 and M3 at annual rates of around 3 percent and 1 percent respectively over the three-month period from September through December.

Immediately following the November meeting, open market operations were directed toward a slight easing of conditions in reserve markets; this step was taken in conjunction with the reduction in the discount rate from 5 to 4½ percent approved by the Board of Governors on November 6. In early December, as economic indicators continued to point to a faltering recovery and growth of the broad monetary aggregates remained sluggish, an additional slight easing of reserve conditions was carried out. Several technical reductions were made during the intermeeting period to expected levels of adjustment plus seasonal borrowing to reflect the declining usage of seasonal credit during the autumn. For most of the intermeeting interval, adjustment plus seasonal borrowing tended to run a little below expected levels, averaging slightly more than $100 million over the three complete reserve maintenance periods. The federal funds rate averaged around 4¾ percent over most of the period but softened to around 4½ percent after the second easing action.

Other short-term interest rates declined more than the federal funds rate as market participants reacted to actual and anticipated further easing steps amid growing evidence that the economic recovery had stalled. Expectations of more subdued economic activity contributed to declines in yields on longer-term instruments as well. Yields on intermediate maturity securities dropped almost as much as short-term rates while rates on mortgages, corporate bonds, and long-term Treasuries fell by less. The prime rate was reduced by ½ percentage point to 7½ percent early in the intermeeting period. Broad stock price indexes were down slightly.

The trade-weighted value of the dollar in terms of the other G-10 currencies declined further on balance over the intermeeting period. During most of the period, signs of weakness in the U.S. economy and the easings of U.S. monetary policy had a depressing effect on the value of the dollar. The dollar's depreciation was primarily against the mark and other European currencies; the mark was supported by reports of further increases in wage and price inflation in Germany and associated expectations that German monetary policy would be tightened. The dollar declined less against the Japanese yen as evidence accumulated that the Japanese economy was slowing further and some easing was implemented in Japanese monetary policy.

Expansion in M2 picked up in November from a slow pace in October. At least in part this reflected the cumulative effect of earlier declines in short-term market interest rates in lowering the opportunity costs of holding liquid deposits. The somewhat faster expansion of M2 was consistent with the Committee's expectations for M2 growth in the fourth quarter. The more rapid growth of M2 showed through to a limited extent to M3. For the year through November, expansion of both M2 and M3 was estimated to have been at the lower ends of the Committee's annual ranges.

The staff projection prepared for this meeting pointed to a recovery in economic activity. However, a variety of incoming information, notably indications of a depressed state of confidence, weaker than expected consumer spending, and sluggish industrial production suggested a pause in the recovery that might extend into early 1992. By the spring, the cumulative effects of declines in interest rates in recent months would contribute to a resumption of economic growth at a moderate rate, with the risks of a stronger or weaker trajectory for the economy being viewed as about in balance. Increases in residential construction, somewhat larger consumption expenditures, and some pickup in business equipment spending were projected to provide the underpinnings for the resumption of growth. As in earlier forecasts, the continuing downtrend in commercial construction and ongoing adjustments in state and local government spending in response to budget imbalances were expected to have a retarding effect on aggregate demand. At the federal level, projected declines in defense outlays, which would be only partially offset by higher nondefense spending, also would be a source of restraint, at least in the absence of new fiscal initiatives. The substantial though diminishing slack expected in labor and product markets in coming quarters was projected to induce further declines in the underlying rate of inflation.

In the Committee's discussion of current and prospective economic developments, the members focused on an evident pause in the business recovery and its interaction with very gloomy business and consumer sentiment. A number of factors that had been expected to damp the expansion—including the retrenchment associated with the rebuilding of balance sheets by heavily indebted businesses and consumers and the efforts of many firms to improve efficiency by streamlining operations and reducing employment—had in fact proved to be stronger and more persistent than anticipated. The timing of a renewed expansion in business activity was uncertain, and a number of members commented that the economy might well remain quite sluggish over the months immediately ahead. Nonetheless, considerable progress in business and financial restructuring activities was in train, and the latter, together with the stimulus that could be expected from the lagged effects of earlier monetary policy easing actions, was likely to lead to a moderate pickup in the economy later in 1992. With regard to the outlook for inflation, many members observed that the statistical and anecdotal evidence pointed to faster progress toward price stability than they had anticipated earlier.

As they had at earlier meetings, the members gave considerable emphasis to current business and consumer sentiment, which they judged to be much more negative than under similar business and employment conditions in the past. The underlying reasons were difficult to ascertain but probably reflected a variety of developments, including widespread disappointment over the pace of the economic recovery, related consumer concerns about employment opportunities, and fears associated with heavy debt burdens and the weakened financial condition of many business and financial institutions. The size of the federal budget deficit was adding to those concerns, and the budgetary problems of many state and local governments were seen as likely to result in higher taxes and spending cutbacks. On the positive side, while the efforts to rebuild balance sheets and to restructure business activities were likely to continue to exert restraining effects on the economy, such developments had favorable implications for the financial health and the competitive strength of the economy over the longer run. Members noted in this connection that a record volume of equity issues was helping to reduce balance sheet leverage and that proceeds from large offerings of debt securities were being used to a considerable extent to pay down short-term liabilities. The sizable decline in interest rates over the course of recent months was easing the debt service burdens of many borrowers, and in a few geographic areas banking institutions were reported to be making funds more readily available. The stock market continued to display appreciable strength, reflecting the drop in interest rates and suggesting investor confidence in the longer-run outlook for the economy. Some members also cited the indications of reviving growth in the broader monetary aggregates as an encouraging if still tentative development.

Turning to developments in key sectors of the economy, the members commented that it was still too early to get a firm indication regarding holiday spending by consumers, though retailers in some parts of the country reported that sales were somewhat better than they had projected. Nonetheless, consumers remained quite cautious nationwide, and some members commented that consumer spending for durable goods might well continue sluggish over the months ahead, especially in a context of widespread consumer concerns about employment prospects, debt burdens, and softness in real estate prices. Some members also observed that the saving rate was already on the low side and that the risks of a rise in that rate could not be ruled out in the environment that was likely to prevail during the months ahead.

The members did not discern signs of significant strengthening in business expenditures for equipment over the nearer term, though the output of capital goods appeared to be on a slowly rising trend in at least one major capital-producing region. Nonresidential construction activity remained very weak in most parts of the country, and high vacancy rates suggested little prospect for improvement in the commercial building sector for an extended period. On the other hand, significant improvement in housing construction was reported in some parts of the country, and housing activity appeared to be holding up reasonably well on a nationwide basis. The declines that had occurred in interest rates would tend over time to stimulate housing and other interest-sensitive sectors of the economy. The outlook for U.S. exports was tempered by more sluggish business conditions in several key countries than had been expected earlier, but exports would be supported by the depreciation in the foreign exchange value of the dollar since mid-1991.

Businesses continued to pursue cautious inventory investment policies. Contacts in most parts of the country described current inventories as lean, and many retailers were prepared to accept reduced sales rather than to add to their inventories under prevailing conditions, although some buildup had occurred in recent months in association with weak demands. While rising inventories were not likely to make a major contribution to the anticipated recovery, any significant firming in final demands probably would be reflected fairly promptly in increased production.

With regard to the outlook for the government sectors, members commented that the massive size of current federal budget deficits greatly limited any flexibility in providing some stimulus through fiscal policy actions. It was noted in this connection that any legislation that was seen as significantly increasing the size of the federal deficits over the longer run could have adverse repercussions on long-term interest rates and business and consumer confidence. Some members also referred to the negative effects on confidence and spending stemming from the budgetary difficulties of numerous state and local governments; at least in some areas, however, capital expenditures by such government entities were being accelerated by lower interest and other costs.

The members were encouraged by evidence that inflationary pressures appeared to be subsiding at a faster pace than they had anticipated earlier. Anecdotal reports suggested very competitive conditions in producer and retail markets and favorable wage patterns. Employee benefit costs were still rising rapidly, notably medical costs, but members cited some examples of promising efforts on the part of medical providers to curb the escalation in their costs. It was suggested that the behavior of commodity prices over the past year was consistent with an outlook for stable producer prices. The members saw little risk of worsening inflationary pressures over the forecast horizon even if the pace of the recovery proved to be somewhat more vigorous than they currently expected; however, some stressed that it was important for monetary policy to sustain the downtrend in inflation over an even longer horizon.

In the Committee's discussion of policy for the period ahead, most of the members indicated that they favored or could accept a directive that called for no immediate change in the degree of pressure on reserve positions but that carried an especially strong presumption that some easing in reserve conditions would be implemented unless improvement in the economy became evident fairly promptly or there was significant evidence of a pickup in M2 growth in the period immediately ahead. Separately, the Board of Governors would need to decide how the discount rate should be structured in order to get the maximum benefits from any easing, given the current state of business and consumer confidence.

The policy discussion focused on the need to foster a sustained, noninflationary recovery. Such an environment would promote continuing balance sheet adjustments and business restructurings that would over time enhance the financial soundness and competitive strength of the economy. For now, however, these activities were having restraining effects on the economy, and there were as yet no clear indications that the recovery was resuming. While the risks of a substantial weakening in the economy were perhaps small, such a development would have severe consequences for the economy and financial institutions. In these circumstances, many of the members believed that some further easing of reserve conditions likely would be called for, especially if indications of some strengthening in the economy or in the growth of the monetary aggregates should fail to materialize in the near future. A number of members also commented that against the background of better-than-expected progress toward price stability, a stalled recovery, and slow monetary growth, the inflation risks of further easing were minimal.

Some members indicated that they saw an advantage in making a more substantial policy move at some point in the period ahead rather than additional limited easing actions of the sort that had been implemented in recent years. In this view, a larger and more visible policy action, which generally was not anticipated in financial markets, would have greater effectiveness in part because it would be more likely to bolster confidence. The level of interest rates and money growth that would be expected to ensue from such an action, against the background of the substantial easing that had already been implemented, should be sufficient to foster expansion and promote the view that further easing would not be needed.

Other members, while not disagreeing that further easing might be desirable, nonetheless expressed reservations about the urgency to ease in the near term and especially the need for a sizable move. These members emphasized that a substantial amount of easing had been implemented over the past several months and that to a considerable extent the effects of such easing had not yet shown through in the economy. A number of these members also expressed the view that monetary policy could do little to offset the restraining effects of the balance sheet adjustments and business restructuring activities that were currently under way. Moreover, a resurgence of inflation pressures as the recovery gathered strength could not be ruled out, and too much easing in the period immediately ahead might have to be reversed later with unsettling consequences.

According to a staff analysis prepared for this meeting, M2 and M3 were likely to continue to grow at a restrained pace over the months ahead in light of sluggish expansion in nominal income and very limited loan growth. A decision to implement somewhat easier reserve conditions would stimulate slightly faster monetary expansion in the early months of next year, though the broader aggregates would probably remain appreciably below the midpoints of the tentative ranges that the Committee had established for 1992. The members observed that to an important extent the weakness of the monetary aggregates appeared to be related to developments that involved some reduction in the intermediary role of depository institutions and might not have adverse implications for the overall availability of financing in the economy. Some members suggested that a number of indicators, including the behavior of commodity prices, the slope of the yield curve, and trends in the growth of reserves and narrow measures of money, pointed to an adequate availability of liquidity in the economy. Nonetheless, several members expressed concern about the continuing lagging growth in the broad measures of money, and they felt that consideration should be given to an easing of reserve conditions if incoming data were to suggest that the recent pickup was not being sustained.

In the course of the Committee's discussion, the members reviewed a proposal to amend the wording of the statement in the operational paragraph of the directive that related to possible intermeeting adjustments to the degree of reserve pressures. While several members expressed a slight preference for retaining the current statement, which contained an ordering of the factors considered by the Committee in guiding intermeeting policy adjustments, and a few preferred to delete the listing of factors altogether from the sentence, all of the members indicated that they could support a proposed alternative. That alternative would make clearer the Committee's focus on its long-term goals by inserting a reference to those goals at the beginning of the sentence and would refer in a more general way to the immediate economic, financial, and monetary developments that might prompt an intermeeting adjustment. This new wording implied less focus in the directive itself on the ranking of the factors, but the understandings reached at meetings regarding their relative importance would continue to be explained fully in the policy record. The members agreed that the revised statement should be reviewed every year or more often if warranted by changing economic or financial conditions.

At the conclusion of the Committee's discussion, all but one of the members indicated that they favored or could accept a directive that would call initially for maintaining the existing degree of pressure on reserve positions. The members also noted their preference or acceptance of a directive that included a marked bias toward easing 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, slightly greater reserve restraint might be acceptable or somewhat lesser reserve restraint would be acceptable during the intermeeting period. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of around 3 percent and 1½ percent respectively over the four-month period from November through March.

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

The information reviewed at this meeting continues to portray a sluggish economy and a depressed state of business and consumer confidence. Total nonfarm payroll employment fell sharply in November; however, the average workweek in the private nonfarm sector edged up and the civilian unemployment rate remained at 6.8 percent. Industrial production fell in November, partly reflecting a sizable drop in motor vehicle assemblies. Consumer spending has been soft on balance in recent months. Real outlays for business equipment appear to be rising slowly, and nonresidential construction has continued to decline. Housing starts were appreciably higher on average in October and November than in the third quarter. The nominal U.S. merchandise trade deficit widened slightly further in September; the deficit in the third quarter was substantially larger than in the second quarter. Wage and price increases have continued to trend downward.

Interest rates have declined appreciably since the Committee meeting on November 5. The Board of Governors approved a reduction in the discount rate from 5 to 4½ percent on November 6. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined further over the intermeeting period; the dollar depreciated primarily against the mark and other European currencies.

Expansion in M2 and M3 edged up in November from a slow pace in October; the slightly faster growth reflected a strengthening in the most liquid components of the aggregates. For the year through November, expansion of both M2 and M3 is estimated to have been at the lower ends of the Committee's ranges.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 2½ to 6½ percent and 1 to 5 percent, respectively, measured from the fourth quarter of 1990 to the fourth quarter of 1991. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4½ to 8½ percent for the year. For 1992, on a tentative basis, the Committee agreed in July to use the same ranges as in 1991 for growth in each of the monetary aggregates and debt, measured from the fourth quarter of 1991 to the fourth quarter of 1992. With regard to M3, the Committee anticipated that the ongoing restructuring of thrift depository institutions would continue to depress the growth of this aggregate relative to spending and total credit. 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, slightly greater reserve restraint might or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from November through March at annual rates of about 3 and 1½ percent, respectively.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Keehn, Kelley, Lindsey, Mullins, Parry, and Ms. Phillips. Vote against this action: Mr. LaWare.

Mr. LaWare dissented because he did not favor the inclusion in the directive of a strong presumption that monetary policy would be eased further during the intermeeting period. While future developments might call for further easing, he preferred not to prejudge that need but to wait and assess the effects of the considerable easing actions undertaken earlier. In his view, the main barrier to a satisfactory economic performance was a crisis in confidence that was not likely to be alleviated by further incremental easing. In present circumstances, a steady policy could provide a firm signal that the downward drift in interest rates associated with a long series of small easing actions had come to an end. This signal might well prove to be beneficial to the economy as interest-sensitive decisions to spend no longer were postponed in anticipation of still lower interest rates. He recognized that lower interest rates could alleviate heavy debt service burdens, but he was concerned about the effects of a further decline in interest rates on the value of the dollar in foreign exchange markets.

At a telephone conference on December 20, 1991, the Committee discussed the approval by the Board of Governors of a 1 percentage point reduction in the discount rate, effective that day, and the implications of that action for the implementation of the Committee's policy with regard to the degree of pressure to be sought in reserve markets. It was noted during this discussion that the limited data received since the Committee's meeting on December 17 continued to point to a very sluggish economy. In keeping with the Committee's decision at its recent meeting, it was deemed appropriate to direct open market operations toward allowing part of the reduction in the discount rate to be reflected in the federal funds rate. Members commented that the substantial cut in the discount rate and the accompanying adjustment in open market operations were likely to have a favorable effect on financial markets and the behavior of the monetary aggregates and in conjunction with the ongoing effects of earlier easing actions would provide the financial basis for a resumption of sustainable economic growth. In light of the substantial size of these actions, it would be appropriate to view the directive as symmetrical with regard to any further changes in policy over the remainder of the intermeeting period.

Legal Developments

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. The amendment expands the duties Delegated to the General Counsel and the Director of the Board's Division of Banking Supervision and Regulation to include the Authority to enter into, stay, modify, terminate or suspend a cease-and-desist order, removal and prohibition order, or civil money penalty assessment order, when the order has been consented to by the institution or individual subject to the order. The Board believes that the Federal Reserve's enforcement functions can be made more efficient and responsive by delegating this authority.

Effective February 28, 1992, 12 C.F.R. Part 265 is amended as follows:

1. The authority citation for 12 C.F.R. Part 265 continues to read as follows:

Authority: Section 11 (i) and (k) of the Federal Reserve Act, (12 U.S.C. 248(i) and (k)).

2. Section 265.6 is amended by republishing the introductory text and adding paragraph (e) to read as follows:

Part 265—Rules Regarding Delegation of Authority

Section 265.6—Functions delegated to General Counsel.

The Board's general counsel (or the general counsel's delegee) is authorized:

* * * * *

(e) *Consent enforcement orders*. With the concurrence of the director of the Board's Division of Banking Supervision and Regulation (or the director's delegee):

(1) To enter into a cease-and-desist order, removal and prohibition order, or civil money penalty assessment order with a bank holding company or any nonbanking subsidiary thereof, with a state member bank, or with any other person or entity subject to the Board's jurisdiction, when the order has been consented to by the institution or individual subject to the order;

(2) To stay, modify, terminate, or suspend an order issued pursuant to paragraph (1).

Orders Issued Under Section 3 of the Bank Holding Company Act

Norwest Corporation
Minneapolis, Minnesota

Order Approving Acquisition of a De Novo Bank

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Norwest Bank, Waseca, N.A., Waseca, Minnesota ("Waseca Bank"), a *de novo* bank.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (56 *Federal Register* 58,383 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Norwest is the largest commercial banking organization in Minnesota, controlling $10.0 billion in deposits in the state, representing 23.5 percent of total deposits in commercial banking organizations in Minnesota.[1] Waseca Bank a *de novo* institution will provide a full range of commercial banking services in the Owatonna banking market.[2] In view of the *de novo* status of Waseca Bank and based upon the facts in the record, the Board concludes that the proposed transaction would have no adverse effect on existing com-

1. Data are as of June 30, 1991.

2. The Owatonna, Minnesota banking market consists of Steele County, Minnesota; Waseca County, Minnesota, less Jamesville, Alton, Freedom and Vivian townships; and Ellington, Claremont, Ripley, and Westfield townships in Dodge County, Minnesota. Norwest will transfer certain assets and liabilities from the Owatonna branch of Norwest Bank Minnesota South, N.A., Faribault, Minnesota to Waseca Bank.

petition, nor would it increase the concentration of resources in any relevant market.

Several local Waseca banks and the Independent Bankers of Minnesota (collectively "Protestants") have filed comments objecting to Norwest's proposal. Under Minnesota law, Norwest is prohibited by the so-called "home office protection rule" from establishing a branch of an existing subsidiary bank in a community like Waseca with a population of 10,000 or less unless the local banks consent to the addition of the branch.[3]

Protestants maintain that Norwest's proposal is prohibited by Minnesota's home office protection rule because the proposal would be an illegal circumvention of this provision.[4] Protestants note that Norwest has announced plans to merge Waseca Bank with Norwest Bank, Minnesota South, N.A., Faribault, Minnesota ("NBMS"), and to operate it as a branch of NBMS within two years. Protestants also allege that by this acquisition, Norwest would violate a commitment to the Board not to operate a branch in Waseca if to do so would be inconsistent with Minnesota law.[5]

At this time, Norwest has not proposed to establish a branch of a subsidiary bank in a small community, and approval of Norwest's application before the Board only authorizes the acquisition of a *de novo* bank in the Waseca community. Minnesota law does not require the consent of local banks for the acquisition of a new bank in a small community. Minnesota's branching restrictions do not prohibit entry into a small community if such entry can be accomplished without establishing a branch, and the Minnesota Commerce Commission previously has approved alternative means of entry into a small community when the applicant was unable to obtain the required consent of local banks.[6] Moreover, additional regulatory approvals would be required before NBMS could establish a branch in Waseca by merging with a Norwest subsidiary bank.[7]

The record does not indicate that Norwest will operate the Waseca Bank as a branch of another bank. For example, Waseca Bank will be separately chartered, separately incorporated, and separately capitalized; loans made by the Waseca Bank will be accounted for as assets of that bank; and the Waseca Bank will have lending officers on site who will have independent lending authority subject to the same policies that apply throughout the Norwest system.[8] Protestants have not provided facts to indicate that the Waseca Bank will operate as a branch of another bank. In the Board's view, issues regarding Norwest's future plans for Waseca Bank are more appropriately raised if and when Norwest seeks the required regulatory approvals.

In approving Norwest's acquisition of First Minnesota Savings Bank, F.S.B., Minneapolis, Minnesota ("First Minnesota") in 1990, the Board relied on a commitment by Norwest not to maintain First Minnesota's branch in Waseca if this branch were impermissible under Minnesota law.[9] This commitment was given to assure that the acquisition of First Minnesota would not violate the home office protection rule.

After consummation of the proposal, Norwest converted First Minnesota's Waseca branch into a service center. In July 1991 the OCC conducted an unannounced visitation to the Waseca service center and confirmed that it was not being operated as a branch. The acquisition of a new bank in Waseca would not violate the commitment to the Board. In light of these facts, the Board believes that Norwest has complied with the commitment it made to the Board in connection with its acquisition of First Minnesota.[10]

The financial and managerial resources and future prospects of Norwest, its subsidiary banks and Waseca Bank are consistent with approval. The Board also finds that considerations relating to the convenience and needs of the communities to be

3. Minn. Stat. § 47.52 (1991).

4. Protestants raised similar objections in Norwest's application to charter Waseca Bank, as a national bank. The Office of the Comptroller of the Currency ("OCC") has approved Norwest's charter application and the Minnesota Commerce Commission, the state's bank regulator, has not objected to Norwest's application to acquire Waseca Bank.

5. *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

6. The Commission's approval was upheld by the Supreme Court of Minnesota in *First National Bank of Long Prairie v. Department of Commerce*, 350 N.W. 2d 363 (1984).

7. The OCC's approval of the Waseca Bank charter specifically noted that the OCC expressed no opinion on the permissibility of merging Waseca Bank into NBMS. The merger of Waseca Bank into a Norwest subsidiary bank and its operation as a branch would require the approval of the appropriate federal or state regulator. In the event that OCC approval were required, the McFadden Act would permit Norwest to operate Waseca Bank as a branch only if a similarly situated state-chartered bank could operate a branch in Waseca, and subject to the same restrictions as those imposed on similarly situated state-chartered banks. 12 U.S.C. § 36(c).

8. *See Grandview Bank and Trust Co. v. Board of Governors of the Federal Reserve System*, 550 F.2d 415 (8th Cir. 1977), *cert. denied* 434 U.S. 821 (1977); *North Hills Bank v. Board of Governors of the Federal System*, 506 F.2d 623 (8th Cir. 1974). *See also Commerce Bancshares, Inc.*, 64 *Federal Reserve Bulletin* 803 (1978); *United Banks of Colorado, Inc.*, 64 *Federal Reserve Bulletin* 37 (1978); *First International Bancshares, Inc.*, 63 *Federal Reserve Bulletin* 744 (1977).

9. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

10. Protestants maintain that Norwest's unsuccessful legislative attempts to change Minnesota branching restrictions and the establishment of a branch in a neighboring community evidences Norwest's bad faith in complying with its commitment. In the Board's opinion, neither allegation is inconsistent with Norwest's commitment not to establish a branch in Waseca if to do so would be inconsistent with Minnesota law.

served, and supervisory factors are consistent with approval.[11]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by Norwest and all of its subsidiaries with the conditions referenced in this order. The conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law. The acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Waseca Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

11. The Board has carefully considered comments filed by a Waseca resident who maintains along with Protestants that his community is adequately served by the four financial institutions currently operating in Waseca. This commenter also asserts without further explanation that Norwest drains local deposits from communities like Waseca for use in other service areas and has generally abandoned serving the credit needs of rural agricultural communities.

As discussed above, the addition of Waseca Bank as a provider of a full range of commercial banking services should serve to increase the level of competition among providers of these services. In addition, the Board has recently reviewed Norwest's record of performance under the Community Reinvestment Act ("CRA"), including relevant examination reports, and concluded that Norwest's assistance in meeting the credit needs of its entire communities, is consistent with approval of applications under the BHC Act. *Norwest Corporation*, 77 *Federal Reserve Bulletin* 110, 112 (1991) and *Norwest Corporation*, 77 *Federal Reserve Bulletin* 343 (1991). On the basis of these and other facts of record, the Board concludes that these comments do not warrant denial of the application.

Texas Regional Bancshares, Inc.
McAllen, Texas

Texas State Bank
McAllen, Texas

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

Texas Regional Bancshares, Inc., McAllen, Texas ("Texas Regional"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire Mid Valley Bank, Weslaco, Texas.[1] Texas State Bank, McAllen, Texas, the lead subsidiary bank of Texas Regional, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with Texas Regional's other subsidiary bank, Harlingen State Bank, Harlingen, Texas, and TSB-Weslaco, the successor by merger to Mid Valley Bank. Texas State Bank will be the surviving entity. In addition, Texas State Bank has applied to establish branches at the locations of Harlingen State Bank and Mid Valley Bank, and an automated teller machine ("ATM") in Harlingen, Texas, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321).

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

Texas Regional is the 50th largest commercial banking organization in Texas, controlling two subsidiary banks with total deposits of $229.8 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] Mid Valley Bank is the 254th largest commercial banking organization in Texas, controlling deposits of $72.3 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Texas Regional would become the 32nd largest banking organization in Texas, controlling deposits of $302.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in any significantly adverse effect on the concentration of commercial banking resources in Texas.

1. Mid Valley Bank is an affiliate of Texas Regional through common shareholders and directors. Texas Regional has formed Texas State Bank, Weslaco, Texas ("TSB-Weslaco"), a *de novo* bank, for the purpose of effecting this proposal. TSB-Weslaco will be merged with Mid Valley Bank with TSB-Weslaco as the survivor.

2. State data and market data are as of June 30, 1990.

Texas State Bank and Mid Valley Bank compete directly in the McAllen-Edinburg-Mission MSA banking market.[3] Texas State Bank is the sixth largest commercial banking organization in the market, controlling deposits of $145 million, representing 5.3 percent of total deposits in commercial banking organizations in the market. Mid Valley Bank is the 11th largest commercial banking organization in the market, controlling deposits of $72.3 million, representing 2.6 percent of total deposits in commercial banking organizations in the market. Upon consummation, Texas Regional would become the fifth largest commercial banking organization in the market, controlling total deposits of $217.3 million, representing 7.9 percent of total deposits in commercial banking organizations in the market. The Herfindahl-Hirschman Index ("HHI") would increase 28 points to a level of 1176.[4] In light of the small increase in concentration, the number of competitors remaining in the market, and other facts of record, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effect on competition in any relevant banking market. The Board also concludes that the financial and managerial resources, supervisory factors, and future prospects of Texas Regional and Mid Valley Bank are consistent with approval of these applications.

In considering the convenience and needs of the communities to be served by these institutions, the Board has taken into account the record of the subsidiary banks of Texas Regional and Mid Valley Bank under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*)("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution."[5]

The Board has received comments from the McAllen Minority Business Development Center and an individual (collectively "Protestants") alleging generally that Mid Valley Bank's efforts in meeting the credit needs of the Hispanic community are inadequate. Protestants also allege that credit decisions are delayed for Hispanic applicants at Mid Valley Bank.

The Board has carefully reviewed the CRA performance record of Texas Regional's subsidiary banks and Mid Valley Bank, as well as Protestants' comments and Texas Regional's responses to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[6] The Agency CRA Statement provides guidance regarding the types of policies and procedures that supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis, and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance. The Agency CRA Statement also suggests that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution.[7]

Texas State Bank's most recent examination rating for CRA performance as of July 22, 1991, by its primary regulator, the Federal Reserve Bank of Dallas ("Reserve Bank"), was satisfactory.[8] Mid Valley Bank has also received a satisfactory rating in the most recent examination of its CRA performance by its primary regulator, the FDIC, as of August 13, 1990. The Agency CRA Statement provides that although CRA examination reports do not provide conclusive evidence of an institution's CRA record, these reports will be given great weight in the application process.

Texas State Bank has a program in place designed to assist the bank in meeting the credit needs of its entire community, including low- and moderate-income neighborhoods. The Board notes that Texas Regional intends to merge Mid Valley Bank and Harlingen State Bank into Texas State Bank and to continue the CRA program of Texas State Bank. The CRA program in place at Texas State Bank includes a compliance

3. The McAllen-Edinburg-Mission MSA banking market is approximated by Hidalgo County, Texas.

4. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

5. 12 U.S.C. § 2901.

6. 54 *Federal Register* 13,742 (1989).

7. *Id.*

8. Harlingen State Bank was also rated satisfactory for CRA performance by its primary regulatory, the FDIC, as of April 22, 1991.

committee which meets every two months and monitors consumer compliance and the bank's CRA program. Texas State Bank's efforts to ascertain the credit needs of its communities rely primarily on personal contact by its board members, officers, and employees with members of the community. The bank has supplemented these efforts by mailing community contact letters and questionnaires to various persons and organizations within its community in order to obtain information regarding whether the credit needs of the community were being met and what other services Texas State Bank could provide to meet needs that were not being addressed. Although Texas State Bank's marketing program is not extensive, given its size and resources, the program appears sufficient. Texas State Bank makes use of radio, television, and billboards, and its loan-to-deposit ratio reflects a demand for its products.

Texas State Bank also actively participates in projects that support community development activities. The chairman of the bank's board of directors serves as the president of McAllen Affordable Homes, a corporation which provides funds for development of subdivisions for first time home buyers with low- to moderate-incomes. In February 1991, Texas State Bank provided $500,000 in funding to McAllen Affordable Homes for the development of a subdivision. Moreover, the bank's executive vice president in charge of lending serves as president of Ronco Enterprises, Inc., a corporation that engages in real estate development of low-income single family housing. Ronco Enterprises also provides counseling to individuals on how to qualify for a mortgage loan and provides assistance in avoiding default.

Texas State Bank participates in governmentally guaranteed lending programs, such as those of the Small Business Administration ("SBA"), and has taken steps to become a certified SBA lender. The bank has made seven SBA guaranteed loans totalling $783,000 from November 1990 through July 1991, and is active in providing funds for minority businesses. According to the Protestant McAllen Minority Business Development Center, Texas State Bank has been involved with this organization during the past year and a half in providing funding for minority business enterprises.

In light of Protestants' allegations regarding Mid Valley Bank's inadequate efforts to assist in meeting the credit needs of the Hispanic community, the Reserve Bank conducted an on-site review over a ten-day period in November 1991.[9] The results of this review were provided to the Protestants and one Protestant submitted comments regarding the findings of this review. The Board has carefully reviewed the results of this review and comments relating to its conclusions.

Mid Valley Bank has taken several steps to ensure that its CRA performance includes meeting the credit needs of the Hispanic community. For example, a substantial portion of Mid Valley Bank's staff, including loan officers, speak Spanish, and Mid Valley Bank is in the process of translating all of its credit applications into Spanish.[10] Moreover, Mid Valley Bank's ATM machine has been programmed to permit customers to conduct transactions in either Spanish or English. The bank's CRA notices and Statement are also available in Spanish.

Mid Valley Bank's business development and officer call programs include Hispanic businesses, and Hispanic borrowers constitute approximately 53 percent of Mid Valley Bank's total commercial loans, representing approximately 37 percent of the total dollar amount of the bank's commercial loan portfolio.[11] Moreover, approximately 80 percent of Mid Valley Bank's total installment loans, representing approximately 65 percent of the dollar amount of the bank's total installment loans, were made to Hispanic individuals or Hispanic-owned businesses. Mid Valley Bank also participates in organizations supporting community development activities, including the Weslaco Development Committee, Leadership Mid Valley, Better Business Bureau, and Weslaco Tomorrow Commission, and has invested in 22 separate issues of revenue and general obligation bonds from municipalities located in the bank's community.

Protestants have generally alleged that loan applications from Hispanics are subjected to delays in processing at Mid Valley Bank. Illegal credit practices, such as unequal treatment of loan applicants solely on the basis of ethnic background, are prohibited under the Equal Credit Opportunity Act (15 U.S.C. § 1601 *et seq.*). Mid Valley Bank's most recent CRA performance examination found no evidence of illegal discrimination or other illegal credit practices. In addition, the Reserve Bank's review found no evidence of Mid Valley Bank's failure to comply with the Equal

9. This review was conducted in connection with the proposed merger of Mid Valley Bank into Texas State Bank.

10. Protestants state that more Hispanics should be employed or serve in decision-making positions. While the Board fully supports affirmative programs designed to promote equal opportunity in every aspect of a bank's personnel policies and practices in the employment, development, advancement, and treatment of employees and applicants for employment, the Board believes that the bank's general personnel practices are beyond the scope of factors that may be assessed under the CRA.

11. These percentages exclude loans purchased from other banks and loans extended to municipalities.

Credit Opportunity Act or the Board's implementing regulation, Regulation B.

The Board notes that, although Mid Valley Bank's CRA performance is satisfactory, the Reserve Bank's review indicated that the bank could improve the documentation of its ascertainment and marketing efforts, to include how these efforts identify specific credit needs in the communities served by Mid Valley Bank. Texas State Bank has proposed a program to address these areas of weakness, and the Board expects Texas State Bank to put this program in place as soon as possible. The Board will review Texas Regional's progress in improving ascertainment and marketing efforts in future applications.

On the basis of these and other facts of record, including the satisfactory CRA performance records of Texas State Bank and Mid Valley Bank, the Board concludes that considerations relating to the convenience and needs of the communities to be served are consistent with approval of these applications.

Texas State Bank has also applied under section 9 of the Federal Reserve Act (12 U.S.C. § 322) to establish a branch at the location of Mid Valley Bank in Weslaco, Texas; a branch at the location of Harlingen State Bank in Harlingen, Texas; and an ATM at an additional location in Harlingen, Texas. The Board has considered the factors it is required to consider when reviewing applications for establishing branches and finds those factors to be consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications under the BHC Act, the Bank Merger Act, and the Federal Reserve Act should be, and hereby are, approved. The Board's approval is expressly conditioned upon compliance with all of the commitments made by Texas Regional in connection with these applications. Further, these commitments and conditions referred to in this Order are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law. The proposed acquisitions shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months following the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 24, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Australia and New Zealand Banking Group Limited
Melbourne, Australia

Order Approving Application to Provide Investment Advisory and Securities Brokerage Services on a Combined Basis, to Provide Certain Financial Advisory Services, and to Arrange as Agent the Purchase and Sale of Loans and Other Extensions of Credit

Australia and New Zealand Banking Group Limited, Melbourne, Australia, ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act (the "BHC Act"), has applied, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)), to engage, through its indirect wholly owned subsidiary, ANZ McCaughan Securities (USA) Inc., New York, New York ("Company"), in the following activities:

(1) providing investment advisory services and securities brokerage services on a combined basis ("full-service brokerage") to institutional customers;[1]

(2) providing corporate finance advisory services to institutional customers by:

(a) acting as a financial advisor either on a retainer or success fee basis, including advice with respect to structuring, financing, and negotiating domestic and international mergers and acquisitions, joint ventures, divestitures, capital-raising vehicles, interest rate swaps, interest rate caps, interest rate collars, currency swaps, similar hedging devices, and other corporate transactions, and providing

1. Australia and New Zealand defines an institutional customer as:
(1) banks (acting in an individual or fiduciary capacity); savings banks or savings and loan associations; insurance companies; investment companies registered under the Investment Company Act of 1940; or corporations, partnerships, proprietorships, organizations or institutional entities that regularly invest in the types of securities as to which investment advice is provided or that regularly engage in transactions in securities;
(2) employee benefit plans with assets exceeding $1,000,000 or whose investment decisions are made by a bank, insurance company or investment advisor registered under the Investment Advisors Act of 1940;
(3) natural persons whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $1,000,000;
(4) broker-dealers or options traders registered under the Securities Exchange Act of 1934, or other securities, investment, or banking professionals; or
(5) an entity all of the equity owners of which are institutional customers.

ancillary services or functions incidental to the foregoing activities;
(b) performing feasibility studies, principally in the context of determining the financial attractiveness and feasibility of particular corporate transactions;
(c) providing valuation services; and
(d) rendering fairness opinions in connection with corporate transactions; and
(3) arranging as agent the purchase and sale of loans or other extensions of credit originated by affiliated and unaffiliated lenders.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (56 *Federal Register* 67,621 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicant is the 89th largest banking organization worldwide and the second largest banking organization in Australia, controlling consolidated assets equivalent to approximately $78.4 billion.[2] Applicant operates branches in New York and Chicago, and agencies in Los Angeles and Houston.

Applicant currently provides, through Company's offices in New York, certain brokerage, advisory, and loan marketing services as incidental to Applicant's activities outside the United States pursuant to the Board's Regulation K. Company is registered as a broker-dealer with the Securities Exchange Commission under the Securities Exchange Act of 1934 ("Exchange Act") and is registered as a broker-dealer in various states. Company is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Exchange Act and the National Association of Securities Dealers.

The Board has previously determined by order that the proposed full-service brokerage activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[3] Applicant proposes that Company will conduct full-service brokerage in accordance with all of the requirements established by the Board in its orders concerning these activities.[4]

The Board has also determined by order that the proposed financial advisory services are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act.[5] Applicant proposes that Company will engage in financial advisory activities in accordance with all of the conditions set forth in the Board's orders concerning these activities.[6]

In addition, the Board has previously determined that arranging for the purchase and sale of loans or other extensions of credit originated by affiliated and unaffiliated lenders as agent is encompassed within the authorization of section 225.25(b)(1) of the Board's Regulation Y, 12 C.F.R. 225.25(b)(1).[7]

In order to approve this proposal, the Board is required to determine that the performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for the proposed services in which it does not currently engage in the United States would increase the level of competition among providers of these services. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The financial and managerial resources of Applicant are consistent with approval. Accordingly, based upon the facts of record and the

2. Asset data are as of September 30, 1991. Ranking data are as of December 31, 1990.

3. *See Banc One Corporation*, 76 *Federal Reserve Bulletin* 756 (1990); *The Bank of Tokyo, Ltd.*, 76 *Federal Reserve Bulletin* 654 (1990); *Norwest Corporation*, 76 *Federal Reserve Bulletin* 79 (1990); *Bank of New England Corporation*, 74 *Federal Reserve Bulletin* 700 (1988); *Bankers Trust New York Company*, 74 *Federal Reserve Bulletin* 695 (1988).

4. *Id.*

5. *See, e.g., The Dai-Ichi Kangyo Bank Limited*, 77 *Federal Reserve Bulletin* 184 (1991); *First Regional Bancorp, Inc.*, 76 *Federal Reserve Bulletin* 859 (1990); *Creditanstalt-Bankverein*, 76 *Federal Reserve Bulletin* 761 (1990); *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 577 (1989).

6. *Id.* For example, Applicant has committed that:
(1) Company's financial advisory activities will not encompass the performance of routine tasks or operations for a client on a daily or continuous basis;
(2) Disclosure will be made to each potential client of Company that Company is an affiliate of Applicant;
(3) Advice rendered by Company on an explicit fee basis will be without regard to correspondent balances maintained by a client of Company at Applicant or any of Applicant's depository subsidiaries or U.S. branches or agencies; and
(4) Company will not make available to Applicant or any of Applicant's subsidiaries confidential information received from Company's clients, except with the client's consent.

7. *See The Toronto-Dominion Bank*, 76 *Federal Reserve Bulletin* 573 (1990); *Bryn Mawr Bank Corporation*, 74 *Federal Reserve Bulletin* 329 (1988). *See also Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 939 (1987); *Post-och Kreditbanken, PKbanken*, 68 *Federal Reserve Bulletin* 787 (1982); *Societe Generale*, 67 *Federal Reserve Bulletin* 453 (1981).

commitments made by Applicant regarding the conduct of the proposed activities, the Board has determined that performance of these activities by Company can reasonably be expected to produce benefits to the public that would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and other facts of record, as well as the commitments made by Applicant, the Board has determined to, and hereby does, approve this application, subject to all of the terms and conditions set forth above and in the above-noted Board orders.

The Board's determination is also subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), 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. The Board's decision is specifically conditioned on continued compliance with all of the commitments made in this application, including the commitments discussed in this Order and the conditions set forth in the above-noted Board orders. These commitments are 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 consummated later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank, of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 11, 1992.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, LaWare, Lindsey, and Phillips. Absent and not voting: Governor Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

PNC Financial Corp
Pittsburgh, Pennsylvania

Order Approving Application to Act as Agent in the Private Placement of Securities, and to Act as "Riskless Principal" in Buying and Selling Securities

PNC Financial Corp, Pittsburgh, Pennsylvania ("PNC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) for its wholly owned subsidiary, PNC Securities Corp, Pittsburgh, Pennsylvania ("Company"), to act as agent in the private placement of all types of securities, including providing related advisory services, and to buy and sell all types of securities on the order of investors as a "riskless principal."

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (56 *Federal Register* 26,820 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

PNC, with approximately $44.3 billion in total consolidated assets, is the second largest commercial banking organization in Pennsylvania.[1] PNC operates 26 subsidiary banks and engages directly and through its subsidiaries in a broad range of permissible nonbanking activities in the United States.

Company is currently authorized to engage in underwriting and dealing in commercial paper, municipal revenue bonds, certain mortgage-related securities, and consumer-receivable-related securities. Company also is authorized to engage in underwriting and dealing in government obligations and money market instruments, pursuant to 12 C.F.R. 225.25(b)(16), and in providing investment advisory and brokerage services on a combined basis to retail and institutional customers. Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission and subject to the record-keeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the National Association of Securities Dealers.

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers, and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933, and are offered only to financially sophisticated institutions and individuals and not the public. PNC will not privately place registered securities and will only place securities with customers who qualify as accredited investors.

1. Asset data are as of March 31, 1991. Ranking, based on deposits, is as of December 31, 1990.

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.[2] "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, PNC proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board has previously determined by order that, subject to certain prudential limitations that address the potential for conflicts of interests, unsound banking practices or other adverse effects, the proposed private placement and "riskless principal" activities 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] The Board also has previously determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal" do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on ineligible securities underwriting and dealing.[4] PNC has committed that Company will conduct its private placement and "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the *Bankers Trust* and *J.P. Morgan* orders,[5] including the comprehensive framework of restrictions designed to avoid potential conflicts of interest, unsound banking practices and other adverse effects imposed by the Board in connection with underwriting and dealing in securities.[6]

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.[7] Based on the facts of this case, the Board concludes that financial considerations are consistent with approval of this application. The managerial resources of PNC also are consistent with approval.

In order to approve this application, the Board is required to determine that the performance of the proposed activities by PNC can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this and prior decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Consummation of the proposal would provide added convenience to Company's customers. In addition, the Board expects that the *de novo* entry of Company into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

2. *See* Securities and Exchange Commission Rule 10b-10. 17 C.F.R.240.10b-10(a)(8)(i).

3. *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

4. *J.P. Morgan and Company, Inc.*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); *Bankers Trust*.

5. As detailed more fully in those orders, in addition to the commitments imposed by the Board in connection with underwriting and dealing in securities, PNC has committed that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal", Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold, will not act as "riskless principal" in any transaction involving a security for which it makes a market, nor hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by PNC or any of its affiliates. With regard to private placement activities, PNC has committed that Company will not privately place registered investment company securities. Further, Company will not privately place any securities of investment companies that are advised by PNC or any of its affiliates.

6. *See First Union Corporation*, 75 *Federal Reserve Bulletin* 645 (1989). The Board modified this framework of restrictions for "riskless principal" and private placement activities in *Bankers Trust* and *J.P. Morgan*, and PNC has committed to conduct its private placement activities and likewise has agreed to conduct its "riskless principal" activities subject to this modified framework of restrictions. *See First Union Corporation*, 76 *Federal Reserve Bulletin* 174 (1990). These modifications relate to extensions of credit to an issuer of securities for which Company would act as "riskless principal," purchases by affiliates of securities for which Company would act as "riskless principal," acting as a "riskless principal" for sophisticated institutions purchasing or selling unrated securities of Company's affiliates, and including "riskless principal" transactions in Company's policies limiting overall exposure to a single customer whose securities are underwritten by Company.

7. 12 C.F.R. 225.24; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155, 156 (1987).

Based on all the facts of record, and subject to the commitments made by PNC, as well as all of the terms and conditions set forth in this order and in the above-noted Board orders, the Board has determined that the application should be, and hereby is, approved. Approval of this proposal is specifically conditioned on compliance by PNC and Company with the commitments made in connection with its application, as supplemented, and with the conditions referenced in this order. The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in section 225.4(d) and 225.23(b), 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. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective February 18, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, Lindsey, and Phillips. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Stichting Prioriteit ABN AMRO Holding

Stichting Administratiekantoor ABN AMRO Holding

ABN AMRO Holding N.V.

ABN AMRO Bank, N.V.
all of Amsterdam, The Netherlands

ABN AMRO North America, Inc.
Chicago, Illinois

Order Approving Application to Acquire a Savings Association

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, and ABN AMRO Holding N.V., all of Amsterdam, The Netherlands, foreign banking organizations subject to the Bank Holding Company Act ("BHC Act"); and ABN AMRO Bank, N.V., Amsterdam, The Netherlands, and ABN AMRO North America, Inc., Chicago, Illinois, bank holding companies within the meaning of the BHC Act (collectively, "Applicant"), have applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire The Talman Home Federal Savings and Loan Association of Illinois, Chicago, Illinois ("Talman"). Talman will be acquired through a purchase of assets and assumption of liabilities transaction with LaSalle Talman Bank, F.S.B., Chicago, Illinois ("LaSalle Talman"), a newly chartered federal stock savings bank to be owned by Applicant's United States subsidiary, ABN AMRO North America. Talman and LaSalle Talman will be owned by Applicants in accordance with section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 57,647 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.[2]

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board

1. Applicant also has applied to acquire the following nonbanking subsidiaries of Talman: Talman Home Mortgage Corporation, Norridge, Illinois, and thereby engage in the origination and servicing of residential mortgage loans pursuant to 12 C.F.R. 225.25(b)(1); and Talman Insurance Services, Inc., Chicago, Illinois ("TISI"), and thereby engage in credit-related insurance agency activities pursuant to 12 C.F.R. 225.25(b)(8)(i). Applicant also has applied to engage in securities brokerage activities pursuant to 12 C.F.R. 225.25(b)(15), through a lease agreement with GNA Securities; and to retain Talman's investment in the Savings and Loan Network, Inc., Chicago, Illinois, and thereby engage in community development activities pursuant to 12 C.F.R. 225.25(b)(6).

2. The Board has received comments from the National Training Institute and Information Center ("NTIIC") and the Woodstock Institute, both of Chicago, Illinois, stating that the public benefits of permitting Applicant to acquire Talman weigh for approval of this case and outweigh potential adverse effects from the proposal. NTIIC has endorsed the lending record of Talman, as well as its participation in special loan programs, and the Woodstock Institute has endorsed Talman's home mortgage lending record in the community. The Board also has received comments from several members of Congress in favor of the proposal. In addition, another member of Congress requests that the Board thoroughly review the CRA aspects of the proposal and not diminish the weight given to the CRA in reviewing this case. The Board also has received comments filed by a customer of LaSalle Bank, alleging that interest on his home equity line of credit was incorrectly calculated. These allegations are under review by the Office of the Comptroller of the Currency ("OCC"), LaSalle Bank's primary regulator.

required that savings associations acquired by bank holding companies conform their direct and indirect activities to those activities permissible for bank holding companies under section 4 of the BHC Act.[3] In this regard, the Board has previously determined that the mortgage lending, credit-related insurance agency, discount brokerage and community development activities of Talman's nonbanking subsidiaries are permissible activities for bank holding companies. In addition, Applicant has committed to conform all activities of LaSalle Talman to the requirements of section 4 of the BHC Act and Regulation Y.[4]

In reviewing proposals under section 4(c)(8) of the BHC Act, the Board is required to determine that the ownership and operation of the acquired company by the applicant "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

3. Applicant commits that should Talman engage in any activities that are impermissible for bank holding companies under section 4(c)(8) of the BHC Act, these activities will be divested as follows:

(1) any impermissible securities activities conducted by Talman or its subsidiaries will cease on or before consummation; and

(2) any impermissible real estate investments will be divested within two years of consummation of the proposal, no new impermissible projects or investments will be undertaken during this period, and capital adequacy guidelines will be met excluding specified real estate investments.

Talman, through a joint venture, owns 10 percent of the stock of the Bank for Financial Institutions, Chicago, Illinois ("BFI"), a bank chartered under Illinois law to provide banking services to financial institutions. Applicant has committed to divest its interest in BFI as soon as possible following consummation of this transaction and, in any event, within one year from the date of consummation of this transaction.

4. TISI also engages in the sale as agent of insurance products in Illinois under the Home Owners' Loan Act. These activities are not permissible for bank holding companies under section 4(c)(8) of the BHC Act. These insurance agency activities include the sale of credit-related insurance on extensions of credit made by non-affiliated lenders, and the sale of homeowners, life, health, automobile, accident, property and casualty, surety coverage and professional liability coverage. Section 461 of the Federal Deposit Insurance Corporation Improvement Act of 1991, Pub. L. No. 102–242, § 461; 105 Stat. 2236 (1991), permits a Qualified Savings Association chartered in December 1986 and acquired without federal financial assistance by a bank holding company before March 1, 1992, to continue to engage in insurance agency activities in its home state if the savings association was continuously engaged in such activity from June 1, 1991, to the date of acquisition. On the basis of the record on this application, the Board concludes that this provision would permit LaSalle Talman to continue TISI's insurance agency activities in Illinois following its acquisition by LaSalle National Corporation ("LNC") for so long as LaSalle Talman is operated as a Qualified Savings Association. Applicant has committed that in the event Talman ceases to be a Qualified Savings Association, Applicant will cease or divest immediately all impermissible insurance activities, and will conduct its insurance activities in accordance with the BHC Act and the Board's Regulation Y.

Applicant is the largest banking institution in The Netherlands, and is the sixth largest banking institution in Europe. ABN AMRO North America, a wholly owned subsidiary of ABN AMRO Bank, N.V., has consolidated assets of $8.6 billion. Applicant also operates European American Bank, Uniondale, New York, and numerous agencies, branches, and representative offices in Atlanta, Boston, Chicago, Houston, Los Angeles, San Francisco, Miami, New York, Pittsburgh, and Seattle.

ABN AMRO North America operates seven bank subsidiaries in Illinois through LaSalle National Corporation ("LNC"). LNC is the fourth largest banking organization in Illinois, controlling approximately $5.3 billion in commercial bank deposits in Illinois, representing 4 percent of the total deposits in commercial banking organizations in the state.[5] Talman is the largest savings association in Illinois, controlling approximately $4.1 billion in deposits. Upon consummation of the proposed acquisition, LNC would become the third largest commercial banking organization in Illinois, controlling approximately $9.4 billion in deposits in Illinois.

LNC and Talman compete directly in the Chicago, Illinois banking market.[6] LNC is the fourth largest depository organization in this market, controlling $5.3 billion in deposits, representing approximately 4.9 percent of the deposits held by banks and savings associations operating in the market ("market deposits").[7] Talman is the seventh largest depository institution in the Chicago banking market, controlling $3.9 billion in deposits, representing approximately 1.8 percent of market deposits. Upon consummation of this proposal, Applicant would become the third largest depository organization in the market, controlling $9.2 billion in deposits, representing approximately 6.7 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by 23 points to 609, and the banking market would remain unconcentrated.[8]

5. State deposit data are as of June 30, 1990.

6. The Chicago, Illinois banking market is approximated by Cook, DuPage, and Lake Counties, all in Illinois.

7. Market share data are as of June 30, 1990. The pre-merger market deposit data are based on calculations in which the deposits of Talman and all other thrifts are included at 50 percent. Upon consummation of the proposal, LaSalle Talman would be affiliated with a commercial banking organization. Therefore, on a *pro forma* basis, the deposits of LaSalle Talman are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent.

8. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. Generally, the Department of Justice will not challenge a bank merger (in the absence of other factors indicating anticompetitive effects) if the post-merger HHI is less than 1800.

On the basis of all the facts of record, the Board concludes that consummation of the proposed acquisition would not have a significantly adverse effect on competition in any banking market. The Board also notes that the markets for the nonbanking activities in which both LNC and Talman compete are served by numerous competitors, and the share of the market controlled by LNC and Talman is small in each case. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the provision of these services in any relevant market. The record does not indicate that this proposal is likely to result in any other significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

The Board also has taken into account the financial condition of Talman, and Applicant's proposal to provide substantial new capital to Talman. Talman has recently experienced significant financial difficulties, and has reported negative net worth. The Office of Thrift Supervision ("OTS") has informed the Board that Talman has incurred losses that have depleted substantially all of its capital and that Talman is an institution "in danger of default." As part of this transaction, Applicant has committed to provide substantial capital resources to Talman sufficient to restore Talman's capital levels above the regulatory minimum levels.

The Board previously has determined that the performance record under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") of banks owned by an applicant must be considered in the analysis of the public benefits of any proposal to acquire a savings association. In this regard, the Board has considered that two of LNC's subsidiary banks, LaSalle National Bank, Chicago, Illinois ("LaSalle Bank"), and the LaSalle Bank, Matteson, Matteson, Illinois ("Matteson Bank"), have not received satisfactory ratings in the most recent examination of their performance under the CRA.[9] The CRA performance records of all the remaining LNC subsidiary banks are currently rated satisfactory by the banks' primary regulators, and have been rated satisfactory for at least two preceding examinations. LaSalle Bank and Matteson Bank also received satisfactory CRA performance ratings from their primary regulators in their two preceding examinations.

Applicant has committed to take a number of steps at LaSalle Bank to address the concerns raised in the December 1991 examination.[10] The OCC has informed the Board that these steps, when fully implemented, will satisfactorily address the CRA weaknesses at LaSalle, and that LaSalle Bank has been responsive in correcting weaknesses identified in previous examinations. In the case of Matteson Bank, substantial steps have already been taken to address the criticisms noted in the FDIC's examination.[11]

The Board has also taken into account as a significant mitigating factor the fact that this proposal would serve the convenience and needs of the community by maintaining Talman and its successors as an active lender in its market. The financial support provided to Talman under this proposal will enable LaSalle Talman, without federal assistance, to continue to provide credit opportunities and banking services to its local communities, including low- and moderate-income neighborhoods.

On the basis of these and all of the other facts of record, including a review of the CRA performance record of Applicant, the Board finds that the public benefits that would result from this transaction are substantial and outweigh the possible adverse effects. Accordingly, based upon consideration of all the facts in this case, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the application to acquire Talman. Although the Board does not generally consider commitments made in the applications process as adequate to overcome a deficient CRA performance record, the Board and the other federal banking agencies have indicated in the Statement of the Federal Financial Supervisory

9. LaSalle Bank, LNC's lead bank, received a "needs to improve" CRA performance rating from the OCC in a CRA performance examination in December 1991 (the "December 1991 examination"). Matteson Bank, which comprises approximately 2.6 percent of LNC total consolidated assets, received a less than satisfactory rating from the Federal Deposit Insurance Corporation ("FDIC") in April 1990.

10. LaSalle Bank received its most recent CRA rating during the pendency of this application and immediately developed proposals to address deficiencies identified by the OCC. LaSalle Bank has not had sufficient time before this application was considered by the Board to implement all of the steps. LaSalle Bank's proposed corrective measures include a review of all denials of credit applications received from low- and moderate-income residents; expansion of the scope of the bank's audits for compliance with fair lending laws to include an analysis of the reasons for loan denials as well as monitoring of the location of the applicants; establishment of a small business lending unit; and expansion of LaSalle Bank's outreach and marketing efforts.

11. For example, Matteson Bank has significantly improved its efforts to ascertain the credit needs of its communities through increased contacts with community groups, public officials, and consumers in general through mail surveys. Matteson Bank's marketing efforts now include the use of local newspapers and statement inserts that advertise specific services and products. The geographic distribution of Matteson Bank's loans are reviewed quarterly by its CRA committee and data from these reports have served as a basis for redefining the bank's service area. Matteson Bank has also significantly increased its community development activities.

Agencies Regarding the Community Reinvestment Act that commitments may be appropriate in addressing CRA performance in certain circumstances, including in the context of an acquisition of a troubled financial institution. In this regard, the Board has directed the Federal Reserve Bank of Chicago ("Reserve Bank") to monitor Applicant's progress in implementing the CRA programs and policies described in the application as supplemented, and to report to the Board on Applicant's progress. As a condition of the Board's action in this case, Applicant must submit quarterly reports to the Reserve Bank that include a description of the steps it has taken to comply with its representations and commitments to the Board, as well as the steps it has implemented to improve the CRA performance of the two subsidiary banks.

Based on all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance with all the commitments made by Applicant in connection with this application, including implementation of the planned corrective actions at LaSalle Bank, and the conditions imposed in this Order. This determination is also subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and Orders issued thereunder. All of the commitments and conditions relied on by the Board in reaching its decision in this case are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable laws.

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

By order of the Board of Governors, effective February 27, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, LaWare, and Phillips. Abstaining from this action: Governors Angell and Lindsey. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

BankAmerica Corporation
San Francisco, California

Nevada First Development Corporation
Las Vegas, Nevada

Order Approving Acquisition of a Bank Holding Company and Banks

BankAmerica Corporation, San Francisco, California ("BankAmerica"), and its wholly owned subsidiary, Nevada First Development Corporation, Las Vegas, Nevada ("NFDC"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Valley Capital Corporation, Las Vegas, Nevada ("Valley Capital"), and thereby acquire Valley Bank of Nevada, Las Vegas, Nevada, and Caliber Bank, Phoenix, Arizona.[1] BankAmerica and NFDC have also applied for the Board's approval under section 4(c)(8) of the BHC Act to acquire the shares of certain nonbanking companies owned by Valley Capital that are listed in the Appendix to this order. Each of the nonbanking companies conducts nonbanking activities that have been authorized by the Board by order or by regulation.

Notice of the applications, affording an opportunity for interested persons to comment, has been duly published (56 *Federal Register* 51,898 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.[2]

Interstate Banking Provisions

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect

1. The proposed transaction would be effected through the merger of Valley Capital with and into NFDC. BankAmerica has also applied to acquire an option that gives BankAmerica the right to acquire up to 14.9 percent of Valley Capital's common stock upon the occurrence of certain triggering events defined in the Plan and Agreement of Merger between BankAmerica and Valley Capital. The option will expire upon consummation of the proposed acquisition.

2. With the exception of a report from the U.S. Department of Justice, the Board received no comments on this application.

and not merely by implication." For purposes of the Douglas Amendment, California is the home state of BankAmerica.[3] BankAmerica proposes to acquire Valley Capital's Nevada and Arizona bank subsidiaries. The laws of both Arizona and Nevada permit out-of-state bank holding companies, including bank holding companies located in California, to acquire established banks located in those states, subject to the prior approval of the respective state banking supervisors.[4] Accordingly, Board approval of this proposal is not barred by the Douglas Amendment.

Competitive Considerations

Nevada

BankAmerica is the third largest commercial banking organization in the United States and operates banking subsidiaries in California, Arizona, Idaho, Nevada, New Mexico, Oregon, Texas and Washington.[5] BankAmerica is the fifth largest commercial banking organization in Nevada, where it controls deposits of approximately $436.0 million, representing approximately 4.9 percent of the total deposits in commercial banks in Nevada. Valley Capital is the second largest commercial banking organization in Nevada, where it controls deposits of approximately $2.7 billion, representing approximately 29.9 percent of the total deposits in commercial banks in Nevada. Upon consummation, BankAmerica would become the largest commercial banking organization in Nevada, accounting for approximately 34.8 percent of the total deposits in commercial banks in the state.

BankAmerica competes directly with Valley Capital in seven Nevada banking markets.[6] In order to mitigate the potential anticompetitive effects of the proposed acquisition in these markets, BankAmerica has committed to divest of all of the operations of BankAmerica Nevada, its Nevada bank subsidiary, to a substantial bank holding company that does not have significant operations in Nevada.[7] After giving effect to the divestitures proposed in these Nevada markets, the Herfindahl–Hirschman Index ("HHI") and other measures of concentration would not increase significantly and the number of competitors remaining in any relevant market would not change.[8]

The Bullhead City banking market includes portions of Arizona, California, and Nevada. BankAmerica competes with Valley Capital in this market through BankAmerica Arizona, a bank subsidiary located in Arizona. In order to mitigate the potentially anticompetitive effect of the proposed transaction in the Bullhead City banking market, BankAmerica has committed to divest a branch in this market.[9] After giving effect to the proposed divestiture, the HHI and other measures of concentration would not increase significantly and the number of competitors remaining in this market would not change. Accordingly, the Board believes that consummation of the proposal would not result in a significantly adverse effect on competition in any banking market in Nevada.

Arizona

BankAmerica is the third largest commercial banking organization in Arizona, where it controls deposits of

3. 12 U.S.C. § 1842(d). A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. *Id.*

4. Ariz. Rev. Stat. § 6–321 to -323 (1991); Nev. Rev. Stat. Ann. § 666.225–305, -315 (Michie 1991). The Board has determined previously that the Douglas Amendment does not bar a California bank holding company's acquisition of a bank holding company and bank located in Nevada. *BankAmerica Corporation*, 75 *Federal Reserve Bulletin* 825 (1989). BankAmerica's application to acquire Valley Capital's Nevada subsidiary bank is pending before the Nevada Commissioner of Financial Institutions. The Board's action in this case is specifically conditioned on BankAmerica's obtaining any approvals required under Nevada law. By order dated December 4, 1991, the Arizona Superintendent of Banks approved BankAmerica's application to acquire Valley Capital's Arizona subsidiary bank.

5. State deposit data are as of June 30, 1991. Market deposit data are as of June 30, 1990.

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

7. BankAmerica has committed to execute an agreement for the sale of BankAmerica Nevada prior to consummation of this proposal. BankAmerica has committed that, if it is unsuccessful in consummating the divestiture of BankAmerica Nevada within 180 days of consummation of the proposal to acquire Valley Capital, BankAmerica will transfer all of the shares of BankAmerica Nevada to an independent trustee with instructions that the trustee sell the bank promptly. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52, (1991); *First Union Corporation*, 76 *Federal Reserve Bulletin* 83 (1990).

8. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., First Union Corporation*, 76 *Federal Reserve Bulletin* 83 (1990). In considering the competition offered by thrifts in all banking markets in this case, thrift deposits are weighted at 50 percent, unless otherwise noted. *See, e.g.,Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 751 (1991).

9. The Board will consider BankAmerica's request to defer the proposed divestiture in the Bullhead City banking market when the Board reviews the other divestitures proposed by BankAmerica in Arizona in connection with BankAmerica's application to acquire Security Pacific Corporation, Los Angeles, California.

approximately $5.3 billion, representing approximately 17.9 percent of the total deposits in commercial banks in Arizona. Valley Capital is the 11th largest commercial banking organization in Arizona, where it controls deposits of approximately $164.9 million, representing approximately 0.6 percent of the total deposits in commercial banks in Arizona. Upon consummation of the proposal, BankAmerica would remain the third largest commercial banking organization in Arizona, accounting for approximately 18.5 percent of the total deposits in commercial banks in the state.

BankAmerica competes directly with Valley Capital in one banking market in Arizona through BankAmerica Arizona. Based on post-consummation concentration levels, market share, and the number of competitors remaining in the market, the Board believes that the proposal would not result in a significantly adverse effect on competition in any banking market in Arizona.[10]

Accordingly, based on all the facts of record in this case, and subject to the divestiture commitments made by BankAmerica in this case, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. The Board has sought comments from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of this proposal. The Attorney General has indicated that, subject to consummation by BankAmerica of the proposed divestitures in the Churchill County, Elko, Humboldt County, Las Vegas, and Reno, Nevada banking markets, the proposal would not have significantly adverse effects on competition in any relevant banking market. Neither the OCC nor the FDIC has provided any objection to consummation of this proposal nor indicated that the proposal would have any significantly adverse competitive effects.

Other Considerations

Based on the facts of record, the Board also concludes that financial considerations, managerial resources, future prospects, supervisory factors, and convenience and needs considerations related to this proposal are consistent with approval of this transaction. The Board notes that BankAmerica has applied for Board approval to acquire Security Pacific Corporation. In acting upon the proposal to acquire Valley Capital, the Board considered the statutory factors only as they relate to the Valley Capital proposal and did not consider the statutory factors as they may relate to the Security Pacific proposal or to any other proposal pending before the Board.

BankAmerica has also applied under section 4(c)(8) of the BHC Act to acquire the shares of the nonbanking subsidiaries of Valley Capital listed in the Appendix. The Board has determined by order or by regulation that each of the activities conducted by these companies is closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act.

BankAmerica nonbank subsidiaries compete with five of Valley Capital's six nonbank subsidiaries. In each instance, the markets for these nonbanking services are not highly concentrated and numerous providers of the services would remain after consummation of the proposal. As a result, consummation of the this proposal would have a minimal effect on competition for these services, and the Board concludes that the proposal would not result in a significantly adverse effect on competition in any relevant market. For the reasons discussed above, the Board has determined that the proposal is not likely to result in any significant adverse effects, such as undue concentration or resources, decreased or unfair competition, conflicts of interests, unsound banking practices, concentration of resources or other adverse effects, and that the balance of public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable.

Based on the foregoing and other facts of record, and subject to the commitments made by BankAmerica and the conditions in this order, the Board has determined that the applications should be, and hereby are, approved. Approval of these proposals is specifically conditioned on compliance by BankAmerica with the commitments made in connection with its applications in this case and with the conditions referenced in this order. The determinations as to the nonbanking activities are also subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued

10. BankAmerica competes directly with Valley Capital in the Phoenix, Arizona banking market. The Phoenix banking market is approximated by the Phoenix Ranally Metropolitan Area with the addition of the towns of Carefree, Cave Creek, and Buckeye, Arizona. Upon consummation, BankAmerica would remain the largest depository institution in the market, holding deposits of approximately $5.6 billion, representing 24.2 percent of the market deposits. The HHI would increase by 37 points to 1788.

thereunder. Further, the commitments and conditions referenced in this order are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced under applicable provisions of law.

The acquisition of Valley Capital Corporation's subsidiary banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and no acquisition may be consummated later than three months after the effective date of the order. This period may be extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective February 12, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, LaWare, Lindsey, and Phillips.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

BankAmerica will acquire the following nonbank subsidiaries of Valley Capital:

(a) Valley Capital Life Insurance Co., Inc., and thereby engage in underwriting and reinsurance of credit life insurance and credit accident, health and unemployment insurance which is directly related to extensions of credit by Valley Bank pursuant to section 225.25(b)(8)(i) of the Board's Regulation Y.
(b) Valley Electronic Services, Inc., and thereby engage in providing electronic banking services by operating and servicing the automatic teller machines at affiliate bank branch locations; owning, operating and servicing terminals at off-site locations such as grocery stores, hotels and casinos throughout Nevada; processing credit and debit card transactions; providing connections to national and regional ATM networks, pursuant to section 225.25(b)(7) of Regulation Y.
(c) Valley Leasing Company, Inc., and thereby engage in leveraged and non-leveraged leasing of personal property, including gaming equipment, furniture and fixtures, and industrial, high-tech and medical equipment, pursuant to section 225.25(b)(5) of Regulation Y.
(d) Valley Mortgage Company, Inc., and thereby engage in originating residential mortgage loans for resale in the secondary market, servicing such loans, making residential real estate construction loans, and servicing such loans for third parties, pursuant to section 225.25(b)(1) of Regulation Y.
(e) Pacific Century Finance Company (dba Caliber Finance Company), and thereby engage in the financing of non-recourse automobile dealer installment sales contracts, pursuant to section 225.25(b)(1) of Regulation Y.
(f) Caliber Premium Company, and thereby engage in insurance premium financing pursuant to section 225.25(b)(1) of Regulation Y.

Society Corporation
Cleveland, Ohio

Order Approving the Acquisition of a Bank Holding Company

Society Corporation, Cleveland, Ohio ("Society"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Ameritrust Corporation, Cleveland, Ohio ("Ameritrust"), and thereby indirectly acquire Ameritrust Company, N.A., and Ameritrust Development Bank, both of Cleveland, Ohio; Ameritrust Indiana Corporation, Elkhart, Indiana, and its subsidiary banks, Ameritrust National Bank Central Indiana, Indianapolis, Indiana; Ameritrust National Bank, Michiana (Elkhart), Elkhart, Indiana; Ameritrust National Bank, Michiana (Sturgis), Sturgis, Michigan; and Ameritrust Bank, Howard County, Kokomo, Indiana.[1]

Society also has applied under section 4(c)(8) of the BHC Act to acquire the nonbanking subsidiaries of Ameritrust listed in the Appendix to this Order. Each of these activities has been previously approved by the Board. Society also has applied to acquire Ameritrust International Corporation, Cleveland, Ohio, an inactive corporation that is chartered pursuant to section 25(a) of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) ("Edge Act").[2]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 61,251 (1991)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4 of the BHC Act.

1. In connection with this transaction, Ameritrust has granted Society an option to purchase up to 19.9 percent of the outstanding common stock of Ameritrust, and Society has applied to exercise the option if any of several preconditions occur. This option will become moot upon consummation of the Society application to acquire Ameritrust.

2. Ameritrust International has been inactive since 1986. Society has committed not to engage in any activities through it without obtaining prior Board approval.

Douglas Amendment

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication."[3] Society seeks to acquire bank subsidiaries of Ameritrust located in Indiana and Michigan. For purposes of the Douglas Amendment, the home state of Society is Ohio.[4] The Board previously has determined that the interstate banking statutes of Indiana permit the acquisition of Indiana banking organizations by Ohio banking organizations.[5] The Board also has determined that the Michigan interstate banking statute expressly authorizes the acquisition of a Michigan bank by an Ohio bank holding company.[6] Accordingly, Board approval of this proposal is not prohibited by the Douglas Amendment. However, approval of this proposal is conditioned upon Society receiving all required state regulatory approvals.

Competitive, Financial, Managerial and Supervisory Considerations

Upon consummation of the transaction, Society would become the largest banking organization in Ohio, controlling deposits of $16.5 billion, representing 18.3 percent of the deposits in commercial banking organizations in the state; the fourth largest banking organization in Indiana, controlling deposits of $2.8 billion, representing 6.0 percent of the deposits in commercial banking organizations in the state; and would remain the twelfth largest commercial banking organization in Michigan, controlling approximately $748.0 million in total deposits, representing approximately 1 percent of the total deposits in commercial banking organizations in Michigan.[7]

Society and Ameritrust compete directly in ten banking markets in Ohio and Indiana.[8] After considering the competition offered by thrift institutions,[9] the number of competitors remaining in the market, the increase in concentration, and the other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect on competition in the following banking markets: Akron, Canton, Cincinnati, Cleveland, Columbus and Youngstown-Warren in Ohio; and Elkhart-Niles-South Bend and Warsaw County in Indiana. Society has proposed divestitures to mitigate the anticompetitive effects of the proposed merger in the remaining banking markets of Ashtabula, Ohio, and Starke County, Indiana.[10]

In the Ashtabula banking market,[11] Society is the largest of ten depository institutions, with $186.8 million in deposits, which represents approximately 25.1 percent of the total deposits in depository institutions in the market ("market deposits"). Ameritrust is the third largest depository institution in the market, with $132.8 million in deposits, which represents approxi-

3. 12 U.S.C. § 1842(d).

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

5. Ind. Code § 28-2-15-18 (Supp. 1991). *See Banc One Corporation*,72 *Federal Reserve Bulletin* 422 (1986).

6. Michigan law authorizes acquisitions of Michigan banking organizations by out-of-state banking organizations on a national reciprocal basis, provided that the acquisition meets state safety and soundness considerations, and that it does not affect adversely the activities of any Michigan banking institution. Mich. Stat. Ann. § 23.710(130b) (1991). The Acting Commissioner of the State of Michigan Department of Commerce, Financial Institutions Bureau, has determined that Society's acquisition of Ameritrust's Michigan subsidiaries meets the requirements of section 130b of the Michigan Banking Code of 1969, as amended, Mich. Stat. Ann. § 23.710(130b) (1991), and that the acquisition is permissible, subject to approval by the Board.

7. State deposit data are as of September 30, 1991, and reflect all proposed divestitures. Market data are as of June 30, 1990.

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

9. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *First Union Corporation*, 76 *Federal Reserve Bulletin* 83 (1990); *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989). 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). In considering the competition offered by thrifts in all banking markets in this case, thrift deposits are weighted at 50 percent, unless otherwise noted. *See e.g., Ames National Corporation*, 78 *Federal Reserve Bulletin* 59 (1992); *Fleet/Norstar Financial Group Inc.*, 77 *Federal Reserve Bulletin* 750 (1990).

10. In each market in which Society has committed to divest branch offices to mitigate possible anticompetitive effects of this acquisition, Society has executed agreements that require consummation of these divestitures within 180 days of consummation of the proposal. If Society is unsuccessful in divesting these branches within 180 days of consummation, Society has committed to transfer these branches to an independent trustee with instructions to sell these branches promptly. *See e.g., United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484, 485 (1991); *First Union Corporation*, 76 *Federal Reserve Bulletin* 83 (1990).

11. The Ashtabula banking market is approximated by Ashtabula County, Ohio.

mately 17.9 percent of market deposits. Society has committed to divest four of the five Ameritrust branches in this market, representing approximately $105.0 million in market deposits, to a banking organization not currently operating in this market. With this divestiture, the number of competitors in the Ashtabula banking market will not change following consummation of this proposal, and the HHI in this market would increase by 81 points to 1850.[12]

In the Starke County banking market,[13] Society is the second largest of five depository institutions, holding $43.5 million in deposits, which represents approximately 28.6 percent of the total market deposits. Ameritrust is the fifth largest depository institution in the market, with $6.9 million in deposits, which represents approximately 4.5 percent of market deposits. Society has committed to divest Ameritrust's single branch in this market to a banking organization not currently operating in this market. As a result of this divestiture, the number of depository institutions in the Starke County banking market will not change following the consummation of the proposal, and the HHI in this market would remain unchanged.

The Department of Justice ("Department") has indicated to the Board the Department's opinion that the proposal would have a significantly adverse competitive effect in Cuyahoga County and Lake County, Ohio.[14] The Department bases this conclusion on an analysis of the supply of and demand for credit to commercial customers, in particular small and medium-sized businesses, in these areas. The Department believes that the relevant product market for analyzing the competitive effects of this transaction is commercial loans other than commercial mortgage loans, and, that the relevant geographic markets consist of four counties, including Cuyahoga County and Lake County. The Department has stated its belief that the divestitures currently proposed by Applicant in Cuyahoga County do not appear to be sufficient to address the Department's concern regarding competition in that area. The Department has also indicated that it is continuing to discuss this matter with Applicant.

For the reasons explained in previous decisions and based on the record in this case, the Board believes that competitive analysis of this acquisition proposal should be based on the availability of the cluster of banking services to a range of customers in the local banking market.[15] A recent study conducted by Board staff supports the conclusion that customers still seek to obtain this cluster of services.[16] Based on this product market definition, the Board believes that the relevant geographic market is the Cleveland banking market.[17]

The Cleveland banking market is moderately concentrated, with 48 banking and thrift competitors in the market. Following consummation, the market would remain moderately concentrated with numerous competitors providing or poised to provide the cluster of banking products and services.[18] Furthermore, statistics relating to population per banking office, deposits per banking office, total banking assets and household income in the market, all indicate that Cleveland is an attractive market for entry. It is a major urban area, and includes the second largest city in Ohio. Seven banking organizations have entered the Cleveland banking market *de novo* since 1983, three of them in the last two years.

In considering the views of the Department, the Board notes that the Department has not provided the Board with evidence to support the Department's conclusions regarding the definition of the product market in this case. The Board also notes that, assuming the product market is defined by non-real estate commercial lending to small businesses, the Department does not indicate that it has taken into account competition in these products from nonbanking institutions, including finance companies, or the degree to which a variety of banking and nonbanking competitors supply other products, such as home equity loans and credit card loans, that may be effective substitutes for the products identified by the Department. In light of the record before the Board, the Board believes that the appropriate product market is the cluster of banking products and services and the relevant geographic market is the Cleveland banking market as defined above.

Based on all of the facts of record in this case, and subject to the divestiture proposals made by Society, the Board concludes that consummation of this pro-

12. Following this proposed divestiture in the Ashtabula banking market, Society would remain the largest depository institution in the market, controlling approximately $214.6 million in deposits, representing approximately 28.9 percent of deposits in the market.

13. The Starke County banking market is approximated by Starke County, Indiana.

14. The Department has indicated that, after taking into account the divestitures proposed in other markets, the transaction would not raise competitive concerns in other relevant banking markets.

15. *See First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991); *Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 750 (1991); and *U.S. v. Philadelphia National Bank*, 374 U.S. 321 (1963).

16. Elliehausen and Wolken, *Banking Markets and the Use of Financial Services by Small- and Medium-Sized Businesses*, 76 *Federal Reserve Bulletin* 726 (1990).

17. The Cleveland banking market is approximated by Cuyahoga, Geauga, Lake, and Lorain Counties, the northern third of Summit County, the northern two-thirds of Medina County, Aurora and Streetsboro townships in Portage County, and the City of Vermilion in Erie County, all in Ohio.

18. With thrift deposits weighted at 50 percent, Society would control 34.4 percent of the market deposits, and the HHI would increase by 568 points to 1699 in the Cleveland market upon consummation of the proposal.

posal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. The Board has also sought comments from the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of this proposal. Neither the OCC nor the FDIC has provided any objection to consummation of this proposal or indicated that the proposal would have any significantly adverse competitive effects.

Based on the entire record, the Board also concludes that the financial and managerial resources, future prospects of Society, its subsidiary banks, and Ameritrust, and the supervisory factors in this case, are consistent with approval of this proposal.[19]

Convenience and Needs Considerations

In analyzing the effect of this merger on the convenience and needs of the communities served by Society and Ameritrust, the Board has taken into account the record of the subsidiary banks of Society and Ameritrust under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution", and to take that record into account in its evaluation of bank holding company applications.[20]

In this regard, the Board has considered comments filed by several protestants ("Protestants") expressing concerns regarding the efforts by Society and Ameritrust to meet the credit needs of their entire communities, including low- and moderate-income neighborhoods primarily in Cleveland.[21] Some of the Protestants expressed concerns regarding the effect of the merger on local commercial lending and home mortgage availability, and alleged that the 1990 data available under the Home Mortgage Disclosure Act indicate that Society and Ameritrust have insufficient shares of the first mortgage home financing market. Protestants have also raised issues regarding possible branch closings that may result from the proposal.[22]

The Board has carefully reviewed the CRA performance records of Society, Ameritrust, and their subsidiary banks, the comments and evidence presented in written submissions, and Society's responses to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[23] The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis, and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance. The Agency CRA Statement explains that decisions to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution.[24]

Initially, the Board notes that all of Society's five subsidiary banks have received an "outstanding" or "satisfactory" rating from their primary supervisors during the most recent examination of each bank's CRA performance, and all of Ameritrust's subsidiary banks received "satisfactory" ratings.[25] The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consider-

19. The Board has considered comments filed after the close of the public comment period by two individuals involved in litigation alleging mismanagement of trust funds by a Society subsidiary bank. Under the Board's rules, the Board may in its discretion take into consideration the substance of such comments. 12 C.F.R. 262.3(e). The Board has reviewed these comments in light of all of the facts of record in this case, including recent examination reports of this bank's trust operations by this bank's primary regulator, and concludes that these comments do not reflect so adversely upon the managerial resources of Society as to warrant denial of these applications.

20. 12 U.S.C. § 2903.

21. These comments were submitted by the St. Clair–Superior Coalition ("SCSC"), Stockyard Area Development Association ("SADA"), Cleveland Coalition Against Plant Closings, all of Cleveland, Ohio, as well as two Cleveland City Councilmen. CA$H PLU$, South Bend, Indiana, submitted comments which were withdrawn after discussions with Society.

22. Two Protestants that have received financing from Ameritrust Development Bank have questioned the future of this subsidiary under the proposal. Society has committed to retain a specialized financing affiliate dedicated to neighborhood development projects that will be capitalized at the same level as Society's current development affiliate and the Ameritrust Development Bank, and that will offer the same lending services and expertise that is currently available from these operations.

23. 54 *Federal Register* 13,742 (1989).

24. *Id.*

25. Society's banking subsidiaries have received the following CRA ratings: Society Bank, N.A., Dayton, Ohio, and Society National Bank, Cleveland, Ohio, each received an "outstanding" rating in examinations conducted by the OCC, in September 1991 and October 1990 respectively; Society Bank and Trust, Toledo, Ohio, received an "outstanding" rating in September 1991, in an examination conducted by the Federal Reserve Bank of Cleveland; Society Bank, Indiana, South Bend, Indiana, and Society Bank of Michigan, Ann Arbor, Michigan, each received a "satisfactory" rating in examinations conducted by the FDIC, in May 1991 and September 1989, respectively.

ation of an institution's CRA record and that, although CRA examination reports do not provide conclusive evidence of an institution's CRA record, these reports will be given great weight in the applications process.[26]

Society and its subsidiary banks have in place the type of policies outlined in the Agency CRA Statement that contribute to an effective CRA program. Society's corporate CRA policy sets out CRA-related goals for all its banks, and includes comprehensive community development programs in each of the states in which these banks currently operate. A review of the CRA records of Society's subsidiary banks indicates that these banks maintain regular contacts in the communities they serve in order to ascertain credit needs. They meet with members of minority groups and community organizations on a regular basis, and have corporate programs in place to evaluate the information received from those contacts. Society has advertising programs targeted at low-income and minority residents, including the use of news media that are targeted at minority communities, and marketing campaigns that are specifically aimed at low- to moderate-income borrowers. As a result of these ascertainment efforts, Society has established special credit products for low- to moderate-income customers, such as its low- to moderate-income installment loan product. Society's subsidiary banks participate actively in governmentally-insured, guaranteed, and subsidized loan programs for housing and small business lending.

Society participates in HomeAssist, which provides financing and grants to mortgage customers seeking downpayments for homes. The program includes counseling services to provide information and assistance to home buyers with a variety of credit and financial needs, budgeting, and reconciliation of budget issues. Society's HomeAssist program has more flexible credit underwriting requirements that permit more low- and moderate-income residents to obtain mortgages.

Society National Bank, Cleveland, Ohio ("Bank"), has been actively engaged in mortgage lending in low- and moderate-income areas in Cleveland. The 1990 HMDA data for Bank indicates that Bank makes approximately two loans per thousand owner-occupied units in low- and moderate-income areas, compared to 1.3 in middle-income areas and 2.3 in high-income areas. Overall, 18.8 percent of the mortgage loans originated in Cleveland by Bank and 20.1 percent of its home improvement loans were originated in low-income owner-occupied neighborhoods. Owner-occupied housing in low- and moderate-income housing comprises only 14.9 percent of Cleveland's housing stock.

26. 54 *Federal Register* at 13,745.

In addition, Bank recently entered into a Neighborhood Reinvestment Agreement ("Agreement") with the City of Cleveland to enhance further Bank's CRA program.[27] Under the Agreement, Bank has committed to a four-year, $260 million goal to increase home mortgage and home improvement lending in minority and low- and moderate-income neighborhoods in Cleveland. Bank also has made commitments to provide $20 million to fund the construction of new housing and $12 million for the purchase and rehabilitation of existing distressed housing in Cleveland, and to provide at least $100 million in new loans to small businesses over the next four years. Bank intends to work with the City of Cleveland to develop initiatives for large scale housing and community development programs.[28]

The Agreement also provides for the maintenance of full-service branches in 23 Cleveland neighborhoods for five years, to give written notification to the mayor of any branch closings, and to follow its existing branch closing policy. The branch closing policy involves an evaluation of whether there are solutions which do not involve closing the branch; meetings with the affected community groups; attempts to have the branch remain open if the neighborhood will be left without banking services; and review by both an internal community committee and the full board of directors prior to closing any branch.

On the basis of all the facts of record, including the comments received and relevant examination reports, the Board concludes that the convenience and needs considerations, including the CRA performance records of Society and Ameritrust, are consistent with approval of these applications.[29]

27. In light of this Agreement, the mayor of Cleveland has endorsed the proposal.

28. Society also has made certain commitments to the City of Cleveland regarding job retention in the downtown area and job training and outplacement services for displaced employees; the maintenance of a leadership role for civic contributions and participation; the provision of checking accounts for a nominal fee and consulting services for certain marketing and research projects involving housing and lending patterns in Cleveland.

29. SCSC has requested that the Board hold a public hearing or meeting on these applications. Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. § 262.3(e) and 262.25(d).

The Board has carefully considered this request. In the Board's view, the parties have had ample opportunity to present written submissions, and the commenter requesting the public hearing or meeting has submitted written comments that have been considered by the Board. Further, SCSC has not identified facts that are material to the Board's decision and that are in dispute. In light of this, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is denied.

Acquisition of Nonbanking Companies

Society also has applied, pursuant to section 4(c)(8) of the BHC Act, to acquire certain nonbanking subsidiaries of Ameritrust. The Board has determined by regulation or order that each of the activities of these companies is closely related to banking under section 4(c)(8) of the BHC Act, and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act, and has approved applications by Ameritrust to own shares in each of these companies.

Society operates subsidiaries engaged in nonbanking activities that compete with many of Ameritrust's subsidiaries. In each case, the markets for these services are unconcentrated and there are numerous providers of these services. In light of these factors and the shares of each of the markets controlled by Society and Ameritrust, the Board concludes that consummation of this proposal would not have any significantly adverse effect on competition in the provision of these services in any relevant market. Furthermore, the record does not indicate that consummation of this proposal is likely to result in any significantly adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Society's application to acquire the nonbanking subsidiaries of Ameritrust. In addition, after consideration of all the factors specified in the Board's Regulation K and based upon all the facts of record, the Board has determined that disapproval of Society's investment in Ameritrust International Corporation is not warranted.

Based on the foregoing and other facts of record, including the commitments made by Society, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this proposal is specifically conditioned on compliance by Society with the commitments made in connection with its application, including the commitments to divest certain bank offices and conditions discussed in this Order. The determination as to the nonbanking activities approved in this case is also subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such notification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. All of the commitments and conditions relied on in reaching this decision in this case are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

The acquisition of Ameritrust's banking subsidiaries shall not be consummated before the thirtieth calendar day following the effective date of this Order, and no acquisitions may be consummated later than three months following 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 February 13, 1992.

Voting for this action: Chairman Greenspan and Governors Mullins, Kelley, LaWare, Lindsey, and Phillips. Voting against this action: Governor Angell.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Nonbanking Subsidiaries

Ameritrust Company of New York, New York, New York, and thereby engage in providing corporate trust services to the public pursuant to § 225.25(b)(3) of the Board's Regulation Y;

Ameritrust Southeast, National Association, Tampa, Florida, and thereby engage in providing corporate and personal trust services to the public pursuant to § 225.25(b)(3) of the Board's Regulation Y;

Ameritrust Texas, National Association, Dallas, Texas, and thereby engage in providing corporate and personal trust services to the public pursuant to § 225.25(b)(3) of the Board's Regulation Y;

Ameritrust Petroleum Corp., Dallas, Texas, and thereby engage in:

(1) investment advisory services in an agency capacity to the public pursuant to § 225.25(b)(4) of the Board's Regulation Y; and

(2) real estate appraisal services to the public pursuant to § 225.25(b)(13) of the Board's Regulation Y;

Ameritrust Realty Corp., Dallas, Texas, and thereby engage in:

(1) providing investment advisory services to the public with respect to investments in real estate pursuant to § 225.25(b)(4) of the Board's Regulation Y;

(2) providing real estate appraisal services to the public pursuant to § 225.25(b)(13) of the Board's Regulation Y; and

(3) acting as an intermediary in arranging equity financing for commercial and industrial income-producing real estate pursuant to § 225.25(b)(14) of the Board's Regulation Y;

Ameritrust Securities Corp., Dallas, Texas, and thereby engage in providing investment advisory services to the public, including the provision of portfolio investment advice both to unaffiliated corporate entities, endowment funds and foundations, and to individuals, pursuant to § 225.25(b)(4) of the Board's Regulation Y;

AT Investment Services Corporation, Cleveland, Ohio, and thereby engage in:

(1) offering securities brokerage services to the public pursuant to § 225.25(b)(15) of the Board's Regulation Y, and

(2) the purchase and sale of gold and silver bullion and gold coins for the accounts of its customers pursuant to *Ameritrust Corp.*, 74 *Federal Reserve Bulletin* 341 (1988);

First Indiana Life Insurance, Elkhart, Indiana, and thereby engage, as a reinsurer, in underwriting life insurance and accident and health insurance written in connection with extensions of credit by affiliate banks pursuant to § 225.25(b)(8)(i) of the Board's Regulation Y; and

Lake Life Insurance Company, Cleveland, Ohio, and thereby engage, as a reinsurer, in underwriting life insurance and accident and health insurance written in connection with extensions of credit by affiliate banks pursuant to § 225.25(b)(8)(i) of the Board's Regulation Y.

Society has also applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) to acquire the following companies that are inactive:

AT Acceptance Corp., Cleveland, Ohio — purchasing and selling installment loan contracts from automobile dealers and making other extensions of credit to finance consumer purchases; and

AT Financial Corp., Cleveland, Ohio—making, acquiring and servicing loans; and

ATEK Check Printing Company, Cleveland, Ohio — providing checks and related documents to financial institutions; and

Franklin Financial Corporation, Indianapolis, Indiana — mortgage loan servicing activities for its Ameritrust National Bank, Central Indiana, and in servicing commercial lines of credit for unaffiliated financial institutions.

Dissenting Statement of Governor Angell

I dissent from the Board's action in this case. As I have indicated in previous cases, I believe that the structural measures used by the Board in analyzing bank acquisition proposals do not accurately reflect the competitive effects of these proposals. In particular, I believe that these measures do not adequately account for the effect of these acquisitions on the availability and pricing of credit to small businesses.

I believe that the Board should focus particular attention on this aspect of the cluster of banking services in conducting its analysis of the competitive effects of bank acquisitions. In this case, I agree with the conclusion expressed by the Department of Justice that this acquisition would have a significantly adverse effect on competition in the market for small business lending in these areas.

February 13, 1992

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 4

Applicant(s)	Bank(s)	Effective Date
Southern National Corporation, Lumberton, North Carolina	Workmen's Bancorp, Inc., Mount Airy, North Carolina	February 19, 1992
Trans Financial Bancorp, Inc. Bowling Green, Kentucky	First Federal Savings Bank of Tennessee, Tullahoma, Tennessee Maury Federal Savings Bank, Columbia, Tennessee	February 21, 1992

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
American Interstate Bancorporation, Inc., Omaha, Nebraska	American Interstate Bancorporation, Inc., Omaha, Nebraska	Chicago	February 7, 1992
CBS Bancshares, Inc., Spencer, Tennessee	First State Bank, Maynardville, Tennessee	Atlanta	February 11, 1992
Community First Bankshares, Inc., Fargo, North Dakota	First Interstate of North Dakota, Inc., Fargo, North Dakota	Minneapolis	February 20, 1992
First Autauga Bancshares, Inc., Montgomery, Alabama	Cee Bee Corporation, Prattville, Alabama	Atlanta	February 12, 1992
Galatia Bancorp, Inc., Galatia, Illinois	The First National Bank of Metropolis, Metropolis, Illinois	St. Louis	February 7, 1992
Investors Banking Corporation, Portland, Oregon	Colonial Banking Company, Grants Pass, Oregon	San Francisco	February 13, 1992
KLT Bancshares, Inc., Farley, Missouri	Farley Bancshares, Inc., Farley, Missouri	Kansas City	February 12, 1992

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Mahoning National Bancorp, Inc., Youngstown, Ohio	The Mahoning National Bank of Youngstown, Youngstown, Ohio	Cleveland	February 6, 1992
Mason-Dixon Bancshares, Inc., Westminster, Maryland	Carroll County Bank and Trust Company, Westminster, Maryland	Richmond	February 6, 1992
Ohio County Community Bancshares, Inc., Hartford, Kentucky	The Hartford Bank and Trust Company, Hartford, Kentucky	St. Louis	February 18, 1992
United Nebraska Financial Company, Grand Island, Nebraska	Citizens Bank & Trust Company, Columbus, Nebraska	Kansas City	February 7, 1992
Wilton Holding Company, Wilton, North Dakota	First State Bank of Wilton, Wilton, North Dakota	Minneapolis	February 5, 1992

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Banc One Corporation, Columbus, Ohio Banc One Mortgage Corporation, Indianapolis, Indiana	Diamond Mortgage Corporation, Findlay, Ohio	Cleveland	February 7, 1992
First Community Bancshares, Inc., Knob Noster, Missouri	Bancshares of Knob Noster, Inc., Knob Noster, Missouri Ionia Bancshares, Inc., Windsor, Missouri Sweet Springs Bancshares, Inc., Sweet Springs, Missouri	Kansas City	February 20, 1992
First Union Corporation, Charlotte, North Carolina	M&M Financial, Inc., Austell, Georgia	Richmond	February 7, 1992
National City Corporation, Cleveland, Ohio	B & L Consultants, Inc., Norwood, Massachusetts	Cleveland	February 14, 1992

Sections 3 and 4

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Johnson Holdings, Inc., Isanti, Minnesota	First State Bank of Isanti, Isanti, Minnesota Isanti Agency, Inc., Isanti, Minnesota	Minneapolis	February 14, 1992
Mahaska Investment Company ESOP, Oskaloosa, Iowa	Mahaska Investment Company, Oskaloosa, Iowa	Chicago	February 5, 1992

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
Chemical Bank, New York, New York	Anchor Savings Bank, F.S.B., Hewlett, New York	New York	February 5, 1992

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.

Davis v. Board of Governors, No. 91–6972 (Supreme Court, filed December 4, 1991). Petition for *certiorari* seeking review of *Burke v. Board of Governors*, 940 F.2d 1360 (10th Cir. 1991), in which the court of appeals upheld Board orders assessing civil money penalties and issuing orders of prohibition.

In re Subpoena Served on the Board of Governors, Nos. 91–5427, 91–5428 (D.C. Cir., filed December 27, 1991). Appeal of order of district court, dated December 3, 1991, requiring the Board and the Office of the Comptroller of the Currency to produce confidential examination material to a private litigant. The court of appeals stayed the district court order on January 7, 1992, and will hear oral argument on the case on March 17, 1992.

Greenberg v. Board of Governors, No. 91–4200 (2d Cir., filed December 4, 1991). Petition for review of orders of prohibition issued by the Board on October 28, 1991. Oral argument is scheduled for the week of April 13, 1992.

First Interstate BancSystem of Montana, Inc. v. Board of Governors, No. 91–1525 (D.C. Cir., filed November 1, 1991). Petition for review of Board's order denying on Community Reinvestment Act grounds the petitioner's application under section 3 of the Bank Holding Company Act to merge with Commerce BancShares of Wyoming, Inc. The case is pending.

Board of Governors v. Kemal Shoaib, No. CV 91–5152 (C.D. California, filed September 24, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On October 15, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets.

Board of Governors v. Ghaith R. 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, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

In re Smouha, No. 91-B-13569 (Bkr. S.D. New York, filed August 2, 1991). Ancillary proceeding under the U.S. Bankruptcy Code brought by provisional liquidators of BCCI Holdings (Luxembourg) S.A. and affiliated companies. On August 15, 1991, the bankruptcy court issued a temporary restraining order staying certain judicial and administrative actions, which has been continued by consent.

Hanson v. Greenspan, No. 91-1599 (D.D.C., filed June 28, 1991). Suit for return of funds and financial instruments allegedly owned by plaintiffs. The Board's motion to dismiss was granted on December 6, 1991.

Fields v. Board of Governors, No. 3:91CV069 (N.D. Ohio, filed February 5, 1991). Appeal of denial of request for information under the Freedom of Information Act.

Citicorp v. Board of Governors, No. 90-4124 (2d Circuit, filed October 4, 1990). Petition for review of Board order requiring Citicorp to terminate certain insurance activities conducted pursuant to Delaware law by an indirect nonbank subsidiary. On June 10, 1991, the court of appeals granted the petition and vacated the Board's order. On January 13, 1992, the Supreme Court denied the petition for *certiorari* filed by the Independent Insurance Agents of America and others.

Synovus Financial Corp. v. Board of Governors, No. 89-1394 (D.C.Circuit, filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia. On December 20, 1991, the Court of Appeals vacated the Board's order, ruling that the Board has no authority over interstate relocations of national banks. Synovus's petition for rehearing is pending.

MCorp v. Board of Governors, No. CA3-88-2693 (N.D. Texas, filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. The case is pending.

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SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
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
GNP	Gross national 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
n.a.	Not available
n.e.c.	Not elsewhere classified
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
SMSA	Standard metropolitan statistical area
VA	Veterans Administration

GENERAL INFORMATION

In some of the tables, details do not add 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 and credit aggregate	1991[r] Q1	1991[r] Q2	1991[r] Q3	1991[r] Q4	1991[r] Sept.	1991[r] Oct.	1991[r] Nov.	1991[r] Dec.	1992 Jan.
Reserves of depository institutions[2]									
1 Total	9.1	3.0	7.4	15.3	6.2	15.7	20.3	24.1	13.7
2 Required	4.5	8.9	7.9	15.5	10.1	12.3	25.3	22.5	13.4
3 Nonborrowed	8.9	3.4	4.3	19.3	9.1	25.0	24.0	22.2	12.9
4 Monetary base[3]	13.3	4.2	6.6	8.4	6.9	9.2	8.2	7.8	9.1
Concepts of money, liquid assets, and debt[4]									
5 M1	5.2	7.4	7.5	11.1	7.6	12.2	14.3	9.0	16.7
6 M2	3.5	4.3	1.1	3.3	1.6	4.3	4.9	2.7	3.5
7 M3	3.3	1.8	−1.2	1.2	−.8	2.1	2.6	1.2	1.6
8 L	2.8	−1.8	1.1	.5	−1.8	2.0	2.5	−2.2	n.a.
9 Debt	4.5	4.0	4.9	5.2	5.2	5.6	5.5	3.7	n.a.
Nontransaction components									
10 In M2[5]	2.9	3.3	−1.0	.7	−.4	1.5	1.7	.5	−1.2
11 In M3 only[6]	2.8	−8.9	−11.0	−8.2	−11.9	−7.7	−8.3	−5.9	−7.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	8.1	13.1	13.3	16.2	12.4	17.2	18.0	17.4	20.0
13 Small time[7]	9.4	.4	3.3	−4.8	−.6	−1.2	−15.0	−15.6	−21.9
14 Large time[8,9]	6.5	−1.9	−10.4	−20.5	−17.1	−33.5	−18.2	−10.4	−27.1
Thrift institutions									
15 Savings, including MMDAs	−.4	16.7	9.8	10.3	6.3	12.1	13.0	14.1	24.5
16 Small time[7]	−10.8	−14.1	−24.2	−21.3	−19.2	−23.7	−18.7	−19.0	−23.9
17 Large time[8,9]	−32.4	−34.9	−40.4	−37.4	−40.9	−42.4	−31.6	−28.2	−24.5
Money market mutual funds									
18 General purpose and broker-dealer	16.9	7.6	−3.6	−3.2	−5.3	−.7	−1.0	.3	−2.7
19 Institution-only	43.0	28.8	11.4	37.2	30.3	41.3	38.5	38.0	22.1
Debt components[4]									
20 Federal	10.4	6.8	13.8	12.4	12.4	13.6	11.2	7.6	n.a.
21 Nonfederal	2.7	3.1	2.1	3.0	2.8	3.1	3.6	2.5	n.a.

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

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

3. 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 Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings and small time deposits (time deposits—including retail repurchase agreements (RPs)—in amounts of less than $100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit-market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) MMDAs, and (4) savings and small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

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, and foreign banks and official institutions.

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

Millions of dollars

Factor	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1991		1992	1991		1992				
	Nov.	Dec.	Jan.	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	300,929	312,013	307,590	306,457	314,947	320,626	312,035	307,108	306,410	303,526
U.S. government securities[2]										
2 Bought outright-system account	261,764	266,743	264,753	266,780	266,439	265,519	266,736	265,888	264,615	262,404
3 Held under repurchase agreements	1,004	4,993	1,489	0	7,754	13,842	3,335	0	562	0
Federal agency obligations										
4 Bought outright	6,130	6,081	6,005	6,090	6,090	6,045	6,045	6,015	6,001	5,969
5 Held under repurchase agreements	15	144	32	0	273	419	33	0	12	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	18	84	279	12	137	141	857	47	199	77
8 Seasonal credit	86	39	16	42	39	27	16	10	15	19
9 Extended credit	1	1	1	1	1	1	0	0	0	1
10 Float	635	845	797	765	730	666	935	971	808	591
11 Other Federal Reserve assets	31,276	33,084	34,219	32,767	33,483	33,965	34,078	34,176	34,199	34,465
12 Gold stock	11,059	11,058	11,058	11,058	11,058	11,058	11,058	11,058	11,058	11,058
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,965	21,001	21,039	21,000	21,008	21,017	21,031	21,045	21,059	21,073
ABSORBING RESERVE FUNDS										
15 Currency in circulation	299,098	304,649	303,218	303,668	305,668	307,623	306,786	303,847	301,959	300,585
16 Treasury cash holdings	633	632	666	630	632	633	637	674	677	678
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,731	7,816	7,180	5,838	9,723	13,005	6,147	5,455	6,072	8,853
18 Foreign	209	284	369	217	295	520	453	389	291	283
19 Service-related balances and adjustments	3,456	4,140	4,332	4,372	4,249	4,109	4,124	4,204	4,321	4,644
20 Other	220	268	262	223	214	654	183	238	216	208
21 Other Federal Reserve liabilities and capital	8,580	9,204	8,440	8,709	8,849	8,593	8,277	8,592	8,538	8,515
22 Reserve balances with Federal Reserve Banks[3]	24,785	27,098	25,238	24,875	27,403	27,582	27,535	25,831	26,471	21,908

Factor	End-of-month figures			Wednesday figures						
	1991		1992	1991		1992				
	Nov.	Dec.	Jan.	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	304,408	323,906	306,533	308,118	317,319	324,100	313,432	306,589	312,057	303,033
U.S. government securities[2]										
2 Bought outright-system account	265,212	266,486	262,619	268,084	265,932	266,486	266,189	264,909	265,146	261,957
3 Held under repurchase agreements	0	15,345	3,529	0	10,002	15,345	0	0	3,932	0
Federal agency obligations										
4 Bought outright	6,090	6,045	5,960	6,090	6,090	6,045	6,045	6,011	5,976	5,960
5 Held under repurchase agreements	0	553	135	0	400	553	0	0	83	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	59	194	88	14	153	194	5,459	174	1,142	93
8 Seasonal credit	45	23	21	45	28	23	14	10	17	23
9 Extended credit	1	1	3	2	1	1	0	0	0	3
10 Float	660	731	198	1,144	975	997	1,071	1,508	1,140	375
11 Other Federal Reserve assets	32,341	34,529	33,980	32,740	33,738	34,456	34,655	33,977	34,622	34,622
12 Gold stock	11,058	11,059	11,058	11,058	11,058	11,059	11,058	11,058	11,058	11,058
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,996	21,017	21,060	21,000	21,008	21,017	21,031	21,045	21,059	21,073
ABSORBING RESERVE FUNDS										
15 Currency in circulation	301,830	307,759	299,879	304,446	306,619	307,759	305,587	302,964	301,709	300,214
16 Treasury cash holdings	636	636	684	631	634	636	673	677	677	681
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,317	17,697	10,828	7,494	9,834	17,697	6,262	5,002	9,163	9,048
18 Foreign	346	968	321	235	268	968	224	406	307	554
19 Service-related balances and adjustments	4,033	4,118	4,560	4,372	4,249	4,109	4,124	4,204	4,321	4,644
20 Other	221	1,706	251	219	200	1,706	144	207	201	219
21 Other Federal Reserve liabilities and capital	10,156	8,113	7,629	8,391	8,961	8,113	8,427	8,248	8,383	8,319
22 Reserve balances with Federal Reserve Banks[3]	22,942	25,004	24,516	24,405	28,639	25,207	30,097	27,002	29,432	21,503

1. For amounts of cash held as reserves, see table 1.12. Components may not sum to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes any securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. 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									
	1989	1990	1991	1991						1992
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Reserve balances with Reserve Banks[2]	35,436	30,237	26,659r	23,271	22,810	23,447	23,197	25,004	26,659r	25,416
2 Total vault cash[3]	29,828r	31,786r	32,513	31,317r	31,779	31,536r	32,299r	31,714r	32,513	34,136
3 Applied vault cash[4]	27,374	28,884	28,872	27,389	27,798	27,680	28,386	28,053	28,872	30,397
4 Surplus vault cash[5]	2,454r	2,903r	3,641	3,928r	3,981	3,856r	3,913r	3,661r	3,641	3,739
5 Total reserves[6]	62,810	59,120	55,532	50,660	50,607	51,127	51,584	53,057	55,532	55,813
6 Required reserves	61,887	57,456	54,553r	49,754	49,521	50,198	50,501	52,165	54,553r	54,809
7 Excess reserve balances at Reserve Banks[7]	923	1,664	979r	906	1,086	929	1,083	892	979r	1,004
8 Total borrowings at Reserve Banks[8]	265	326	192	607	764	645	261	108	192	233
9 Seasonal borrowings	84	76	38	317	331	287	211	86	38	17
10 Extended credit[9]	20	23	1	46	300	302	12	1	1	1
	Biweekly averages of daily figures for weeks ending									
	1991							1992		
	Oct. 2	Oct. 16	Oct. 30	Nov. 13	Nov. 27	Dec. 11	Dec. 25	Jan. 8r	Jan. 22	Feb. 5
1 Reserve balances with Reserve Banks[2]	22,024	23,418	22,980	25,494	24,155	26,839	26,133	27,557	26,147	22,375
2 Total vault cash[3]	32,279r	32,330r	32,376r	30,844r	32,656r	31,093	33,284	33,318	33,157	36,386
3 Applied vault cash[4]	28,141	28,506	28,377	27,326	28,825	27,607	29,554	29,601	29,732	32,139
4 Surplus vault cash[5]	4,138r	3,824r	3,999r	3,518r	3,832r	3,486	3,730	3,717	3,425	4,248
5 Total reserves[6]	50,165	51,924	51,357	52,820	52,979	54,446	55,687	57,158	55,879	54,514
6 Required reserves	49,122	50,908	50,191	51,907	52,045	53,842	54,484	56,020	54,966	53,487
7 Excess reserve balances at Reserve Banks[7]	1,044	1,016	1,167	913	934	605	1,203	1,138	913	1,027
8 Total borrowings at Reserve Banks[8]	383	290	225	114	103	110	116	521	136	130
9 Seasonal borrowings	296	228	191	98	84	45	41	22	13	20
10 Extended credit[9]	41	7	14	2	2	1	1	1	0	2

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Components may not sum to totals because of rounding.
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 can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end thirty days after the lagged computation periods during which the balances are held.
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. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional *short-term adjustment credit, the money market impact of extended credit is* similar to that of nonborrowed reserves.

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

Millions of dollars, averages of daily figures

Source and maturity	1991, week ending Monday								
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Nov. 4	Nov. 11	Nov. 18	Nov.25
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	77,654	83,101	80,744	81,028	75,541	83,958	81,717	84,312	75,936
2 For all other maturities	15,270	14,569	15,267	14,915	15,471	15,872	17,536	17,012	16,947
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	22,030	22,966	23,064	23,249	20,383	23,901	20,765	22,199	22,555
4 For all other maturities	20,396	20,656	21,336	20,191	19,280	19,582	20,136	21,513	21,466
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	9,336	10,461	11,663	12,207	11,351	12,629	11,676	13,553	12,668
6 For all other maturities	16,165	15,961	16,349	16,663	17,566	17,475	16,688	15,085	15,264
All other customers									
7 For one day or under continuing contract	25,459	25,618	25,484	24,372	24,265	25,174	23,862	24,154	24,608
8 For all other maturities	11,520	11,028	11,554	11,231	11,824	11,634	11,329	10,991	11,232
MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9 To commercial banks in the United States	47,539	47,607	42,467	46,359	40,334	49,190	46,558	49,708	40,723
10 To all other specified customers[2]	18,343	19,356	17,774	16,985	16,747	21,939	19,883	20,659	19,686

1. Banks with assets of $4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

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 2/28/92	Effective date	Previous rate	On 2/28/92	Effective date	Previous rate	On 2/28/92	Effective date	Previous rate
Boston	3.5	12/20/91	4.5	4.05	2/20/92	4.10	4.55	2/20/92	4.60
New York		12/20/91			2/20/92			2/20/92	
Philadelphia		12/20/91			2/20/92			2/20/92	
Cleveland		12/20/91			2/20/92			2/20/92	
Richmond		12/20/91			2/20/92			2/20/92	
Atlanta		12/20/91			2/20/92			2/20/92	
Chicago		12/20/91			2/20/92			2/20/92	
St. Louis		12/24/91			2/20/92			2/20/92	
Minneapolis		12/23/91			2/20/92			2/20/92	
Kansas City		12/20/91			2/20/92			2/20/92	
Dallas		12/20/91			2/20/92			2/20/92	
San Francisco	3.5	12/20/91	4.5	4.05	2/20/92	4.10	4.55	2/20/92	4.60

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
29	10	10
July 28	10–11	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	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
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
Sept. 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
In effect Feb. 28, 1992	3.5	3.5

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. 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. Seasonal credit is available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intra-yearly 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 on 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. Extended credit 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 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[2]	Requirements: Percent of deposits	Requirements: Effective date
Net transaction accounts[3]		
1 $0 million–$42.2 million	3	12/17/91
2 More than $42.2 million	12	12/17/91
3 Nonpersonal time deposits[4]	0	12/27/90
4 Eurocurrency liabilities[5]	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 provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 17, 1991, the exemption was raised from $3.4 million to $3.6 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

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

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 each year. Effective Dec. 17, 1991, for institutions reporting quarterly, and Dec. 24, 1991, for institutions reporting weekly, the amount was increased from $41.1 million to $42.2 million.

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

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.

5. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as were the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1989	1990	1991	1991						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,284	24,739	20,158	37	1,359	5,776	529	2,198	2,823[r]	837
2 Gross sales	12,818	7,291	120	0	0	0	0	0	0	0
3 Exchanges	231,211	241,086	277,314	19,680	25,180[r]	28,009	19,508	25,409	24,141	21,967
4 Redemptions	12,730	4,400	1,000	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	327	425	3,043	0	625	340	200	0	178	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	28,848	25,638	24,454	0	1,478	3,425	1,131	2,002	1,655	1,570
8 Exchanges	−25,783	−27,424	−28,090	0	−3,136	−2,443	−2,202	−2,034	−2,585	−3,562
9 Redemptions	500	0	1,000	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	1,436	250	6,583	0	0	0	650	0	2,133	300
11 Gross sales	490	200	0	0	0	0	0	0	0	0
12 Maturity shifts	−25,534	−21,770	−21,211	0	−1,192	−3,425	−1,131	−1,877	−1,492	−1,570
13 Exchanges	23,250	25,410	24,594	0	2,601	1,993	2,202	1,686	2,135	3,562
Five to ten years										
14 Gross purchases	287	0	1,280	0	0	0	0	0	880	0
15 Gross sales	29	100	0	0	0	0	0	0	0	0
16 Maturity shifts	−2,231	−2,186	−2,037	0	−286	688	0	−126	−163	0
17 Exchanges	1,934	789	2,894	0	534	300	0	347	300	0
More than ten years										
18 Gross purchases	284	0	375	0	0	0	0	0	375	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−1,086	−1,681	−1,209	0	0	−688	0	0	0	0
21 Exchanges	600	1,226	600	0	0	150	0	0	150	0
All maturities										
22 Gross purchases	16,617	25,414	31,439	37	1,984	6,116	1,379	2,198	6,390[r]	1,137
23 Gross sales	13,337	7,591	120	0	0	0	0	0	0	0
24 Redemptions	13,230	4,400	1,000	0	0	0	0	0	0	0
Matched transactions										
25 Gross sales	1,323,480	1,369,052	1,570,456	118,903	120,292	112,414	116,266	137,073	98,063	118,127
26 Gross purchases	1,326,542	1,363,434	1,571,534	118,239	121,803	110,280	118,481	135,281	97,925	118,263
Repurchase agreements[2]										
27 Gross purchases	129,518	219,632	310,084	9,440	35,149	16,847	40,447	12,432	14,165	51,345
28 Gross sales	132,688	202,551	311,752	8,478	36,111	16,847	40,447	3,718	22,879	36,000
29 Net change in U.S. government securities	−10,055	24,886	29,729	335	2,532	3,981	3,595	9,121	−2,462[r]	16,619
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0[r]	0
31 Gross sales	0	0	5	0	0	0	5	0	0	0
32 Redemptions	442	183	292	0	55	0	0	14	51[r]	45
Repurchase agreements[2]										
33 Gross purchases	38,835	41,836	22,807	1,225	3,245	537	3,061	714	275	1,744
34 Gross sales	40,411	40,461	23,595	748	3,722	537	3,061	695	294	1,191
35 Net change in federal agency obligations	−2,018	1,192	−1,085	477	−532	0	−5	5	−70[r]	508
36 Total net change in System Open Market Account	**−12,073**	**26,078**	**28,644**	**812**	**2,000**	**3,981**	**3,590**	**9,126**	**−2,532[r]**	**17,127**

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

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

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

Millions of dollars

Account	Wednesday					End of month		
	1992					1991		1992
	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Nov. 29	Dec. 31	Jan. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,059	11,058	11,058	11,058	11,058	11,058	11,059	11,058
2 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
3 Coin	528	522	548	574	600	557	528	614
Loans								
4 To depository institutions	218	5,473	184	1,159	119	106	218	112
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,045	6,045	6,011	5,976	5,960	6,090	6,045	5,960
8 Held under repurchase agreements	553	0	0	83	0	0	553	135
9 **Total U.S. Treasury securities**	**281,831**	**266,189**	**264,909**	**269,078**	**261,957**	**265,213**	**281,831**	**266,148**
10 Bought outright[2]	266,486	266,189	264,909	265,146	261,957	265,213	266,486	262,619
11 Bills	132,635	132,338	131,058	131,295	128,106	131,661	132,635	128,767
12 Notes	101,520	101,520	101,520	101,520	101,520	101,220	101,520	101,520
13 Bonds	32,331	32,331	32,331	32,331	32,331	32,332	32,332	32,332
14 Held under repurchase agreements	15,345	0	0	3,932	0	0	15,345	3,529
15 **Total loans and securities**	**288,647**	**277,706**	**271,104**	**276,295**	**268,036**	**271,407**	**288,647**	**272,354**
16 Items in process of collection	7,678	6,897	6,479	10,055	5,190	4,059	8,286	5,034
17 Bank premises	987	989	989	992	991	976	987	994
Other assets								
18 Denominated in foreign currencies[3]	27,626	27,646	27,683	27,747	27,771	26,739	27,626	26,928
19 All other[4]	5,911	5,237	5,349	6,031	5,906	4,705	5,911	6,130
20 **Total assets**	**352,453**	**340,073**	**333,227**	**342,771**	**329,571**	**329,519**	**353,061**	**333,129**
LIABILITIES								
21 Federal Reserve notes	287,906	285,811	283,144	281,902	280,422	282,027	287,906	280,117
22 **Total deposits**	**49,784**	**40,271**	**36,735**	**44,139**	**36,254**	**34,129**	**49,783**	**40,595**
23 Depository institutions	29,413	33,640	31,120	34,468	26,432	27,246	29,413	29,195
24 U.S. Treasury—General account	17,697	6,262	5,002	9,163	9,048	6,317	17,697	10,828
25 Foreign—Official accounts	968	224	406	307	554	346	968	321
26 Other	1,706	144	207	201	219	221	1,706	252
27 Deferred credit items	6,651	5,574	5,101	8,348	4,575	3,207	7,259	4,788
28 Other liabilities and accrued dividends[5]	2,810	2,645	2,556	2,724	2,594	2,947	2,810	2,558
29 **Total liabilities**	**347,150**	**334,300**	**327,535**	**337,113**	**323,845**	**322,310**	**347,758**	**328,058**
CAPITAL ACCOUNTS								
30 Capital paid in	2,652	2,652	2,661	2,671	2,678	2,642	2,652	2,683
31 Surplus	2,652	2,652	2,652	2,652	2,652	2,423	2,652	2,383
32 Other capital accounts	0	470	380	336	396	2,144	0	6
33 **Total liabilities and capital accounts**	**352,453**	**340,073**	**333,227**	**342,771**	**329,571**	**329,519**	**353,061**	**333,129**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	251,209	252,853	251,021	257,523	258,793	254,484	251,209	266,801
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Bank)	366,468	365,559	364,580	364,205	364,259	371,067	366,468	364,621
36 LESS: Held by Federal Reserve Bank	78,562	79,749	81,437	82,303	83,837	89,040	78,562	84,504
37 Federal Reserve notes, net	287,906	285,811	283,144	281,902	280,422	282,027	287,906	280,117
Collateral held against notes, net:								
38 Gold certificate account	11,059	11,058	11,058	11,058	11,058	11,058	11,059	11,058
39 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	266,829	264,735	262,067	260,826	259,346	260,951	266,829	259,041
42 **Total collateral**	**287,906**	**285,811**	**283,144**	**281,902**	**280,422**	**282,027**	**287,906**	**280,117**

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. Components may not sum to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 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 [1]

Millions of dollars

Type and maturity grouping	Wednesday					End of month		
	1992					1991		1992
	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Nov. 29	Dec. 31	Jan. 31
1 **Total loans**	**218**	**5,473**	**184**	**1,159**	**119**	**106**	**218**	**112**
2 Within fifteen days	217	5,470	181	1,159	119	84	217	112
3 Sixteen days to ninety days	2	3	3	0	0	22	2	0
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 **Total acceptances**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
6 Within fifteen days	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 **Total U.S. Treasury securities**	**281,831**	**266,189**	**264,909**	**269,078**	**261,957**	**265,212**	**281,831**	**262,619**
10 Within fifteen days[2]	21,109	12,037	10,551	13,708	11,678	5,174	21,109	8,864
11 Sixteen days to ninety days	66,759	62,763	65,149	64,206	60,009	69,572	66,759	64,603
12 Ninety-one days to one year	90,655	88,080	85,769	87,724	86,831	88,931	90,655	86,028
13 One year to five years	64,299	64,299	64,103	64,104	64,104	62,527	64,299	63,788
14 Five years to ten years	14,469	14,469	14,796	14,796	14,796	14,469	14,469	14,796
15 More than ten years	24,540	24,540	24,540	24,540	24,540	24,540	24,540	24,540
16 **Total Federal agency obligations**	**6,597**	**6,045**	**6,011**	**6,059**	**5,960**	**6,090**	**6,597**	**5,960**
17 Within fifteen days[2]	753	60	101	257	108	308	753	108
18 Sixteen days to ninety days	811	976	931	823	867	565	811	867
19 Ninety-one days to one year	1,329	1,304	1,284	1,349	1,343	1,430	1,329	1,343
20 One year to five years	2,508	2,508	2,683	2,635	2,647	2,608	2,508	2,647
21 Five years to ten years	1,007	1,008	858	841	841	990	1,008	841
22 More than ten years	188	188	154	154	154	188	188	154

1. Components may not sum to totals because of rounding.
2. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with the maximum possible maturity of the agreements.

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

Billions of dollars, averages of daily figures

Item	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1991 June	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	47.60	47.73	49.10	53.75	50.35	50.41	50.89	51.15	51.82	52.69	53.75	54.37
2 Nonborrowed reserves[4]	45.88	47.46	48.78	53.56	50.01	49.80	50.12	50.50	51.56	52.59	53.56	54.13
3 Nonborrowed reserves plus extended credit[5]	47.12	47.48	48.80	53.56	50.01	49.85	50.42	50.80	51.57	52.59	53.56	54.13
4 Required reserves	46.55	46.81	47.44	52.77	49.34	49.50	49.80	50.22	50.73	51.80	52.77	53.36
5 Monetary base[6]	263.77r	274.57r	300.35r	325.22r	312.47r	314.22r	316.68r	318.50r	320.93r	323.13r	325.22r	327.70
	Not seasonally adjusted											
6 Total reserves[7]	49.00	49.18	50.58	55.38	50.32	50.56	50.49	50.99	51.43	52.89	55.38	55.79
7 Nonborrowed reserves	47.29	48.91	50.25	55.18	49.98	49.95	49.73	50.35	51.17	52.78	55.18	55.56
8 Nonborrowed reserves plus extended credit[5]	48.53	48.93	50.28	55.19	49.99	50.00	50.03	50.65	51.18	52.78	55.19	55.56
9 Required reserves[8]	47.96	48.26	48.91	54.40	49.31	49.65	49.41	50.07	50.35	51.99	54.40	54.79
10 Monetary base[9]	267.46	278.30	304.04	329.35r	314.00	316.14	316.68	317.28	319.14	323.06	329.35r	328.77
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	63.75	62.81	59.12	55.53	50.41	50.66	50.61	51.13	51.58	53.06	55.53	55.81
12 Nonborrowed reserves	62.03	62.54	58.79	55.34	50.07	50.05	49.84	50.48	51.32	52.95	55.34	55.58
13 Nonborrowed reserves plus extended credit[5]	63.27	62.56	58.82	55.34	50.08	50.10	50.14	50.78	51.33	52.95	55.34	55.58
14 Required reserves	62.70	61.89	57.46	54.55	49.40	49.75	49.52	50.20	50.50	52.16	54.55	54.81
15 Monetary base[12]	283.00	292.55	313.70	333.61r	317.25	319.46	320.07	320.70	322.71	326.88	333.61r	333.11
16 Excess reserves[13]	1.05	.92	1.66	.98	1.01	.91	1.09	.93	1.08	.89	.98	1.00
17 Borrowings from the Federal Reserve	1.72	.27	.33	.19	.34	.61	.76	.65	.26	.11	.19	.23

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

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements.

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 there is with traditional short-term adjustment credit, the money market impact 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 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 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 changes in reserve requirements (CRR), 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	1988 Dec.[r]	1989 Dec.[r]	1990 Dec.[r]	1991 Dec.[r]	1991[r] Oct.	1991[r] Nov.	1991[r] Dec.	1992 Jan
	Seasonally adjusted							
Measures[2]								
1 M1	786.9	794.1	826.1	898.1	880.9	891.4	898.1	910.6
2 M2	3,071.1	3,227.3	3,332.4	3,442.2	3,420.3	3,434.4	3,442.2	3,452.1
3 M3	3,923.1	4,059.8	4,114.4	4,175.1	4,161.8	4,170.8	4,175.1	4,180.5
4 L	4,677.9	4,891.5	4,966.7	4,991.9	4,990.7	5,001.0	4,991.9	n.a.
5 Debt	9,362.5	10,113.3	10,791.0	11,292.4	11,206.5	11,257.5	11,292.4	n.a.
M1 components								
6 Currency[3]	212.3	222.6	246.8	267.3	264.8	266.0	267.3	269.4
7 Travelers checks[4]	7.5	7.4	8.3	8.2	7.9	8.0	8.2	8.3
8 Demand deposits[5]	286.5	279.0	277.1	289.5	283.8	287.6	289.5	293.9
9 Other checkable deposits[6]	280.6	285.1	293.9	333.2	324.5	329.7	333.2	339.0
Nontransaction components								
10 In M2[7]	2,284.2	2,433.2	2,506.3	2,544.1	2,539.4	2,543.0	2,544.1	2,541.6
11 In M3[8]	852.0	832.5	782.1	732.8	741.5	736.4	732.8	728.3
Commercial banks								
12 Savings deposits, including MMDAs	542.7	541.4	581.9	664.9	645.7	655.4	664.9	676.0
13 Small time deposits[9]	447.0	531.0	599.8	598.5	614.1	606.4	598.5	587.6
14 Large time deposits[10, 11]	366.9	398.2	380.4	354.0	362.6	357.1	354.0	346.0
Thrift institutions								
15 Savings deposits, including MMDAs	383.5	349.7	338.8	377.7	369.3	373.3	377.7	385.4
16 Small time deposits[9]	585.9	617.5	562.3	466.6	481.6	474.1	466.6	457.3
17 Large time deposits[10]	174.3	161.1	120.9	83.1	87.4	85.1	83.1	81.4
Money market mutual funds								
18 General purpose and broker-dealer	241.9	316.3	348.9	361.5	361.7	361.4	361.5	360.7
19 Institution-only	91.0	107.2	133.7	179.1	168.2	173.6	179.1	182.4
Debt components								
20 Federal debt	2,101.5	2,249.9	2,493.6	2,766.9	2,724.0	2,749.5	2,766.9	n.a.
21 Nonfederal debt	7,261.0	7,863.4	8,297.3	8,525.5	8,482.5	8,508.0	8,525.5	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	804.1	811.9	844.1	917.3	875.4	893.9	917.3	918.3
23 M2	3,083.8	3,240.0	3,345.2	3,456.1	3,415.7	3,437.6	3,456.1	3,460.1
24 M3	3,934.7	4,070.3	4,124.5	4,185.8	4,152.7	4,173.0	4,185.8	4,185.6
25 L	4,695.0	4,910.7	4,986.5	5,013.1	4,980.7	5,008.9	5,013.1	n.a.
26 Debt	9,347.9	10,098.9	10,778.2	11,280.8	11,172.7	11,232.6	11,280.8	n.a.
M1 components								
27 Currency[3]	214.8	225.3	249.5	270.0	263.1	266.3	270.0	267.9
28 Travelers checks[4]	6.9	6.9	7.8	7.7	8.0	7.7	7.7	7.9
29 Demand deposits[5]	298.9	291.5	289.9	303.1	283.7	291.1	303.1	300.0
30 Other checkable deposits[6]	283.5	288.1	296.9	336.5	320.6	328.8	336.5	342.5
Nontransaction components								
31 In M2[7]	2,279.7	2,428.1	2,501.1	2,538.8	2,540.3	2,543.7	2,538.8	2,541.8
32 In M3[8]	850.8	830.3	779.3	729.7	737.0	735.3	729.7	725.5
Commercial banks								
33 Savings deposits, including MMDAs	543.8	543.0	580.0	662.3	644.6	655.3	662.3	672.4
34 Small time deposits[9]	446.0	529.5	599.7	598.7	615.2	606.9	598.7	589.4
35 Large time deposits[10, 11]	365.9	397.1	379.4	352.8	362.8	356.9	352.8	343.6
Thrift institutions								
36 Savings deposits, including MMDAs	381.1	347.6	337.7	376.3	368.7	373.2	376.3	383.3
37 Small time deposits[9]	584.9	616.0	562.2	466.7	482.5	474.5	466.7	458.7
38 Large time deposits[10]	175.2	162.0	120.6	82.8	87.4	85.1	82.8	80.8
Money market mutual funds								
39 General purpose and broker-dealer	240.8	314.6	346.8	359.1	359.8	360.6	359.1	360.2
40 Institution-only	91.4	107.8	134.4	180.3	163.4	172.7	180.3	188.1
Repurchase agreements and eurodollars								
41 Overnight	83.2	77.5	74.7	75.6	69.5	73.3	75.6	77.8
42 Term	227.4	178.5	158.3	129.4	138.5	136.0	129.4	128.1
Debt components								
43 Federal debt	2,099.0	2,247.5	2,491.3	2,765.0	2,707.6	2,740.7	2,765.0	n.a.
44 Nonfederal debt	7,249.0	7,851.4	8,286.9	8,515.9	8,465.1	8,491.9	8,515.9	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4), other checkable deposits (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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) money market deposit accounts (MMDAs), (3) savings and small time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (4) balances in both taxable and tax-exempt general purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker–dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of $100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then 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: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. This sum is seasonally adjusted as a whole.

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

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

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

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

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) MMDAs, and (4) savings and small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

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, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1988	1989	1990	1991 June	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	219,795.7	256,150.4	277,916.3	266,704.2	284,872.2	275,915.9	283,521.6	290,074.6	280,263.3
2 Major New York City banks	115,475.6	129,319.9	131,784.0	133,761.4	139,089.0	136,906.9	142,138.4	144,208.2	140,754.1
3 Other banks	104,320.2	126,830.5	146,132.3	132,942.8	145,783.2	139,009.0	141,383.2	145,866.4	139,509.2
4 ATS–NOW accounts[4]	2,478.1	2,910.5	3,349.6	3,460.1	3,822.8	3,659.4	3,679.1	3,759.9	3,553.7
5 Savings deposits[5]	537.0	547.5	558.8	519.9	552.6	516.7	2,904.0	2,733.0	3,233.1
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	622.9	735.1	800.6	768.4	833.4	798.0	823.9	843.2	793.0
7 Major New York City banks	2,897.2	3,421.5	3,804.1	4,141.9	4,413.3	4,448.0	4,490.7	4,606.2	4,211.8
8 Other banks	333.3	408.3	467.7	422.3	469.8	441.4	452.5	466.4	435.9
9 ATS–NOW accounts[4]	13.2	15.2	16.5	15.5	16.9	15.9	15.7	15.9	14.8
10 Savings deposits[5]	2.9	3.0	2.9	2.4	2.5	2.3	4.7	4.4	5.0
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	219,790.4	256,133.2	277,400.0	270,144.7	286,068.7	289,049.5	273,967.0	298,196.7	269,949.6
12 Major New York City banks	115,460.7	129,400.1	131,784.7	133,851.7	139,527.4	146,342.8	137,659.5	149,704.6	136,592.8
13 Other banks	104,329.7	126,733.0	145,615.3	136,293.0	146,541.3	142,706.6	136,307.5	148,492.0	133,356.8
14 ATS–NOW accounts[4]	2,477.3	2,910.7	3,342.2	3,446.1	3,729.0	3,693.2	3,679.4	3,770.6	3,314.0
15 MMDAs[6]	2,342.7	2,677.1	2,923.8	2,714.5	2,868.0	2,751.7	n.a	n.a	n.a
16 Savings deposits[5]	536.3	546.9	557.9	516.4	558.2	537.0	3,110.7	3,132.6	2,939.5
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	622.8	735.4	799.6	781.7	831.4	849.5	796.0	864.8	757.1
18 Major New York City banks	2,896.7	3,426.2	3,810.0	4,154.4	4,334.6	4,771.4	4,305.8	4,775.5	4,059.4
19 Other banks	333.2	408.0	466.3	434.9	469.8	460.9	436.6	473.7	413.0
20 ATS–NOW accounts[4]	13.2	15.2	16.4	15.5	16.7	16.3	15.9	16.2	13.9
21 MMDAs[6]	6.6	7.9	8.0	6.8	7.2	6.8	n.a	n.a	n.a
22 Savings deposits[5]	2.9	2.9	2.9	2.4	2.5	2.4	4.9	4.9	4.5

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
Data in this table also appear on the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.
2. Annual averages of monthly figures.
3. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
4. Accounts authorized for negotiable orders of withdrawal (NOWs) and accounts authorized for automatic transfer to demand deposits (ATSs).
5. Excludes ATS and NOW accounts.
6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars, averages of Wednesday figures

Item	1991[r] Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1992 Jan.
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,747.3**	**2,759.9**	**2,763.9**	**2,765.7**	**2,774.6**	**2,776.4**	**2,778.3**	**2,789.4**	**2,805.1**	**2,821.6**	**2,836.0**	**2,843.5**
2 U.S. government securities	460.7	470.8	478.2	484.1	493.9	503.7	513.2	523.4	538.4	550.5	562.5	564.2
3 Other securities	178.3	178.5	177.5	176.9	176.2	175.3	174.0	175.8	177.1	177.6	178.5	179.0
4 Total loans and leases[2]	2,108.3	2,110.6	2,108.3	2,104.8	2,104.6	2,097.4	2,091.1	2,090.2	2,089.6	2,093.4	2,095.0	2,100.2
5 Commercial and industrial	638.2	638.7	635.1	630.6	626.0	623.6	619.4	622.0	622.6	621.0	617.6	614.5
6 Bankers acceptances held[3]	9.0	8.7	8.7	8.2	7.7	7.5	7.8	7.4	7.0	7.6	7.9	7.3
7 Other commercial and industrial	629.2	630.0	626.5	622.4	618.3	616.1	611.6	614.6	615.6	613.4	609.7	607.2
8 U.S. addressees[4]	623.3	623.9	620.6	616.6	612.6	610.3	605.7	608.5	608.9	606.8	602.9	601.1
9 Non-U.S. addressees[4]	5.9	6.1	5.8	5.9	5.7	5.7	5.9	6.1	6.7	6.6	6.8	6.1
10 Real estate	852.8	857.7	861.5	863.8	868.6	867.7	866.9	867.9	869.0	870.6	871.1	870.7
11 Individual	376.3	375.2	374.3	373.6	372.9	371.0	370.3	367.2	364.4	363.2	363.9	363.9
12 Security	51.8	48.2	48.5	49.1	49.0	47.4	48.4	50.0	51.1	53.6	54.6	59.1
13 Nonbank financial institutions	36.1	36.9	36.0	36.5	39.3	38.8	37.7	37.6	38.1	39.2	40.6	40.3
14 Agricultural	31.9	33.0	33.6	33.7	33.9	34.0	34.2	34.3	34.1	33.9	34.1	33.7
15 State and political subdivisions	32.9	32.8	32.3	31.7	31.3	30.9	30.5	30.1	29.7	29.4	29.2	28.3
16 Foreign banks	6.6	7.5	7.1	6.6	6.5	6.6	6.6	6.9	6.6	6.8	7.2	7.1
17 Foreign official institutions	2.7	2.8	2.5	2.4	2.5	2.4	2.3	2.3	2.4	2.6	2.5	2.4
18 Lease-financing receivables	33.0	33.1	33.1	33.0	33.2	32.4	31.7	31.7	31.5	31.3	31.4	31.3
19 All other loans	45.9	44.7	44.2	43.6	41.5	42.8	43.1	40.2	40.1	41.8	42.9	49.0
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,748.6**	**2,759.0**	**2,762.7**	**2,761.6**	**2,775.7**	**2,769.6**	**2,775.4**	**2,789.5**	**2,807.8**	**2,826.9**	**2,842.4**	**2,840.3**
21 U.S. government securities	463.8	474.9	479.9	484.0	493.1	501.5	511.7	521.9	537.3	551.5	558.5	563.8
22 Other securities	178.3	178.5	177.0	176.5	176.2	174.3	174.2	175.8	177.4	177.9	178.7	179.5
23 Total loans and leases[2]	2,106.5	2,105.5	2,105.7	2,101.0	2,106.5	2,093.8	2,089.5	2,091.8	2,093.1	2,097.6	2,105.2	2,096.9
24 Commercial and industrial	637.5	641.3	638.3	633.4	628.0	623.5	617.6	619.1	621.1	619.7	618.9	611.4
25 Bankers acceptances held[3]	9.1	8.7	8.4	8.2	7.7	7.2	7.6	7.4	7.0	7.9	8.2	7.4
26 Other commercial and industrial	628.3	632.6	629.9	625.2	620.3	616.3	609.9	611.8	614.1	611.9	610.7	604.0
27 U.S. addressees[4]	622.1	626.4	623.8	619.3	614.3	610.5	604.1	605.8	607.9	605.7	604.3	597.5
28 Non-U.S. addressees[4]	6.3	6.2	6.0	5.9	6.0	5.7	5.8	6.0	6.2	6.1	6.4	6.5
29 Real estate	849.9	854.3	860.2	864.4	868.9	868.8	868.8	868.8	870.3	872.0	871.3	870.1
30 Individual	376.2	372.5	371.6	371.9	370.7	368.3	369.3	368.7	365.3	364.7	368.6	368.1
31 Security	55.7	49.5	49.8	46.7	49.1	46.3	47.3	48.7	50.8	53.6	55.2	58.6
32 Nonbank financial institutions	35.7	36.3	35.5	36.1	39.6	39.0	37.8	37.2	37.8	39.5	41.9	40.8
33 Agricultural	31.0	31.7	32.7	33.3	34.2	34.7	35.1	35.3	35.0	34.2	34.1	33.3
34 State and political subdivisions	33.0	32.8	32.2	31.7	31.3	30.7	30.4	30.1	29.7	29.4	29.1	28.6
35 Foreign banks	6.5	7.3	6.9	6.4	6.3	6.5	6.5	6.9	6.8	7.1	7.7	6.9
36 Foreign official institutions	2.7	2.8	2.5	2.4	2.5	2.4	2.3	2.3	2.4	2.6	2.5	2.4
37 Lease-financing receivables	33.2	33.3	33.1	33.0	32.9	32.1	31.6	31.6	31.6	31.4	31.4	31.6
38 All other loans	45.0	43.6	42.8	41.6	43.0	41.6	42.9	43.2	42.3	43.3	44.6	45.2

1. Data have been revised to reflect new seasonal adjustment factors and benchmarking to Call reports. Historical data may be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Components may not sum to totals because of rounding.
2. Adjusted to exclude loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the fifty states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Billions of dollars, monthly averages

Source of funds	1991[r]											1992
	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
Seasonally adjusted												
1 Total nondeposit funds[2]	266.7	264.8	265.7	260.8	250.2	247.9	245.4	248.7	262.8	264.0	274.5	277.3
2 Net balances due to related foreign offices[3]	23.8	28.5	28.7	24.6	17.8	18.4	17.8	20.8	31.7	33.9	39.8	44.1
3 Borrowings from other than commercial banks in United States[4]	242.9	236.4	237.1	236.2	232.4	229.5	227.6	227.9	231.0	230.0	234.7	233.2
4 Domestically chartered banks	176.2	169.6	170.4	167.2	163.9	160.2	156.0	154.7	153.2	149.2	150.9	153.0
5 Foreign-related banks	66.7	66.8	66.7	69.0	68.6	69.3	71.6	73.2	77.8	80.9	83.8	80.2
Not seasonally adjusted												
6 Total nondeposit funds[2]	267.7	268.8	263.1	266.9	251.3	244.1	242.2	246.0	264.0	268.2	273.0	273.3
7 Net balances due to related foreign offices[3]	24.0	28.6	27.4	27.1	17.3	15.2	15.9	19.9	31.3	34.8	43.4	44.8
8 Domestically chartered banks	−15.1	−5.7	−3.3	−.3	−3.7	−7.3	−7.2	−8.8	−7.2	−4.4	−3.8	−4.8
9 Foreign-related banks	39.1	34.2	30.7	27.4	20.9	22.5	23.2	28.8	38.5	39.3	47.2	49.6
10 Borrowings from other than commercial banks in United States[4]	243.7	240.2	235.8	239.9	234.0	228.9	226.2	226.1	232.7	233.4	229.6	228.5
11 Domestically chartered banks	176.9	173.0	168.5	170.3	164.1	158.4	154.3	153.6	154.0	153.4	149.6	148.7
12 Federal funds and security RP borrowings[5]	174.1	169.7	165.7	167.6	161.2	155.2	150.6	150.2	150.9	150.2	146.5	145.3
13 Other[6]	2.8	3.2	2.9	2.8	2.8	3.2	3.7	3.5	3.2	3.2	3.1	3.4
14 Foreign-related banks[6]	66.8	67.2	67.2	69.5	69.9	70.4	71.9	72.5	78.6	80.0	80.0	79.8
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	449.3	448.8	449.5	451.0	450.0	443.8	444.6	440.9	429.5	426.1	423.9	416.0
16 Not seasonally adjusted	448.0	449.4	448.2	452.3	451.3	443.5	446.4	442.5	429.7	425.8	422.6	413.6
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	30.9	31.1	22.8	15.8	24.1	22.8	25.3	23.8	29.2	34.2	26.5	27.8
18 Not seasonally adjusted	39.3	28.4	20.4	19.9	23.6	20.7	17.2	26.9	28.7	28.5	25.4	33.1

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

Data in this table also appear in the Board's G.10 (411) release. For ordering address, see inside front cover.

Data have been revised to reflect new seasonal adjustment factors and benchmarking to Call reports. Historical data may be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

3. Reflects net positions of U.S. chartered banks, Edge act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own International Banking Facilities (IBFs).

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

5. Figures are based on averages of daily data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

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

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

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

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

Billions of dollars

Account	1991										1992
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 **Total assets**	**3,385.3**	**3,370.8**	**3,413.3**	**3,416.8**	**3,443.6**	**3,403.4**	**3,433.3**	**3,470.1**	**3,508.4**	**3,536.0**	**3,496.1**
2 Loans and securities	2,917.7	2,913.6	2,929.7	2,941.0	2,947.9	2,933.7	2,953.1	2,980.6	3,001.8	3,022.0	3,011.3
3 Investment securities	627.2	627.7	633.2	640.6	650.5	654.0	663.5	686.3	695.9	704.9	704.8
4 U.S. government securities	460.4	462.5	468.4	477.5	488.2	492.1	500.6	522.3	530.6	538.5	539.6
5 Other	166.8	165.1	164.8	163.1	162.3	161.9	162.9	164.0	165.2	166.4	165.2
6 Trading account assets	25.9	27.3	26.9	30.1	33.4	31.3	32.4	34.9	36.0	33.2	38.1
7 Total loans	2,264.6	2,258.6	2,269.6	2,270.3	2,264.0	2,248.4	2,257.3	2,259.4	2,270.0	2,283.9	2,268.4
8 Interbank loans	167.6	156.3	167.9	161.4	169.2	161.3	163.8	168.4	171.4	172.4	176.0
9 Loans excluding interbank	2,097.0	2,102.4	2,101.7	2,108.8	2,094.8	2,087.1	2,093.5	2,091.0	2,098.6	2,111.5	2,092.4
10 Commercial and industrial	641.3	637.3	632.0	627.6	622.2	616.5	619.0	618.5	620.3	620.4	608.7
11 Real estate	855.3	861.0	865.7	868.8	867.8	868.2	867.9	871.5	871.4	871.3	870.7
12 Individual	371.5	372.4	370.9	370.7	369.5	369.3	368.7	365.5	363.8	370.2	367.5
13 All other	229.0	231.6	233.2	241.8	235.4	233.1	237.8	235.5	243.1	249.7	245.5
14 Total cash assets	203.6	196.2	219.8	210.8	212.9	197.5	204.0	206.8	225.3	230.6	203.2
15 Reserves with Federal Reserve Banks	24.5	22.4	26.7	29.3	24.3	22.6	26.1	25.9	24.7	29.2	23.7
16 Cash in vault	28.8	29.1	31.1	29.8	29.7	31.0	30.2	30.7	29.6	30.7	31.1
17 Cash items in process of collection	76.8	74.3	87.2	78.2	88.0	71.9	75.5	75.3	90.5	87.5	72.8
18 Demand balances at U.S. depository institutions	28.0	26.2	31.0	29.1	27.3	27.6	27.2	29.3	32.8	33.3	28.2
19 Other cash assets	45.6	44.1	43.8	44.3	43.6	44.4	44.9	45.5	47.7	49.9	47.4
20 Other assets	263.9	261.0	263.8	265.0	282.8	272.2	276.2	282.8	281.3	283.4	281.7
21 **Total liabilities**	**3,156.7**	**3,142.8**	**3,181.9**	**3,185.4**	**3,210.3**	**3,167.3**	**3,195.6**	**3,235.0**	**3,272.9**	**3,299.4**	**3,255.8**
22 Total deposits	2,387.8	2,387.3	2,418.1	2,410.5	2,453.5	2,435.2	2,435.2	2,448.5	2,489.9	2,495.6	2,449.2
23 Transaction accounts	602.6	601.4	617.7	611.4	639.8	612.4	614.3	628.7	670.4	682.9	643.9
24 Savings deposits (excluding checkable)	596.2	597.6	608.7	613.4	623.1	627.4	631.3	643.0	650.7	656.1	667.7
25 Time deposits	1,189.0	1,188.4	1,191.7	1,185.8	1,190.6	1,195.4	1,189.6	1,176.8	1,168.8	1,156.7	1,137.7
26 Borrowings	486.3	486.7	489.8	500.4	489.0	466.7	483.8	501.3	487.3	499.5	507.2
27 Other liabilities	282.5	268.8	274.0	274.5	267.7	265.4	276.6	285.1	295.6	304.3	299.3
28 Residual (assets less liabilities)[3]	228.6	228.0	231.4	231.4	233.3	236.1	237.7	235.1	235.5	236.6	240.3
DOMESTICALLY CHARTERED COMMERCIAL BANKS[4]											
29 **Total assets**	**2,988.1**	**2,970.6**	**3,002.4**	**3,003.5**	**3,021.4**	**2,985.4**	**3,000.9**	**3,025.1**	**3,052.3**	**3,068.7**	**3,032.2**
30 Loans and securities	2,645.3	2,639.1	2,647.8	2,655.3	2,665.1	2,650.3	2,659.4	2,673.8	2,687.9	2,694.7	2,688.2
31 Investment securities	587.7	591.6	594.7	602.1	611.3	613.0	621.1	638.2	644.9	651.0	652.3
32 U.S. government securities	439.0	444.0	447.7	456.9	467.2	470.0	477.2	493.4	499.4	505.6	508.5
33 Other	148.8	147.5	147.0	145.1	144.1	143.0	143.8	144.8	145.4	145.4	143.8
34 Trading account assets	25.9	27.3	26.9	30.1	33.4	31.3	32.4	34.9	36.0	33.2	38.1
35 Total loans	2,031.6	2,020.2	2,026.2	2,023.1	2,020.5	2,005.9	2,006.0	2,000.6	2,007.1	2,010.5	1,997.8
36 Interbank loans	144.9	130.7	141.0	136.8	146.5	141.5	142.8	144.5	150.7	150.5	156.3
37 Loans excluding interbank	1,886.7	1,889.5	1,885.2	1,886.3	1,874.1	1,864.4	1,863.2	1,856.2	1,856.4	1,860.1	1,841.5
38 *Commercial and industrial*	504.3	501.3	494.4	490.0	482.5	475.6	472.9	471.0	468.3	463.4	454.9
39 Real estate	805.2	810.6	814.3	816.8	815.1	814.9	814.3	817.1	816.8	816.3	815.7
40 Revolving home equity	63.4	64.5	65.3	66.0	66.6	67.3	68.1	68.9	69.2	69.9	71.0
41 Other real estate	741.8	746.1	749.0	750.8	748.4	747.6	746.2	748.2	747.6	746.4	744.8
42 Individual	371.5	372.4	370.9	370.7	369.5	369.3	368.7	365.5	363.8	370.2	367.5
43 All other	205.8	205.2	205.7	208.9	207.0	204.6	207.4	202.6	207.5	210.2	203.4
44 Total cash assets	177.3	171.8	194.2	185.2	187.7	171.5	176.5	179.1	197.6	201.7	176.3
45 Reserves with Federal Reserve Banks	24.1	22.0	25.8	28.2	23.9	22.1	24.9	25.1	24.0	28.5	23.3
46 Cash in vault	28.8	29.1	31.1	29.8	29.7	31.0	30.1	30.7	29.6	30.7	31.1
47 Cash items in process of collection	74.9	72.7	85.6	76.2	86.3	70.3	74.0	73.6	88.3	85.4	71.0
48 Demand balances at U.S. depository institutions	26.1	24.6	29.1	27.3	25.6	25.7	25.2	27.4	30.7	31.1	26.2
49 Other cash assets	23.4	23.4	22.7	23.6	22.3	22.3	22.3	22.4	25.0	25.9	24.7
50 Other assets	165.5	159.7	160.4	163.0	168.5	163.6	165.0	172.2	166.8	172.3	167.7
51 **Total liabilities**	**2,763.5**	**2,746.8**	**2,775.1**	**2,776.2**	**2,792.2**	**2,753.4**	**2,767.4**	**2,794.2**	**2,821.0**	**2,836.2**	**2,796.1**
52 Deposits	2,270.7	2,263.7	2,285.6	2,275.7	2,313.5	2,289.3	2,286.9	2,301.2	2,340.9	2,342.5	2,292.0
53 Transaction accounts	592.6	592.1	608.3	601.7	630.4	603.1	605.3	619.4	660.4	672.6	634.1
54 Savings deposits (excluding checkable)	592.7	594.0	605.1	609.7	619.3	623.7	627.5	639.2	646.8	652.1	663.6
55 Time deposits	1,085.3	1,077.5	1,072.2	1,064.3	1,063.8	1,062.6	1,054.1	1,042.6	1,033.7	1,017.8	994.3
56 Borrowings	356.1	349.9	357.6	369.8	352.7	339.1	354.6	362.1	346.8	356.8	367.9
57 Other liabilities	136.8	133.1	131.9	130.7	126.0	125.0	125.9	130.8	133.3	136.9	136.2
58 Residual (assets less liabilities)[3]	224.6	223.9	227.3	227.2	229.2	232.0	233.5	230.9	231.3	232.4	236.1

1. Data have been revised to reflect benchmarking to quarterly Call reports. Back data are available from the Banking and Monetary Statistics Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. Data in this table also appear in the Board's H.8 (510) weekly statistical release.

Data are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Components may not sum to totals because of rounding.

2. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge act and agreement corporations, and New York State foreign investment corporations. Data are estimates for the last Wednesday of the month based on a sample of weekly-reporting foreign-related institutions and quarter-end condition reports.

3. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

4. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly-reporting banks and quarter-end condition reports.

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

Millions of dollars, Wednesday figures

Account	1991				1992				
	Dec. 4	Dec. 11	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
ASSETS									
1 Cash and balances due from depository institutions	115,247[r]	112,422	110,424[r]	120,462	125,862	106,684	123,478	123,366	104,397
2 U.S. Treasury and government securities	226,906	225,142	224,460	221,687	227,934	227,696	229,257	230,739	228,760
3 Trading account	21,945	21,041	19,867	18,486	17,962	18,659	19,590	20,598	20,659
4 Investment account	204,961[r]	204,101	204,593	203,201	209,972	209,036	209,667	210,141	208,102
5 Mortgage-backed securities[2]	77,542[r]	77,352[r]	78,029[r]	78,121[r]	79,183	78,827	78,562	78,949	78,583
All others, by maturity									
6 One year or less	25,534	25,452[r]	25,671	25,284	25,494	26,034	26,889	26,526	24,731
7 One year through five years	55,213	54,655[r]	54,144[r]	53,113[r]	54,525	55,980	57,013	57,688	57,960
8 More than five years	46,672[r]	46,642[r]	46,748[r]	46,684[r]	50,770	48,195	47,202	46,978	46,827
9 Other securities	55,710[r]	55,455	55,646	56,221	56,766	55,624	55,479	55,440	55,455
10 Trading account	1,330	1,326	1,872	1,836	2,019	1,269	1,225	1,212	1,614
11 Investment account	54,380[r]	54,130	53,774	54,384	54,747	54,355	54,254	54,228	53,841
12 State and political subdivisions, by maturity	22,724	22,637	22,517	22,667	22,984	22,673	22,641	22,689	22,580
13 One year or less	3,043[r]	3,011	2,980	3,112	3,275	3,161	3,171	3,241	3,231
14 More than one year	19,681[r]	19,626	19,536	19,555	19,709	19,512	19,470	19,448	19,349
15 Other bonds, corporate stocks, and securities	31,656[r]	31,493[r]	31,257	31,717	31,763	31,682	31,613	31,539	31,261
16 Other trading account assets	12,151[r]	11,998[r]	11,672[r]	11,336[r]	11,447	12,596	11,842	12,371	13,178
17 Federal funds sold[3]	82,829	84,023	86,075	86,112	77,213	95,687	107,976	100,767	95,321
18 To commercial banks in the United States	56,286	56,608	57,749	57,996	53,021	64,397	73,712	70,880	66,540
19 To nonbank brokers and dealers	21,819	22,636	23,161	23,641	20,056	24,463	28,690	24,247	22,943
20 To others[4]	4,724	4,778	5,166	4,475	4,137	6,828	5,574	5,640	5,837
21 Other loans and leases, gross	998,028	996,116	1,000,859	1,001,038	1,017,136	1,013,033	1,012,652	1,009,936	1,008,215
22 Commercial and industrial	292,878[r]	290,937[r]	292,147[r]	290,125[r]	293,378	290,189	290,143	289,363	288,643
23 Bankers acceptances and commercial paper	2,218	2,056	2,043	2,038	1,946	1,633	1,608	1,597	1,584
24 All other	290,660[r]	288,881[r]	290,104[r]	288,088[r]	291,432	288,557	288,535	287,766	287,059
25 U.S. addressees	289,340[r]	287,622[r]	288,746[r]	286,599[r]	289,884	287,033	286,999	286,221	285,551
26 *Non-U.S. addressees*	*1,320*	*1,259*	*1,357*	*1,488*	*1,548*	*1,523*	*1,536*	*1,545*	*1,508*
27 Real estate loans	395,313[r]	395,624[r]	394,631[r]	393,905[r]	403,044	403,135	402,634	401,846	402,392
28 Revolving, home equity	39,539	39,621	39,717	39,916	41,494	41,472	41,594	41,665	41,685
29 All other	355,774[r]	356,003[r]	354,914[r]	353,988[r]	361,550	361,662	361,041	360,181	360,706
30 To individuals for personal expenditures	180,400[r]	181,352[r]	182,749[r]	183,732[r]	188,466	187,964	187,150	186,972	186,788
31 To financial institutions	44,679	44,411	44,403	45,719	46,473	45,717	45,768	44,872	45,521
32 Commercial banks in the United States	18,980[r]	18,960[r]	19,213[r]	20,147[r]	20,872	20,772	21,514	20,831	21,565
33 Banks in foreign countries	1,964	2,150	1,934	2,484	2,080	1,858	2,091	2,065	1,934
34 Nonbank financial institutions	23,735[r]	23,302[r]	23,255[r]	23,088[r]	23,521	23,086	22,163	21,976	22,022
35 For purchasing and carrying securities	13,304	12,813	15,017	14,805	12,495	13,791	14,374	14,784	14,107
36 To finance agricultural production	5,906	5,850	5,872	5,842	6,190	6,039	6,022	5,948	5,850
37 To states and political subdivisions	17,654	17,586	17,543	17,581	17,683	17,534	17,443	17,432	17,344
38 *To foreign governments and official institutions*	*1,032*	*941*	*931*	*947*	*918*	*1,001*	*928*	*939*	*898*
39 All other loans[5]	21,547[r]	21,248[r]	22,243[r]	23,024[r]	22,733	21,845	22,383	21,982	20,909
40 Lease-financing receivables	25,315	25,355	25,323	25,358	25,755	25,819	25,808	25,798	25,764
41 LESS: Unearned income	3,279	3,270	3,254	3,256	3,306	3,255	3,244	3,233	3,275
42 Loan and lease reserve[6]	37,265	37,481	37,227	36,709	37,215	37,127	37,257	37,206	37,056
43 Other loans and leases, net	957,483	955,365	960,378	961,073	976,614	972,651	972,151	969,498	967,884
44 Other assets	155,776[r]	154,727[r]	151,476[r]	157,141[r]	170,439	159,466	162,351	157,556	154,723
45 **Total assets**	**1,606,102**[r]	**1,599,131**[r]	**1,600,132**[r]	**1,614,031**[r]	**1,646,276**	**1,630,405**	**1,662,534**	**1,649,737**	**1,619,719**

Footnotes appear on the following page.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1991				1992				
	Dec. 4	Dec. 11	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
LIABILITIES									
46 Deposits	1,120,281	1,112,598	1,110,123[r]	1,119,817	1,158,676	1,135,387	1,158,334	1,129,716	1,110,245
47 *Demand deposits*	239,253	234,198	238,536[r]	251,299	267,363	237,786	262,416	245,168	230,396
48 Individuals, partnerships, and corporations	192,900	188,307	190,421	200,832	214,354	193,174	207,201	193,318	182,853
49 Other holders	46,353	45,891	48,115[r]	50,467	53,008	44,613	55,214	51,850	47,543
50 States and political subdivisions	7,658	8,020	8,047	8,671	9,242	7,896	8,001	8,389	7,753
51 U.S. government	1,664	1,799	1,848	2,129	3,050	1,754	4,975	2,439	1,796
52 Depository institutions in the United States	20,816	20,271	20,949[r]	23,470	23,997	19,772	25,408	23,401	20,094
53 Banks in foreign countries	4,998	5,649	5,275	5,545	5,788	5,294	5,538	5,813	5,194
54 Foreign governments and official institutions	768	870	604	880	1,000	532	604	694	668
55 Certified and officers' checks	10,449	9,281	11,394	9,772	9,932	9,365	10,689	11,115	12,037
56 Transaction balances other than demand deposits[5]	99,801	97,628	98,320	98,859	105,006	106,020	104,795	101,460	99,458
57 Nontransaction balances	781,227	780,773	773,267	769,659	786,308	791,581	791,124	783,087	780,391
58 Individuals, partnerships, and corporations	750,441	749,780	743,178	740,164	757,385	761,643	761,308	753,033	749,290
59 Other holders	30,787	30,993	30,089	29,495	28,923	29,938	29,816	30,054	31,101
60 States and political subdivisions	25,513	25,823	25,024	24,405	23,989	24,687	24,598	24,427	25,049
61 U.S. government	1,170	1,116	1,110	1,094	1,105	1,494	1,484	1,484	1,517
62 Depository institutions in the United States	3,690	3,653	3,584	3,613	3,452	3,383	3,363	3,782	4,176
63 Foreign governments, official institutions, and banks	414	401	372	384	377	374	370	361	360
64 Liabilities for borrowed money[6]	263,726	262,038	270,337	271,114	262,650	273,104	280,785	294,938	282,183
65 Borrowings from Federal Reserve Banks	0	600	0	31	0	4,583	0	965	0
66 Treasury tax and loan notes	11,010[r]	7,290	26,117	27,780	25,798	16,173	16,865	29,461	29,817
67 Other liabilities for borrowed money[7]	252,716[r]	254,148	244,220	243,303	236,852	252,348	263,919	264,512	252,366
68 Other liabilities (including subordinated notes and debentures)	106,195[r]	108,306[r]	103,763[r]	108,121[r]	107,029	103,802	105,286	105,899	107,223
69 **Total liabilities**	**1,490,203[r]**	**1,482,943[r]**	**1,484,223[r]**	**1,499,051[r]**	**1,528,355**	**1,512,293**	**1,544,406**	**1,530,553**	**1,499,652**
70 Residual (total assets less total liabilities)[8]	115,899[r]	116,189[r]	115,909[r]	114,980[r]	117,921	118,111	118,128	119,183	120,067
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[9]	1,300,358[r]	1,297,165[r]	1,301,751[r]	1,298,250[r]	1,316,603	1,319,467	1,321,980	1,317,542	1,312,825
72 Time deposits in amounts of $100,000 or more	170,555	169,399	166,249	163,958[r]	162,887	164,539	162,927	161,499	160,639
73 Loans sold outright to affiliates[10]	1,299	1,258	1,242	1,221	1,232	1,247	1,233	1,230	1,224
74 Commercial and industrial	681	675	654	654	680	701	695	697	685
75 Other	618	583	588	566	553	546	538	534	538
76 Foreign branch credit extended to U.S. residents[11]	24,452	24,179	24,217	24,141	23,603	23,822	23,829	23,685	23,409
77 Net due to related institutions abroad	−5,760[r]	−2,855[r]	−4,771	−4,229	−11,695	−5,753	−7,972	−3,792	453

1. Components may not sum to totals because of rounding.
2. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes negotiable order of withdrawal (NOW), automatic transfer service (ATS), and telephone and preauthorized transfer savings deposits.
6. Includes borrowings only from other-than-directly-related institutions.
7. Includes federal funds purchased and securities sold under agreements to repurchase.
8. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
9. Excludes loans to and federal funds transactions with commercial banks in the United States.
10. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.
11. Credit extended by foreign branches of domestically chartered weekly-reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE. Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address see inside front cover.

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

Millions of dollars, Wednesday figures

Account	1991				1992				
	Dec. 4[r]	Dec. 11	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
1 Cash and balances due from depository institutions	16,576	16,307	17,291	17,711	17,349	16,733	17,412	17,074	16,543
2 U.S. Treasury and government agency securities	19,572	20,631	20,590	21,600	21,792	22,167	21,947	20,836	20,459
3 Other securities	7,876	7,911	8,153	8,366	8,890	8,927	8,826	8,949	8,913
4 Federal funds sold[1]	8,846	11,115	10,186	9,516	13,061	9,531	10,533	13,692	11,276
5 To commercial banks in the United States	3,963	4,512	4,115	5,233	6,472	3,774	3,812	7,519	3,905
6 To others[2]	4,883	6,602	6,071	4,284	6,590	5,756	6,721	6,173	7,371
7 Other loans and leases, gross	151,110	151,121[r]	152,797[r]	157,256[r]	168,317	162,735	163,266	163,363	164,761
8 Commercial and industrial	88,285	88,145[r]	89,412[r]	91,161[r]	98,150	97,116	97,669	97,263	97,690
9 Bankers acceptances and commercial paper	2,174	1,994[r]	2,236[r]	2,199[r]	2,573	2,322	2,288	2,373	2,314
10 All other	86,111	86,150[r]	87,176[r]	88,962[r]	95,577	94,794	95,381	94,890	95,376
11 U.S. addressees	83,345	83,331[r]	84,231[r]	86,047[r]	92,589	91,930	92,525	92,021	92,495
12 Non-U.S. addressees	2,766	2,819[r]	2,945[r]	2,915[r]	2,988	2,864	2,856	2,869	2,881
13 Loans secured by real estate	33,588	33,462	33,392	33,604	36,660	36,581	36,652	36,638	36,564
14 To financial institutions	21,319	21,219[r]	21,443[r]	22,471[r]	22,230	21,396	20,314	20,369	20,851
15 Commercial banks in the United States	7,754	7,778[r]	7,458[r]	7,688[r]	8,292	7,889	7,566	7,704	7,824
16 Banks in foreign countries	2,247	1,965	2,220	2,776	1,919	1,941	1,816	1,807	1,866
17 Nonbank financial institutions	11,318	11,476[r]	11,765[r]	12,006[r]	12,020	11,567	10,932	10,858	11,161
18 For purchasing and carrying securities	5,412	5,834	6,024	7,469[r]	8,310	5,173	6,113	6,591	7,225
19 To foreign governments and official institutions	408	410	410	384	405	393	394	407	420
20 All other	2,098	2,052	2,116	2,166[r]	2,563	2,075	2,124	2,094	2,011
21 Other assets (claims on nonrelated parties)	31,685	33,342[r]	30,544[r]	31,206[r]	32,232	30,963	30,229	29,811	30,142
22 **Total assets**[3]	**275,720**	**278,963**	**280,485**	**283,060**	**297,449**	**288,063**	**292,890**	**293,020**	**291,881**
23 Deposits or credit balances due to other than directly related institutions	93,069	95,855	98,778[r]	97,847	96,363	95,232	95,339	97,834	101,546
24 Demand deposits[4]	3,565	3,453	4,980[r]	4,260	4,200	3,792	3,755	3,824	3,669
25 Individuals, partnerships, and corporations	2,707	2,667[r]	3,976[r]	3,141[r]	3,381	2,970	2,928	3,000	2,801
26 Other	859	787[r]	1,003[r]	1,119[r]	819	823	827	825	867
27 Nontransaction accounts	89,503	92,402	93,799	93,586	92,163	91,439	91,584	94,009	97,877
28 Individuals, partnerships, and corporations	64,195	66,296	67,343	67,502	65,058	64,477	64,529	66,736	69,212
29 Other	25,308	26,106	26,455	26,085	27,104	26,963	27,054	27,273	28,665
30 Borrowings from other than directly related institutions	99,472	95,274[r]	97,137[r]	97,144[r]	107,426	104,537	105,354	102,142	99,849
31 Federal funds purchased[5]	54,634	47,127	50,158	46,879	52,742	53,691	58,103	53,445	51,208
32 From commercial banks in the United States	21,059	20,183	20,707	20,123	22,490	24,043	26,338	20,803	22,282
33 From others	33,576	26,943	29,451	26,756	30,252	29,648	31,766	32,642	28,926
34 Other liabilities for borrowed money	44,838	48,148[r]	46,978[r]	50,266[r]	54,684	50,846	47,251	48,698	48,641
35 To commercial banks in the United States	13,197	13,999	13,761	14,779	16,605	15,241	15,050	14,778	16,097
36 To others	31,641	34,148[r]	33,218[r]	35,487[r]	38,079	35,606	32,201	33,920	32,544
37 Other liabilities to nonrelated parties	29,918	30,730[r]	28,796[r]	29,382[r]	29,456	28,584	28,079	27,704	27,317
38 **Total liabilities**[6]	**275,720**	**278,963**	**280,485**	**283,060**	**297,449**	**288,063**	**292,890**	**293,020**	**291,881**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	175,687	178,488[r]	180,153[r]	183,816[r]	197,297	191,697	193,194	191,618	193,680
40 Net due to related institutions abroad	13,204	18,568	14,850	21,282	28,397	22,704	23,442	26,046	23,382

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.
5. Includes securities sold under agreements to repurchase.
6. Includes net to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING[1]

Millions of dollars, end of period

Item	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1991 Dec.	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**358,997**	**458,464**	**530,123**	**566,688**	**535,998**	**545,493r**	**538,179r**	**532,931r**	**529,981r**	**538,567r**	**535,998**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	102,742	159,777	186,343	218,953	218,687	205,099	208,159	211,821	219,028	220,402	218,687
3 Bank-related (not seasonally adjusted)[4]	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[5]											
4 Total	174,332	194,931	212,640	201,862	185,074	195,144r	191,902r	189,427r	180,540r	182,109r	185,074
5 Bank-related (not seasonally adjusted)[5]	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[6]	81,923	103,756	131,140	145,873	132,237	145,250	138,118	131,683	130,413	136,056	132,237
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**70,565**	**66,631**	**62,972**	**54,771**	**43,770**	**44,756**	**44,228**	**43,462**	**44,910**	**43,947**	**43,770**
Holder											
8 Accepting banks	10,943	9,086	9,433	9,017	11,027	9,081	9,622	10,174	9,876	10,750	11,027
9 Own bills	9,464	8,022	8,510	7,930	9,356	7,906	7,826	8,237	8,306	8,754	9,356
10 Bills bought	1,479	1,064	924	1,087	1,670	1,175	1,795	1,937	1,570	1,996	1,670
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	965	1,493	1,066	918	1,739	1,274	1,665	1,678	1,862	1,705	1,739
13 Others	58,658	56,052	52,473	44,836	31,004	34,401	32,941	31,610	33,172	31,491	31,004
Basis											
14 Imports into United States	16,483	14,984	15,651	13,096	12,843	12,728	12,968	12,876	13,265	13,472	12,843
15 Exports from United States	15,227	14,410	13,683	12,703	10,351	11,468	11,044	10,966	11,105	10,486	10,351
16 All other	38,855	37,237	33,638	28,973	20,577	20,561	20,215	19,620	20,541	19,989	20,577

1. Components may not sum to totals because of rounding.
2. 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.
3. Includes all financial-company paper sold by dealers in the open market.
4. Bank-related series were discontinued in January 1989.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Data on bankers acceptances are gathered from institutions whose acceptances total $100 million or more annually. The reporting group is revised every January. In January 1988, the group was reduced from 155 to 111 institutions. The current group, totaling approximately 100 institutions, accounts for more than 90 percent of total acceptances activity.

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

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1989— Jan. 1	10.50	1989	10.87	1990— Jan.	10.11	1991— Jan.	9.52
Feb. 10	11.00	1990	10.01	Feb.	10.00	Feb.	9.05
24	11.50	1991	8.46	Mar.	10.00	Mar.	9.00
June 5	11.00			Apr.	10.00	Apr.	9.00
July 31	10.50	1989— Jan.	10.50	May	10.00	May	8.50
		Feb.	10.93	June	10.00	June	8.50
1990— Jan. 8	10.00	Mar.	11.50	July	10.00	July	8.50
		Apr.	11.50	Aug.	10.00	Aug.	8.50
1991— Jan. 2	9.50	May	11.50	Sept.	10.00	Sept.	8.20
Feb. 4	9.00	June	11.07	Oct.	10.00	Oct.	8.00
May 1	8.50	July	10.98	Nov.	10.00	Nov.	7.58
Sept. 13	8.00	Aug.	10.50	Dec.	10.00	Dec.	7.21
Nov. 6	7.50	Sept.	10.50				
Dec. 23	6.50	Oct.	10.50			1992— Jan.	6.50
		Nov.	10.50			Feb.	6.50
		Dec.	10.50				

1. 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

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

Item	1989	1990	1991	1991			1992	1992, week ending				
				Oct.	Nov.	Dec.	Jan.	Jan. 3	Jan. 10	Jan. 17	Jan. 24	Jan. 31
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	9.21	8.10	5.69	5.21	4.81	4.43	4.03	4.19	4.19	4.01	3.87	4.01
2 Discount window borrowing[2,4]	6.93	6.98	5.45	5.00	4.58	4.11	3.50	3.50	3.50	3.50	3.50	3.50
Commercial paper[3,5,6]												
3 1-month	9.11	8.15	5.89	5.29	4.95	4.98	4.11	4.57	4.09	4.10	4.08	4.08
4 3-month	8.99	8.06	5.87	5.35	4.98	4.61	4.07	4.27	4.02	4.08	4.07	4.09
5 6-month	8.80	7.95	5.85	5.33	4.93	4.49	4.06	4.17	3.99	4.08	4.08	4.09
Finance paper, directly placed[3,5,7]												
6 1-month	8.99	8.00	5.73	5.18	4.80	4.69	3.99	4.16	3.95	3.99	3.97	4.00
7 3-month	8.72	7.87	5.71	5.19	4.87	4.39	3.99	4.07	3.94	4.00	3.99	4.01
8 6-month	8.16	7.53	5.60	5.12	4.76	4.31	3.95	4.00	3.92	3.95	3.97	3.98
Bankers acceptances[3,5,8]												
9 3-month	8.87	7.93	5.70	5.21	4.85	4.42	3.97	4.05	3.92	3.99	3.96	4.00
10 6-month	8.67	7.80	5.67	5.15	4.76	4.28	3.96	3.97	3.87	3.99	3.95	4.02
Certificates of deposit, secondary market[3,9]												
11 1-month	9.11	8.15	5.82	5.23	4.86	4.84	4.07	4.35	4.04	4.08	4.06	4.06
12 3-month	9.09	8.15	5.83	5.33	4.94	4.47	4.05	4.15	3.98	4.09	4.06	4.08
13 6-month	9.08	8.17	5.91	5.32	4.92	4.41	4.07	4.11	3.97	4.12	4.08	4.11
14 Eurodollar deposits, 3-month[3,10]	9.16	8.16	5.86	5.34	4.96	4.48	4.06	4.16	3.96	4.10	4.08	4.08
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	8.11	7.50	5.38	4.99	4.56	4.07	3.80	3.87	3.77	3.81	3.77	3.84
16 6-month	8.03	7.46	5.44	5.04	4.61	4.10	3.87	3.87	3.81	3.88	3.86	3.92
17 1-year	7.92	7.35	5.52	5.04	4.64	4.17	3.95	3.93	3.87	3.98	3.95	4.02
Auction average[3,5,11]												
18 3-month	8.12	7.51	5.42	5.03	4.60	4.12	3.84	3.91	3.85	3.83	3.78	3.84
19 6-month	8.04	7.47	5.49	5.08	4.66	4.16	3.88	3.91	3.86	3.87	3.84	3.93
20 1-year	7.91	7.36	5.54	5.12	4.72	4.20	3.84	n.a.	n.a.	3.84	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	8.53	7.89	5.86	5.33	4.89	4.38	4.15	4.14	4.06	4.17	4.14	4.23
22 2-year	8.57	8.16	6.49	5.91	5.56	5.03	4.96	4.79	4.74	5.02	5.02	5.14
23 3-year	8.55	8.26	6.82	6.23	5.90	5.39	5.40	5.14	5.12	5.45	5.47	5.65
24 5-year	8.50	8.37	7.37	6.87	6.62	6.19	6.24	5.98	6.01	6.34	6.32	6.41
25 7-year	8.52	8.52	7.68	7.25	7.06	6.69	6.70	6.46	6.48	6.76	6.80	6.88
26 10-year	8.49	8.55	7.86	7.53	7.42	7.09	7.03	6.78	6.80	7.04	7.14	7.25
27 30-year	8.45	8.61	8.14	7.93	7.92	7.70	7.58	7.45	7.43	7.57	7.65	7.74
Composite[13]												
28 Over 10 years (long-term)	8.58	8.74	8.16	7.88	7.83	7.58	7.48	7.32	7.29	7.49	7.57	7.66
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
29 Aaa	7.00	6.96	6.56	6.28	6.24	6.32	6.13	6.22	6.22	6.02	6.08	6.20
30 Baa	7.40	7.29	6.99	6.70	6.58	6.65	6.47	6.54	6.54	6.37	6.42	6.54
31 *Bond Buyer* series[15]	7.23	7.27	6.92	6.68	6.73	6.69	6.54	6.52	6.40	6.56	6.59	6.65
CORPORATE BONDS												
32 Seasoned issues, all industries[16]	9.66	9.77	9.23	8.99	8.93	8.75	8.64	8.60	8.57	8.64	8.67	8.70
Rating group												
33 Aaa	9.26	9.32	8.77	8.55	8.48	8.31	8.20	8.17	8.14	8.20	8.22	8.25
34 Aa	9.46	9.56	9.05	8.83	8.78	8.61	8.51	8.45	8.43	8.52	8.56	8.58
35 A	9.74	9.82	9.30	9.08	9.01	8.82	8.72	8.65	8.64	8.72	8.76	8.76
36 Baa	10.18	10.36	9.80	9.49	9.45	9.26	9.13	9.11	9.05	9.11	9.16	9.20
37 A-rated, recently offered utility bonds[17]	9.79	10.01	9.32	9.02	8.95	8.68	8.57	8.46	8.49	8.58	8.67	8.72
MEMO: Dividend–price ratio[18]												
38 Preferred stocks	9.05	8.96	8.17	7.84	7.81	7.62	7.54	7.57	7.52	7.51	7.50	7.61
39 Common stocks	3.45	3.61	3.25	3.14	3.15	3.11	2.90	2.91	2.89	2.87	2.89	2.96

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. 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 11 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. Treasury.
13. Unweighted average of rates on all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1989	1990[r]	1991	1991								1992
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	180.13	183.66	206.35	207.07	207.32	208.29	213.33	212.55	213.10	213.25	214.26	229.34
2 Industrial	228.04	226.06	258.16	260.13	261.16	262.48	268.22	266.21	265.68	264.89	266.01	286.62
3 Transportation	174.90	158.80	173.97	170.77	177.05	177.15	178.42	177.99	187.45	188.52	185.47	201.55
4 Utility	94.33	90.72	92.64	90.73	89.01	90.05	92.38	93.72	95.25	96.78	98.08	99.31
5 Finance	162.01	133.21	150.84	151.32	152.30	151.69	157.70	157.69	158.94	159.78	159.96	174.50
6 Standard & Poor's Corporation (1941–43 = 10)[1]	323.05	335.01	376.20	378.27	378.29	380.23	389.40	387.20	386.88	385.87	388.51	416.08
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	356.67	338.32	360.32	362.67	366.06	364.33	367.38	369.55	376.82	382.38	373.08	409.08
Volume of trading (thousands of shares)												
8 New York Stock Exchange	165,568	156,359	179,411	170,337	162,154	157,871	171,490	163,242	177,502	187,191	197,914	239,903
9 American Stock Exchange	13,124	13,155	12,486	10,995	11,477	10,883	12,514	13,378	13,764	14,487	17,475	20,444
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker-dealers**[3]	**34,320**	**28,210**	**36,660**	**29,980**	**31,280**	**30,600**	**32,240**	**33,170**	**33,360**	**34,840**	**36,660**	**36,350**
Free credit balances at brokers[4]												
11 Margin accounts[5]	7,040	8,050	8,290	7,200	6,690	6,545	7,040	6,950	6,965	7,040	8,290	7,865
12 Cash accounts	18,505	19,285	19,255	16,650	18,110	16,945	17,040	17,595	17,100	17,780	19,255	19,990

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
5. New series since June 1984.
6. These 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 other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1989	1990	1991									
			Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
	SAIF-insured institutions											
1 **Assets**	**1,249,055**	**1,084,821**	**1,054,654**	**1,041,977**	**1,027,464**	**1,020,677**	**1,001,582**	**984,971**	**972,529**	**949,047**	**937,776**	**934,295**
2 Mortgages	733,729	633,385	619,720	610,618	608,857	605,947	596,022	586,280	578,269	566,107	560,830	556,997
3 Mortgage-backed securities	170,532	155,228	149,318	147,431	143,968	141,582	139,536	137,098	135,751	135,377	135,084	133,341
4 Contra-assets to mortgage assets[1]	25,457	16,897	14,872	14,592	14,413	14,438	14,625	14,242	14,031	13,115	12,471	12,261
5 Commercial loans	32,150	24,125	23,205	22,294	21,903	21,724	20,645	20,301	20,390	18,507	18,159	17,525
6 Consumer loans	58,685	48,753	47,729	47,653	46,702	45,827	45,174	44,352	43,259	42,441	43,062	42,732
7 Contra-assets to nonmortgage loans[2]	3,592	1,939	1,876	1,827	1,742	1,739	1,745	1,676	1,546	1,399	1,372	1,146
8 Cash and investment securities	166,053	146,644	138,884	138,976	132,878	134,012	130,443	130,264	132,011	125,774	120,675	123,370
9 Other[3]	116,955	95,522	92,546	91,424	89,301	87,757	86,133	82,594	78,425	75,354	73,809	73,738
10 **Liabilities and net worth**	**1,249,055**	**1,084,821**	**1,054,654**	**1,041,977**	**1,027,464**	**1,020,677**	**1,001,582**	**984,971**	**972,529**	**949,047**	**937,776**	**934,295**
11 Savings capital	945,656	835,496	816,477	816,991	806,266	801,678	792,923	775,445	763,763	749,372	741,371	737,379
12 Borrowed money	252,230	197,353	183,660	169,412	164,268	159,625	151,474	146,901	142,908	132,726	127,356	125,146
13 FHLBB	124,577	100,391	94,658	90,555	86,779	82,312	78,966	76,104	74,424	68,792	66,578	65,976
14 Other	127,653	96,962	89,002	78,857	77,489	77,313	72,508	70,797	68,484	63,934	60,778	59,170
15 Other	27,556	21,332	23,355	20,350	21,752	23,647	20,480	21,647	22,642	19,070	20,368	21,677
16 Net worth	23,612	30,640	31,162	35,223	35,178	35,720	36,705	40,977	43,216	47,878	48,681	50,093

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

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

3. Includes holding of stock in Federal Home Loan Bank and finance leases plus interest.

NOTE. Components do not sum to totals because of rounding. Data for credit unions and life insurance companies have been deleted from this table. They will be shown in a separate table which will appear quarterly, starting in the December issue.

SOURCE. *Savings Association Insurance Fund (SAIF)-insured institutions:* Estimates by the Office of Thrift Supervision (OTS) for all institutions insured by the SAIF and based on the OTS thrift institution Financial Report.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS[1]

Millions of dollars

Type of account or operation	Fiscal year 1989	Fiscal year 1990	Fiscal year 1991	Calendar year					
				1991					1992
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. budget[2]									
1 Receipts, total	990,701	1,031,308	1,054,260	76,426	109,345	78,068	73,194	103,662	104,040
2 On-budget	727,035	749,652	760,377[r]	54,651	83,130[r]	57,216	50,898	80,172	79,886
3 Off-budget	263,666	281,656	293,883[r]	21,775	26,215[r]	20,852	22,296	23,490	24,154
4 Outlays, total	1,144,020	1,251,766	1,322,989	120,071	116,174	114,045	117,731[r]	106,094[r]	119,742
5 On-budget	933,107	1,026,711	1,081,303[r]	97,247	91,516[r]	94,062	95,438[r]	95,396[r]	97,189
6 Off-budget	210,911	225,065	241,685[r]	22,824	24,658[r]	19,983	22,293	10,698	22,553
7 Surplus or deficit (−), total	−153,319	−220,469	−268,729	−43,645	−6,829	−35,976	−44,537[r]	−2,432[r]	−15,702
8 On-budget	−206,072	−277,059	−320,926	−42,596	−8,386	−36,846	−44,540[r]	−15,224[r]	−17,303
9 Off-budget	52,753	56,590	52,198	−1,049	1,557	869	3	12,792	1,601
Source of financing (total)									
10 Borrowing from the public	141,806	220,101	276,802	32,574	27,970	40,657	25,641	22,825	11,449
11 Operating cash (decrease, or increase (−))	3,425	818	−1,329	18,504	−23,133	−11,235	28,195	−24,258	925
12 Other[3]	8,088	−451	−6,744	−7,433	1,992	6,554	−9,299[r]	3,865[r]	3,328
MEMO									
13 Treasury operating balance (level, end of period)	40,973	40,155	41,484	18,351	41,484	52,719	24,524	48,782	47,857
14 Federal Reserve Banks	13,452	7,638	7,928	6,745	7,928	18,111	6,317	17,697	10,828
15 Tax and loan accounts	27,521	32,517	33,556	11,606	33,556	34,608	18,207	31,085	37,028

1. Components may not sum to totals because of rounding.

2. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act also moved two social security trust funds (federal old-age survivors insurance and federal disability insurance trust fund) off-budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

3. 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.

SOURCES. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* (MTS) and the *Budget of the U.S. Government.*

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

Millions of dollars

Source or type	Fiscal year 1990	Fiscal year 1991	Calendar year 1990 H1	Calendar year 1990 H2	Calendar year 1991 H1	Calendar year 1991 H2	Calendar year 1991 Nov.	Calendar year 1991 Dec.	Calendar year 1992 Jan.
RECEIPTS									
1 **All sources**	**1,031,308**	**1,054,260**	**548,861**	**503,123**	**540,504**	**519,288**	**73,194**	**103,662**	**104,040**
2 Individual income taxes, net	466,884	467,827	243,087	230,745	232,389	233,983	31,987	41,722	60,451
3 Withheld	388,384	404,152	190,219	207,469	193,440	210,552	32,448	39,943	36,047
4 Presidential Election Campaign Fund	32	32	30	3	31	1	0	0	0
5 Nonwithheld	151,285	142,693	117,675	31,728	109,405	33,296	1,743	2,614	25,601
6 Refunds	72,817	79,050	64,838	8,455	70,487	9,867	2,205	835	1,197
Corporation income taxes									
7 Gross receipts	110,017	113,599	58,830	54,044	58,903	54,016	2,411	22,546	3,856
8 Refunds	16,510	15,513	8,326	7,603	7,904	7,956	895	827	864
9 Social insurance taxes and contributions, net	380,047	396,011	210,476	178,468	214,303	186,839	31,502	30,996	31,832
10 Employment taxes and contributions[2]	353,891	370,526	195,269	167,224	199,727	175,802	28,835	30,418	30,797
11 Self-employment taxes and contributions[3]	21,795	25,457	19,017	2,638	22,150	3,306	0	0	−1,361
12 Unemployment insurance	21,635	20,922	12,929	8,996	12,296	8,721	2,293	228	619
13 Other net receipts[4]	4,522	4,563	2,278	2,249	2,279	2,317	374	350	415
14 Excise taxes	35,345	42,430	18,153	17,535	20,703	24,690	4,200	3,912	3,349
15 Customs deposits	16,707	15,921	8,096	8,568	7,488	8,694	1,412	1,405	1,367
16 Estate and gift taxes	11,500	11,138	6,442	5,333	5,631	5,521	984	757	930
17 Miscellaneous receipts[5]	27,316	22,847	12,106	16,032	8,991	13,503	1,593	3,151	3,119
OUTLAYS									
18 **All types**	**1,251,776**	**1,322,989**	**640,867**	**647,218**	**631,737**	**693,499[r]**	**117,731[r]**	**106,094[r]**	**119,742**
19 National defense	299,331	272,514	152,733	149,497	122,089	147,531	25,794	24,138	25,675
20 International affairs	13,762	16,167	6,770	8,943	7,592	7,651	1,836	1,252	1,678
21 General science, space, and technology	14,444	15,946	6,974	8,081	7,496	8,473	1,293	1,501	1,308
22 Energy	2,372	1,750	1,216	979	816	1,436	667	160	−23
23 Natural resources and environment	17,067	18,708	7,343	9,933	8,324	11,221	1,829	1,580	1,232
24 Agriculture	11,958	14,864	7,450	6,878	7,684	7,335	2,291	2,409	878
25 Commerce and housing credit	67,160	75,639	38,672	37,491	17,992	36,579	2,099	−6,650	4,736
26 Transportation	29,485	31,531	13,754	16,218	14,748	17,094	2,882	2,731	2,546
27 Community and regional development	8,498	7,432	3,987	3,939	3,552	3,784	664	546	599
28 Education, training, employment, and social services	38,497	41,479	19,537	18,988	21,234	21,104	3,581	3,937	4,375
29 Health	57,716	71,183	29,488	31,424	35,608	41,458	7,283	7,329	6,688
30 Social security and medicare	346,383	373,495	175,997	176,353	190,247	193,156	32,186	32,676	33,497
31 Income security	147,314	171,618	78,475	75,948	88,778	87,215	14,970	16,191	17,663
32 Veterans benefits and services	29,112	31,344	15,217	15,479	14,326	17,425	4,060	2,637	2,465
33 Administration of justice	10,004	12,295	4,868	5,265	6,187	6,586	1,124	1,142	1,058
34 General government	10,724	11,358	4,916	6,976	5,212	6,821	1,303	1,313	937
35 Net interest[6]	184,221	195,012	91,155	94,650	98,556	99,405	16,557	16,564	17,577
36 Undistributed offsetting receipts[7]	−36,615	−39,356	−17,688	−19,829	−18,702	−20,435	−2,566	−3,148	−3,147

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION[1]

Billions of dollars, end of month

Item	1989	1990				1991			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec 31
1 **Federal debt outstanding**	**2,975.50**	**3,081.90**	**3,175.50**	**3,266.10**	**3,397.30**	**3,491.70**	**3,562.90**	**3,683.10**	**3,736.30**[r]
2 Public debt securities	2,953.00	3,052.00	3,143.80	3,233.30	3,364.80	3,465.20	3,538.00	3,665.30	3,801.70
3 Held by public	2,245.20	2,329.30	2,368.80	2,437.60	2,536.60	2,598.40	2,642.90	2,745.70	n.a.
4 Held by agencies	707.80	722.70	775.00	795.80	828.30	866.80	895.10	919.60	n.a.
5 Agency securities	22.50	29.90	31.70	32.80	32.50	26.50	25.00	17.80	n.a.
6 Held by public	22.40	29.80	31.60	32.60	32.40	26.40	24.80	17.60	n.a.
7 Held by agencies	.10	.20	.20	.20	.10	.10	.10	.10	n.a.
8 **Debt subject to statutory limit**	**2,921.70**	**2,988.90**	**3,077.00**	**3,161.20**	**3,281.70**	**3,377.10**	**3,450.30**	**3,569.30**	**3,706.80**[r]
9 Public debt securities	2,921.40	2,988.60	3,076.60	3,160.90	3,281.30	3,376.70	3,449.80	3,569.00	3,706.40
10 Other debt[2]	.30	.30	.40	.40	.40	.40	.40	.30	.40
11 MEMO: Statutory debt limit	3,122.70	3,122.70	3,122.70	3,195.00	4,145.00	4,145.00	4,145.00	4,145.00	4,145.00

1. Components may not sum to totals because of rounding.
2. Consists of guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

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

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership[1]

Billions of dollars, end of period

Type and holder	1988	1989	1990	1991	1991			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**2,684.4**	**2,953.0**	**3,364.8**	**3,801.7**	**3,465.2**	**3,538.0**	**3,665.3**	**3,801.7**
By type								
2 Interest-bearing	2,663.1	2,931.8	3,362.0	3,798.9	3,441.4	3,516.1	3,662.8	3,798.9
3 Marketable	1,821.3	1,945.4	2,195.8	2,471.6	2,227.9	2,268.1	2,390.7	2,471.6
4 *Bills*	414.0	430.6	527.4	590.4	533.3	521.5	564.6	590.4
5 Notes	1,083.6	1,151.5	1,265.2	1,430.8	1,280.4	1,320.3	1,387.7	1,430.8
6 Bonds	308.9	348.2	388.2	435.5	399.3	411.2	423.4	435.5
7 Nonmarketable[2]	841.8	986.4	1,166.2	1,327.2	1,213.5	1,248.0	1,272.1	1,327.2
8 State and local government series	151.5	163.3	160.8	159.7	159.4	161.0	158.1	159.7
9 Foreign issues[3]	6.6	6.8	43.5	41.9	42.8	42.1	41.6	41.9
10 Government	6.6	6.8	43.5	41.9	42.8	42.1	41.6	41.9
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	107.6	115.7	124.1	135.9	127.7	131.3	133.5	135.9
13 Government account series[4]	575.6	695.6	813.8	959.2	853.1	883.2	908.4	959.2
14 Non-interest-bearing	21.3	21.2	2.8	2.8	23.8	21.9	2.5	2.8
By holder[5]								
15 U.S. Treasury and other federal agencies and trust funds	589.2	707.8	828.3	n.a.	866.8	895.1	919.6	n.a.
16 Federal Reserve Banks	238.4	228.4	259.8		247.3	255.1	264.7	
17 Private investors	1,858.5	2,015.8	2,288.3		2,360.6	2,397.9	2,489.4	
18 Commercial banks	193.8	174.8	188.2		194.8	204.2	214.0	
19 Money market funds	11.8	14.9	45.4		65.7	55.2	64.5	
20 Insurance companies	107.3	130.1	149.7		149.3	155.1	157.0	
21 Other companies	87.1	93.4	108.9		114.9	130.8	142.0	
22 State and local treasuries	313.6	338.7	329.6		329.5	327.0	326.0	
Individuals								
23 Savings bonds	109.6	117.7	126.2		129.7	133.2	135.4	
24 Other securities	79.2	98.7	107.6		108.6	110.3	122.1	
25 Foreign and international[6]	362.2	392.9	423.2		430.7	441.2	444.8	
26 Other miscellaneous investors[7]	593.4	654.6	822.4		837.4	840.9	883.6	

1. Components may not sum to totals because of rounding.
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. Consists of investments of foreign balances and international accounts in the United States.
7. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

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

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

Millions of dollars, daily averages, par value

Item	1991 Oct.	1991 Nov.	1991 Dec.	1991, week ending Dec. 4	Dec. 11	Dec. 18	Dec. 25	1992, week ending Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29
IMMEDIATE TRANSACTIONS[2]												
By type of security												
U.S. Treasury securities												
1 Bills	35,273	36,252[r]	30,957[r]	28,497	34,549[r]	32,804	30,880	26,080	37,021	47,436	33,151	32,335
Coupon securities, by maturity												
2 Less than 3.5 years	38,280	42,034	32,848[r]	33,775	37,494	37,513	34,762	18,599	35,863	59,975	49,491	51,138
3 3.5 to 7.5 years	35,454	33,385	29,975[r]	31,799	36,389	32,629	32,028	15,218	41,188	53,921	44,476	40,483
4 7.5 to 15 years	16,202	18,691	14,018[r]	13,578	19,959	13,752	13,611	7,663	16,713	24,708	18,752	18,515
5 15 years or more	15,710	18,559	14,508[r]	11,601	21,265	13,150	15,500	8,949	16,784	21,137	18,481	14,787
Federal agency securities												
Debt, maturing in												
6 Less than 3.5 years	4,428	4,089	4,636	4,205	4,998	4,983	4,352	4,359	6,009	3,562	5,060	6,276
7 3.5 to 7.5 years	571	700	610	933	843	680	375	226	704	678	663	620
8 7.5 years or more	736	904	739	1,167	999	707	597	275	611	885	597	622
Mortgage-backed securities												
9 Pass-throughs	11,954	14,169	11,900	10,193	15,685	14,184	11,919	5,576	16,940	14,124	14,354	10,624
10 All others[3]	2,638	2,934	2,662	2,440	3,019	3,161	2,388	2,035	2,507	3,242	3,200	2,978
By type of counterparty												
Primary dealers and brokers												
11 U.S. Treasury securities	88,007	93,690[r]	73,458[r]	72,738	93,103[r]	78,975	72,225	43,776	90,502	131,312	102,953	103,810
Federal agency securities												
12 Debt	1,585	1,387	1,383	1,790	1,693	1,495	1,026	907	1,779	1,216	1,344	1,534
13 Mortgage-backed	6,803	8,245	6,227	5,317	8,323	7,672	5,996	2,714	8,691	7,142	8,303	5,818
Customers												
14 U.S. Treasury securities	52,913	55,231	48,848[r]	46,511	56,553	50,873	54,554	32,733	57,067	75,866	61,399	53,448
Federal agency securities												
15 Debt	4,150	4,305	4,604	4,516	5,148	4,876	4,299	3,953	5,546	3,909	4,976	5,984
16 Mortgage-backed	7,788	8,858	8,336	7,315	10,381	9,673	8,312	4,897	10,756	10,224	9,251	7,784
FUTURE AND FORWARD TRANSACTIONS[4]												
By type of deliverable security												
U.S. Treasury securities												
17 Bills	3,073	3,740	3,295	4,102	6,001	2,170	2,431	1,576	5,801	3,125	3,157	4,234
Coupon securities, by maturity												
18 Less than 3.5 years	1,312	1,673	1,801[r]	1,195	1,381	1,289	4,093	1,130	1,619	2,600	2,131	2,552
19 3.5 to 7.5 years	812	864	1,096	872	1,305	867	1,888	495	1,220	1,851	1,390	1,477
20 7.5 to 15 years	941	1,224	1,052	776	1,498	1,218	703	844	1,372	2,078	1,859	1,680
21 15 years or more	9,273	10,328	7,264	5,937	10,178	6,612	8,496	4,200	10,160	14,160	11,839	10,259
Federal agency securities												
Debt, maturing in												
22 Less than 3.5 years	92	94	119	22	22	204	315	12	4	28	285	17
23 3.5 to 7.5 years	38	73	39	134	47	17	16	6	10	160	71	55
24 7.5 years or more	25	63	30	49	13	54	24	14	7	51	38	8
Mortgage-backed												
25 Pass-throughs[3]	12,076	12,374	9,111[r]	7,270	13,528	9,813	9,683	3,521	16,120	22,000	14,748	15,722
26 Others	2,339	1,745	1,308	927	2,024	1,169	1,456	725	1,225	2,094	2,288	2,657
OPTION TRANSACTIONS[5]												
By type of underlying security												
U.S. Treasury, coupon securities, by maturity												
27 Less than 3.5 years	1,025	975	1,074	807	1,200	425	2,273	728	1,332	1,973	1,560	1,390
28 3.5 to 7.5 years	420	640	526	631	1,058	234	517	156	507	492	210	211
29 7.5 to 15 years	381	523	386	631	381	252	413	350	575	490	696	1,323
30 15 years or more	2,205	3,482	2,019	1,877	2,420	1,739	2,528	1,467	2,304	2,350	3,057	2,877
Federal agency, mortgage-backed securities												
31 Pass-throughs	532	334	480	339	875	176	713	237	1,758	601	402	438

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Averages for transactions are based on the number of trading days in the period. Immediate, forward, and future transactions are reported at principal value, which does not include accrued interest; option transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed 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 securities include purchases and sales for which delivery is scheduled in thirty days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest only securities (IOs), and principal only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five days. Forward contracts for mortgage-backed securities are included when the time to delivery is more than thirty days.

5. 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. In tables 1.42 and 1.43, the term "n.a." refers to data that are not published because of insufficient activity.

Data formerly shown under option transactions for U.S. Treasury securities, bills; Federal agency securities, debt; and mortgage-backed securities, other than pass-throughs are no longer available because of insufficient activity.

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

Millions of dollars

Item	1991			1991, week ending					1992, week ending			
	Oct.	Nov.	Dec.	Nov. 27	Dec. 4	Dec. 11	Dec. 18	Dec. 25	Jan. 1	Jan. 8	Jan. 15	Jan. 22
	Positions[2]											
NET IMMEDIATE TRANSACTIONS[3]												
By type of security												
U.S. Treasury securities												
1 Bills	15,720	15,482	17,034	10,990	14,921	17,261	18,469	17,134	16,202	11,629	10,224	13,120
Coupon securities, by maturity												
2 Less than 3.5 years	6,362	7,368	5,510	5,197	5,771	3,636	7,501	6,137	4,788	4,524	840	6,508
3 3.5 to 7.5 years	−2,993	−8,509	−6,729	−8,204	−10,663	−8,291	−8,598	−2,872	−4,176	−2,328	−5,312	−11,486
4 7.5 to 15 years	−3,733	−3,844	−5,926	−4,885	−6,332	−6,640	−5,232	−5,484	−6,080	−7,638	−4,873	−6,086
5 15 years or more	−8,144	−7,296	−1,437	−5,493	−3,816	−2,050	−1,450	−293	−632	−455	−2,292	−2,049
Federal agency securities												
Debt, maturing in												
6 Less than 3.5 years	4,104	4,099	4,469	3,298	6,035	3,841	4,121	5,398	3,508	2,951	4,005	4,130
7 3.5 to 7.5 years	1,940	2,314	2,723	2,462	2,698	2,796	2,678	2,719	2,696	2,856	3,527	3,795
8 7.5 years or more	5,108	4,231	3,695	3,685	4,046	3,720	3,580	3,830	3,492	3,656	3,572	3,648
Mortgage-backed securities												
9 Pass-throughs	25,712	27,555	22,350	21,506	18,525	27,315	26,517	24,685	13,550	23,937	29,624	29,668
10 All others[4]	14,414	15,780	17,575	17,795	17,868	16,620	16,373	17,397	20,119	20,670	18,725	18,717
Other money market instruments												
11 Certificates of deposit	3,355	3,147	2,928	2,644	3,435	2,610	2,562	3,168	3,110	3,709	3,593	3,445
12 Commercial paper	6,481	6,194	5,420	5,847	5,296	5,889	6,148	5,200	4,361	4,253	5,653	5,833
13 Bankers acceptances	1,495	1,574	1,413	1,630	1,840	1,564	1,257	1,301	1,264	1,330	1,000	1,392
FUTURE AND FORWARD TRANSACTIONS[5]												
By type of deliverable security												
U.S. Treasury securities												
14 Bills	−8,523	−10,708	−9,316	−10,350	−13,238	−11,880	−8,267	−6,389	−8,082	−12,918	−11,273	−11,078
Coupon securities, by maturity												
15 Less than 3.5 years	1,195	394	2,144	111	209	441	2,984	3,645	2,650	2,142	1,987	243
16 3.5 to 7.5 years	−1,553	−1,565	−516	−1,566	−1,077	−945	−235	−719	−16	1,870	3,040	3,263
17 7.5 to 15 years	−1,061	−500	−542	−575	−337	449	−730	−1,042	−1,617	−34	224	1,740
18 15 years or more	−3,551	−2,016	−5,074	−2,594	−4,149	−5,747	−5,356	−5,217	−4,746	−5,532	−4,306	−5,009
Federal agency securities												
Debt, maturing in												
19 Less than 3.5 years	35	54	112	180	−45	−14	−97	428	231	−14	300	1,061
20 3.5 to 7.5 years	−60	16	123	75	−65	109	145	187	135	187	39	317
21 7.5 years or more	−18	94	18	287	180	56	−83	−1	58	−24	0	100
Mortgage-backed securities												
22 Pass-throughs	−15,336	−14,580	−6,874	−9,585	−2,912	−12,654	−12,046	−8,898	4,041	−7,472	−13,065	−11,497
23 All others[4]	1,363	1,883	1,460	1,081	1,779	2,223	1,506	1,417	338	1,365	1,867	3,429
24 Certificates of deposit	−153,734	−175,570	−190,580	−179,251	−179,492	−190,448	−190,469	−198,974	−196,901	−193,222	−135,563	−133,527
	Financing[6]											
Reverse repurchase agreements												
25 Overnight and continuing	182,835	179,781	167,562	162,257	183,095	180,718	172,652	149,592	156,887	203,686	210,043	208,845
26 Term	251,079	254,361	233,972	252,491	234,131	245,766	236,075	243,182	206,910	263,130	278,315	281,433
Repurchase agreements												
27 Overnight and continuing	287,307	270,661	263,365	221,264	282,007	285,609	286,300	242,050	223,096	314,115	332,437	332,730
28 Term	234,937	255,652	231,374	292,960	219,421	232,870	225,806	258,941	211,932	233,496	258,725	263,295
Securities borrowed												
29 Overnight and continuing	59,052	62,159	62,441	64,400	64,191	62,784	62,399	60,518	63,168	65,749	68,424	69,153
30 Term	23,690	28,080	29,811	32,989	29,679	30,823	29,610	31,048	27,509	32,103	32,833	30,336
Securities loaned												
31 Overnight and continuing	9,304	9,271	8,302	9,330	7,434	7,352	8,763	8,621	9,080	8,702	10,566	10,295
32 Term	742	1,363	897	4,057	387	410	396	1,775	1,364	834	1,249	833
Collateralized loans												
33 Overnight and continuing	8,547	10,097	10,755	10,204	9,567	9,692	10,719	10,881	12,684	19,105	17,833	17,984
MEMO: Matched book[7]												
Reverse repurchases												
34 Overnight and continuing	124,310	123,670	116,612	114,179	124,129	119,955	123,691	109,340	107,925	142,013	150,223	146,554
35 Term	205,104	205,613	197,052	205,149	193,840	203,366	200,344	209,184	173,832	226,219	239,862	241,594
Repurchases												
36 Overnight and continuing	143,450	135,345	137,254	112,602	143,575	148,199	140,897	125,160	130,128	176,104	179,318	179,831
37 Term	181,206	192,103	170,102	208,512	163,073	178,622	175,124	185,520	141,000	177,584	193,902	197,339

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; monthly figures are averages of weekly data. Data for positions and financing are averages of close-of-business Wednesday data.
2. Securities positions are reported at market value.
3. 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 settle on the issue date of offering. Net immediate positions of mortgage-backed securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty days or less.
4. Includes securities such as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest only (IOs), and principal only (POs).
5. Futures positions are standardized contracts arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and for federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed securities are included when the time to delivery is more than thirty days.
6. 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.
7. 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 types of collateralization.

NOTE. Data for future and forward commercial paper and bankers' acceptances and term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1987	1988	1989	1990	1991				
					July	Aug.	Sept.	Oct.	Nov.
1 **Federal and federally sponsored agencies**	**341,386**	**381,498**	**411,805**	**434,668**	**432,637**	**437,942**	**436,189**	**438,032**	**439,670**
2 Federal agencies	37,981	35,668	35,664	42,159	40,380	40,923	42,409	42,638	42,951
3 Defense Department[1]	13	8	7	7	7	7	7	7	7
4 Export-Import Bank[2,3]	11,978	11,033	10,985	11,376	11,244	11,244	11,267	11,267	11,267
5 Federal Housing Administration[4]	183	150	328	393	300	315	336	337	365
6 Government National Mortgage Association participation certificates[5]	1,615	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,103	6,142	6,445	6,948	6,621	6,621	8,421	8,421	8,421
8 Tennessee Valley Authority	18,089	18,335	17,899	23,435	22,208	22,745	22,378	22,606	22,891
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	303,405	345,830	375,407	392,509	392,257	397,019	393,780	395,394	396,719
11 Federal Home Loan Banks	115,727	135,836	136,108	117,895	106,397	107,469	106,510	105,945	107,344
12 Federal Home Loan Mortgage Corporation	17,645	22,797	26,148	30,941	29,559	31,650	31,502	31,818	31,099
13 Federal National Mortgage Association	97,057	105,459	116,064	123,403	128,764	128,589	127,460	128,594	130,197
14 Farm Credit Banks[8]	55,275	53,127	54,864	53,590	51,318	52,056	52,010	52,488	52,105
15 Student Loan Marketing Association[9]	16,503	22,073	28,705	34,194	36,742	37,778	36,821	37,072	36,497
16 Financing Corporation[10]	1,200	5,850	8,170	8,170	8,170	8,170	8,170	8,170[r]	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	690	847	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	0	0	4,522	23,055	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**152,417**	**142,850**	**134,873**	**179,083**	**186,752**	**188,920**	**194,234**	**192,747**	**194,837**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,972	11,027	10,979	11,370	11,238	11,238	11,261	11,261	11,261
21 Postal Service[6]	5,853	5,892	6,195	6,698	6,401	6,401	8,201	8,201	8,201
22 Student Loan Marketing Association	4,940	4,910	4,880	4,850	4,850	4,850	4,850	4,820	4,820
23 Tennessee Valley Authority	16,709	16,955	16,519	14,055	12,828	12,373	11,875	11,375	11,375
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	59,674	58,496	53,311	52,324	51,334	51,334	50,694	48,534	48,534
26 Rural Electrification Administration	21,191	19,246	19,265	18,890	18,832	18,846	18,597	18,599	18,628
27 Other	32,078	26,324	23,724	70,896	81,269	83,878	88,756	89,957	92,018

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 after 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 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.
9. Before late 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. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1989	1990	1991[r]	1991							1992
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
1 **All issues, new and refunding[1]**	**113,646**	**120,339**	**154,402[r]**	**13,804**	**11,629**	**15,744**	**13,240**	**11,357**	**17,734**	**15,796**	**12,612**
By type of issue											
2 General obligation	35,774	39,610	55,100[r]	4,442	3,900	5,919	5,253	3,088	6,510	5,871	3,954
3 Revenue	77,873	81,295	99,302[r]	9,362	7,729	9,825	7,987	8,269	11,224	9,925	8,658
By Type of issuer											
4 State	11,819	15,149	n.a.	1,529	650	2,328	3,371	7,195	1,171	1,671	1,036
5 Special district or statutory authority[2]	71,022	72,661	n.a.	5,057	7,320	8,890	6,272	605	10,817	9,435	8,243
6 Municipality, county, or township	30,805	32,510	n.a.	7,218	3,659	4,526	3,597	3,557	5,746	4,690	3,333
7 **Issues for new capital, total**	**84,062**	**103,235**	**116,953[r]**	**10,008**	**9,513**	**12,164**	**9,586**	**8,967**	**13,495**	**12,020**	**7,127**
By use of proceeds											
8 Education	15,133	17,042	21,664[r]	1,568	2,033	1,585	1,507	1,511	1,297	1,924	2,385
9 Transportation	6,870	11,650	13,395[r]	1,570	629	720	1,248	1,744	2,682	488	1,194
10 Utilities and conservation	11,427	11,739	21,447	1,884	1,763	1,673	1,573	1,825	1,915	1,931	1,953
11 Social welfare	16,703	23,099	26,121	2,220	1,986	4,119	2,793	1,276	2,621	3,070	868
12 Industrial aid	5,036	6,117	8,542	895	511	676	916	973	349	1,083	218
13 Other purposes	28,894	n.a.	n.a.	1,871	2,591	3,391	1,549	1,638	4,631	3,524	n.a.

1. Par amounts of long-term issues based on date of sale.
2. Since 1986, has included school districts.

SOURCES. *Investment Dealer's Digest* beginning April 1990. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1989	1990	1991	1991							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 **All issues[1]**	**378,760[r]**	**340,197[r]**	**379,560**	**37,908[r]**	**31,837[r]**	**23,176[r]**	**35,450[r]**	**32,180[r]**	**34,893[r]**	**34,276[r]**	**31,586**
2 **Bonds[2]**	**320,889[r]**	**299,959[r]**	**314,201**	**30,490[r]**	**26,219[r]**	**20,494[r]**	**28,720[r]**	**26,759[r]**	**26,029[r]**	**25,223[r]**	**24,066**
By type of offering											
3 Public, domestic	180,618[r]	189,917[r]	287,010	27,660[r]	23,797[r]	18,920[r]	26,845[r]	23,856[r]	23,469[r]	23,200[r]	23,300
4 Private placement, domestic[3]	117,420	86,988	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	22,851	23,054	27,192	2,830	2,422[r]	1,574[r]	1,875[r]	2,902[r]	2,560[r]	2,070[r]	1,000
By industry group											
6 Manufacturing	76,456[r]	53,110	69,710	7,080[r]	4,260[r]	3,600[r]	7,643[r]	6,949[r]	4,732[r]	4,536[r]	4,956
7 Commercial and miscellaneous	49,615[r]	40,019	20,694	1,213[r]	1,773	1,500	1,388	1,012	1,209	2,044	1,977
8 Transportation	10,032	12,818[r]	6,998	665	567	697	809	231	744[r]	180[r]	150
9 Public utility	18,696[r]	17,621[r]	20,454	2,722	1,644	1,457	1,897	1,315[r]	1,430[r]	3,063[r]	2,238
10 Communication	8,461	6,597[r]	8,541	337	1,838	749[r]	668	408	958	226[r]	1,085
11 Real estate and financial	157,629[r]	169,789[r]	187,806	18,474	16,138[r]	12,492[r]	16,315[r]	16,844[r]	16,957[r]	15,175[r]	13,660
12 **Stocks[2]**	**57,870**	**40,165**	n.a.	**7,418**	**5,618**	**2,682**	**6,730**	**5,421**	**8,864**	**9,053**	**7,520**
By type of offering											
13 Public preferred	6,194	3,998	17,408	1,392	1,731	203	1,952	666	3,527	3,240	2,771
14 Common	26,030	19,443	47,860	6,027	3,887	2,479	4,778	4,755	5,337	5,813	4,749
15 Private placement[3]	25,647	16,736	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	9,308	5,649	n.a.	2,291	1,909	685	3,167	1,842	3,623	4,054	2,684
17 Commercial and miscellaneous	7,446	10,171	n.a.	1,563	851	1,427	2,050	858	2,095	2,158	2,535
18 Transportation	1,929	369	n.a.	277	0	18	56	0	16	0	0
19 Public utility	3,090	416	n.a.	573	471	143	150	55	320	174	233
20 Communication	1,904	3,822	n.a.	0	295	46	8	0	25	84	17
21 Real estate and financial	34,028	19,738	n.a.	2,714	2,091	350	1,298	2,666	2,622	2,583	2,014

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.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets

Millions of dollars

Item[1]	1990[r]	1991	1991 May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
1 **Sales of own shares**[2]	**344,420**	**464,488**	**36,719**	**33,922**	**39,329**	**38,014**	**37,316**	**45,218**	**41,365**	**52,035**
2 Redemptions of own shares	288,441	342,088	26,972	27,629	28,767	28,128	26,319	27,957	28,454	38,557
3 Net sales[3]	55,979	122,400	9,747	6,293	10,562	9,886	10,997	17,261	12,911	13,478
4 **Assets**[4]	**568,517**	**807,001**	**671,852**	**661,643**	**690,486**	**712,782**	**730,426**	**753,344**	**752,798**	**807,001**
5 Cash[5]	48,638	60,937	55,450	55,057	55,293	52,791	53,884	59,902	59,689	60,937
6 Other	519,875	746,064	616,402	606,586	635,193	659,992	676,543	695,492	693,109	746,064

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 dividends. Excludes reinvestment of capital gains distributions.
3. Does not includes sales or 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 new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1988	1989	1990	1989	1990				1991		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	365.0	351.7	319.0	334.7	340.2	339.8	299.8	296.1	302.1	303.5	306.1
2 Profits before taxes	347.5	344.5	332.3	332.8	336.6	331.6	335.1	326.1	309.1	306.2	318.2
3 Profits tax liability	137.0	138.0	135.3	129.8	137.6	137.9	138.8	127.1	119.4	123.5	128.6
4 Profits after taxes	210.5	206.6	197.0	203.0	199.1	193.7	196.3	199.0	189.7	182.7	189.6
5 Dividends	115.3	127.9	133.7	130.7	132.3	132.5	133.8	136.2	137.8	136.7	138.1
6 Undistributed profits	95.2	78.7	63.3	72.3	66.7	61.2	62.5	62.8	51.9	46.1	51.5
7 Inventory valuation	−27.3	−17.5	−14.2	−13.5	−6.6	3.8	−32.6	−21.2	6.7	9.9	−4.8
8 Capital consumption adjustment	44.7	24.7	.8	15.4	10.2	4.4	−2.7	−8.8	−13.6	−12.6	−7.3

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

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1990	1991	1992[1]	1990			1991[1]				1992[1]
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total nonfarm business**	**532.61**	**529.97**	**558.60**	**534.55**	**534.11**	**530.13**	**535.50**	**524.57**	**527.86**	**531.96**	**563.31**
Manufacturing											
2 Durable goods industries	82.58	77.04	79.38	84.15	82.48	79.03	81.24	79.69	74.51	72.74	80.58
3 Nondurable goods industries	110.04	107.27	104.68	110.87	111.57	110.69	109.90	107.66	102.54	108.98	107.52
Nonmanufacturing											
4 Mining	9.88	10.06	9.50	9.77	9.97	10.12	9.89	10.09	10.09	10.15	10.58
Transportation											
5 Railroad	6.40	5.84	6.78	6.67	5.66	6.81	5.59	6.27	6.50	5.02	5.52
6 Air	8.87	9.84	12.34	9.37	9.55	7.54	11.18	10.10	9.81	8.27	12.88
7 Other	6.20	6.50	7.12	5.90	5.87	6.82	6.48	6.68	6.52	6.32	6.41
Public utilities											
8 Electric	44.10	43.56	47.34	42.83	43.80	45.88	43.36	42.87	43.09	44.90	48.54
9 Gas and other	23.11	22.42	24.10	21.80	23.88	24.36	23.68	21.71	23.38	20.92	22.98
10 Commercial and other[2]	241.43	247.44	267.35	243.18	241.32	238.87	244.19	239.50	251.42	254.66	268.28

1. Figures are amounts anticipated by business.
2. "Other" consists of construction, wholesale and retail trade, finance and insurance, personal and business services, and communication.

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period; not seasonally adjusted

Account	1987	1988	1989	1990 Q1	1990 Q2	1990 Q3	1990 Q4	1991 Q1	1991 Q2	1991 Q3
ASSETS										
1 Accounts receivable, gross[1]	388.1	426.2	445.7	452.8	468.8	474.0	486.7	478.9	487.9	487.8
2 Consumer	141.1	146.2	140.8	137.9	138.6	140.9	136.0	131.6	133.9	132.5
3 Business	207.4	236.5	256.0	262.9	274.8	275.4	290.8	290.0	295.5	296.6
4 Real estate	39.5	43.5	48.9	52.1	55.4	57.7	59.9	57.3	58.5	58.7
5 LESS: Reserves for unearned income	45.3	50.0	52.0	51.9	54.3	55.1	56.6	57.0	58.7	59.6
6 Reserves for losses	6.8	7.3	7.7	7.9	8.2	8.6	9.2	10.3	10.8	12.9
7 Accounts receivable, net	336.0	368.9	386.1	393.0	406.3	410.3	420.9	411.6	418.4	415.2
8 All other	58.3	72.4	91.6	92.5	95.5	102.8	99.6	103.4	106.1	111.9
9 **Total assets**	**394.2**	**441.3**	**477.6**	**485.5**	**501.9**	**513.1**	**520.6**	**515.0**	**524.5**	**527.1**
LIABILITIES AND CAPITAL										
10 Bank loans	16.4	15.4	14.5	13.9	15.8	15.6	19.4	22.0	22.7	24.0
11 Commercial paper	128.4	142.0	149.5	152.9	152.4	148.6	152.7	141.2	140.6	138.1
Debt										
12 Other short-term	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	50.6	63.8	70.5	72.8	82.0	82.7	77.8	81.7	87.4
15 Not elsewhere classified	n.a.	137.9	147.8	145.7	153.0	156.6	157.0	162.4	164.2	163.4
16 All other liabilities	52.8	59.8	62.6	61.7	66.1	68.7	66.0	68.0	72.2	72.1
17 Capital, surplus, and undivided profits	31.5	35.6	39.4	40.7	41.8	41.6	42.8	43.7	43.0	42.1
18 **Total liabilities and capital**	**394.2**	**441.3**	**477.6**	**485.5**	**501.9**	**513.1**	**520.6**	**515.0**	**524.5**	**527.1**

1. Excludes pools of securitized assets.

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

Millions of dollars, end of period; seasonally adjusted, except as noted

Type of credit	1989	1990	1991	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.
1 **Total**	**258,957**	**292,638**	**309,709**	**300,161**	**305,024**	**307,599**	**310,876**	**311,632**	**309,709**
Retail financing of installment sales									
2 Automotive	39,479	38,110	33,204	35,491	34,665	34,119	34,167	33,664	33,204
3 Equipment	29,627	31,784	35,404	32,194	33,146	34,822	33,989	33,375	35,404
4 Pools of securitized assets[2]	698	951	819	793	833	797	769	746	819
Wholesale									
5 Automotive	33,814	32,283	32,487	29,454	30,637	30,072	31,831	32,292	32,487
6 Equipment	6,928	11,569	9,790	11,344	10,631	10,594	11,075	10,414	9,790
7 All other	9,985	9,126	8,459	8,807	8,712	8,695	8,407	8,418	8,459
8 Pools of securitized assets[2]	0	2,950	4,905	2,843	3,508	4,053	4,458	4,639	4,905
Leasing									
9 Automotive	26,804	39,129	44,445	43,024	44,628	45,387	45,837	45,299	44,445
10 Equipment	68,240	75,626	87,821	84,311	86,145	86,732	87,701	90,079	87,821
11 Pools of securitized assets[2]	1,247	1,849	1,820	1,750	1,679	1,844	1,803	1,885	1,820
12 Loans on commercial accounts receivable and factored commercial accounts receivable	18,511	22,475	23,859	23,125	23,366	23,204	23,295	23,338	23,859
13 All other business credit	23,623	26,784	26,697	27,025	27,073	27,279	27,544	27,483	26,697
	Net change (during period)								
1 **Total**	**24,066**	**33,681**	**17,071**	**1,933**	**4,862**	**2,576**	**3,277**	**756**	**−1,923**
Retail financing of installment sales									
2 Automotive	2,269	−1,369	−4,906	100	−825	−547	48	−503	−460
3 Equipment	1,442	2,157	3,619	4	952	1,676	−833	−614	2,029
4 Pools of securitized assets[2]	−26	253	−132	86	40	−36	−28	−23	73
Wholesale									
5 Automotive	861	−1,532	204	149	1,183	−564	1,759	461	195
6 Equipment	957	4,641	−1,779	917	−713	−37	481	−662	−624
7 All other	628	−859	−668	−44	−95	−17	−289	11	41
8 Pools of securitized assets[2]	0	2,950	1,955	38	665	545	405	181	266
Leasing									
9 Automotive	2,111	12,325	5,316	1,421	1,604	759	450	−538	−854
10 Equipment	10,581	7,386	12,195	350	1,834	587	969	2,378	−2,258
11 Pools of securitized assets[2]	526	602	−29	25	−71	165	−41	82	−65
12 Loans on commercial accounts receivable and factored commercial accounts receivable	825	3,964	1,383	−914	240	−162	91	43	520
13 All other business credit	2,446	3,161	−87	−199	47	207	264	−60	−786

1. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

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

1.53 MORTGAGE MARKETS Conventional Mortgages on New Homes

Millions of dollars, except as noted

Item	1989	1990	1991	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.	1992 Jan.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	159.6	153.2	155.0	165.1	159.0	157.8	153.4	162.6	159.1	153.9
2 Amount of loan (thousands of dollars)	117.0	112.4	114.0	121.6	115.7	114.3	115.0	116.0	113.8	114.9
3 Loan-price ratio (percent)	74.5	74.8	75.0	75.0	74.6	73.3	76.5	73.5	73.1	75.2
4 Maturity (years)	28.1	27.3	26.8	27.0	27.1	25.9	27.5	26.4	26.4	26.2
5 Fees and charges (percent of loan amount)[2]	2.06	1.93	1.71	1.85	1.74	1.86	1.61	1.53	1.50	1.85
6 Contract rate (percent per year)	9.76	9.68	9.02	9.12	9.19	9.00	8.78	8.38	8.28	8.17
Yield (percent per year)										
7 OTS series[3]	10.11	10.01	9.30	9.43	9.48	9.30	9.04	8.64	8.53	8.49
8 HUD series[4]	10.21	10.08	9.20	9.46	9.22	8.88	8.76	8.67	8.30	8.69
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.24	10.17	9.25	9.59	9.14	9.06	8.71	8.69	8.10	8.72
10 GNMA securities[6]	9.71	9.51	8.59	8.93	8.69	8.60	8.34	8.09	7.81	7.81
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	104,974	113,329	122,837	123,770	124,230	124,954	125,884	126,624	128,983	131,058
12 FHA/VA-insured	19,640	21,028	21,702	21,511	21,529	21,636	21,576	21,547	21,796	21,981
13 Conventional	85,335	92,302	101,135	102,259	102,701	103,318	104,308	105,077	107,187	109,077
Mortgage transactions (during period)										
14 Purchases	22,518	23,959	37,202	3,183	3,069	3,032	3,408	3,299	5,114	4,809
Mortgage commitments (during period)[7]										
15 Issued[8]	n.a.	23,689	40,010	2,975	3,453	3,196	4,122	3,806	5,285	7,202
16 To sell[9]	n.a.	5,270	7,608	1,374	1,051	762	917	569	78	249
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
17 Total	20,105	20,419	n.a.	24,061	24,217	23,906	24,922	25,239	n.a.	n.a.
18 FHA/VA-insured	590	547	n.a.	481	475	471	462	468	n.a.	n.a.
19 Conventional	19,516	19,871	n.a.	23,581	23,742	23,435	24,460	24,772	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	78,588	75,517	n.a.	8,649	9,191	9,155	8,644	10,170	n.a.	n.a.
21 Sales	73,446	73,817	92,870	8,057	8,803	9,305	7,449	9,545	9,929	10,597
Mortgage commitments (during period)[10]										
22 Contracted	88,519	102,401	n.a.	8,890	12,430	7,468	6,358	11,594	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; 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 rates on loans closed, assuming prepayment at the end of ten years; from Office of Thrift Supervision (OTS).
4. Average contract rates on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD).
5. Average gross yields 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. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissible contract rates.
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 carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to one- to four-family loan commitments accepted in the Federal National Mortgage Association's (FNMA's) free market auction system, and through the FNMA-GNMA tandem plans.
8. Does not include standby commitments issued, but includes standby commitments converted.
9. Includes participation as well as whole loans.
10. 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, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1987	1988	1989	1990		1991		
				Q3	Q4	Q1	Q2	Q3p
1 **All holders**	**2,986,425**	**3,270,118**	**3,556,370**	**3,870,156r**	**3,912,197r**	**3,943,103r**	**3,995,164**	**4,026,139**
By type of property								
2 One- to four-family residences	1,962,958	2,201,231	2,429,689	2,724,873r	2,765,111r	2,789,693r	2,837,098	2,876,979
3 Multifamily residences	278,899	291,405	303,416	306,073r	307,049r	309,633r	311,769	309,368
4 Commercial	657,036	692,236	739,240	754,926r	756,075r	759,852r	762,546	756,018
5 Farm	87,532	85,247	84,025	84,284	83,962r	83,925r	83,752	83,775
By type of holder								
6 Major financial institutions	1,665,291	1,831,472	1,931,537	1,933,303	1,913,945r	1,902,050r	1,898,114	1,868,554
7 Commercial banks[2]	592,449	674,003	767,069	831,193	844,456r	856,499r	871,222	870,684
8 One- to four-family	275,613	334,367	389,632	445,882	455,698r	463,547r	476,133	478,628
9 Multifamily	32,756	33,912	38,876	37,900	37,008r	37,927r	37,864	36,669
10 Commercial	269,648	290,254	321,906	330,086	334,520r	337,518r	339,186	337,063
11 Farm	14,432	15,470	16,656	17,326	17,231	17,507r	18,039	18,323
12 Savings institutions[3]	860,467	924,606	910,254	836,047	801,628	776,551	755,219	722,754
13 One- to four-family	602,408	671,722	669,220	626,297	600,154	583,694	570,044	549,406
14 Multifamily	106,359	110,775	106,014	94,790	91,806	88,743	86,448	82,361
15 Commercial	150,943	141,433	134,370	114,430	109,168	103,647	98,280	90,583
16 Farm	757	676	650	530	500	468	447	404
17 Life insurance companies	212,375	232,863	254,214	266,063	267,861r	269,000r	271,674	275,117
18 One- to four-family	13,226	11,164	12,231	12,773	13,005r	11,737r	11,743	11,947
19 Multifamily	22,524	24,560	26,907	28,100	28,979r	29,493r	30,006	30,527
20 Commercial	166,722	187,549	205,472	214,585	215,121	216,768r	219,204	221,750
21 Farm	9,903	9,590	9,604	10,605	10,756	11,001r	10,721	10,893
22 Finance companies[4]	29,716	37,846	45,476	49,784	48,777	48,187	48,972	50,800
23 Federal and related agencies	192,721	200,570	209,498	242,695	250,761	264,189r	276,798	283,395
24 Government National Mortgage Association	444	26	23	21	20	22r	22	22
25 One- to four-family	25	26	23	21	20	22r	22	22
26 Multifamily	419	0	0	0	0	0	0	0
27 Farmers Home Administration[5]	43,051	42,018	41,176	41,269	41,439	41,307	41,430	41,506
28 One- to four-family	18,169	18,347	18,422	18,476	18,527	18,522	18,521	18,542
29 Multifamily	8,044	8,513	9,054	9,477	9,640	9,720	9,898	10,037
30 Commercial	6,603	5,343	4,443	4,608	4,690	4,715	4,750	4,803
31 Farm	10,235	9,815	9,257	8,708	8,582	8,350	8,261	8,124
32 Federal Housing and Veterans Administration	5,574	5,973	6,087	7,938	8,801	9,492	10,210	11,395
33 One- to four-family	2,557	2,672	2,875	3,248	3,593	3,600	3,729	3,948
34 Multifamily	3,017	3,301	3,212	4,690	5,208	5,891	6,480	7,446
35 Federal National Mortgage Association	96,649	103,013	110,721	113,718	116,628	119,196	122,806	125,451
36 One- to four-family	89,666	95,833	102,295	103,722	106,081	108,348	111,560	113,696
37 Multifamily	6,983	7,180	8,426	9,996	10,547	10,848	11,246	11,755
38 Federal Land Banks	34,131	32,115	29,640	29,441	29,416	29,253	29,152	29,053
39 One- to four-family	2,008	1,890	1,210	1,766	1,838	1,884	2,041	2,124
40 Farm	32,123	30,225	28,430	27,675	27,577	27,368	27,111	26,929
41 Federal Home Loan Mortgage Corporation	12,872	17,425	21,851	20,508	21,857	23,221r	23,649	23,906
42 One- to four-family	11,430	15,077	18,248	17,810	19,185	20,570r	21,120	21,489
43 Multifamily	1,442	2,348	3,603	2,697	2,672	2,651	2,529	2,417
44 Mortgage pools or trusts[6]	718,297	811,847	946,766	1,062,729	1,110,555r	1,144,733r	1,184,496	1,232,394
45 Government National Mortgage Association	317,555	340,527	368,367	394,859	403,613	409,929	413,707	422,501
46 One- to four-family	309,806	331,257	358,142	384,474	391,505	397,631	401,304	409,826
47 Multifamily	7,749	9,270	10,225	10,385	12,108	12,298	12,403	12,675
48 Federal Home Loan Mortgage Corporation	212,634	226,406	272,870	301,797	316,359	328,215r	341,132	348,843
49 One- to four-family	205,977	219,988	266,060	293,721	308,369	319,978	332,624	341,183
50 Multifamily	6,657	6,418	6,810	8,077	7,990	8,237r	8,509	7,660
51 Federal National Mortgage Association	139,960	178,250	228,232	281,806	299,833	312,101	331,089	351,917
52 One- to four-family	137,988	172,331	219,577	273,335	291,194	303,554	322,444	343,430
53 Multifamily	1,972	5,919	8,655	8,471	8,639	8,547	8,645	8,487
54 Farmers Home Administration[5]	245	104	80	70	66	62	13	12
55 One- to four-family	121	26	21	18	17	14	13	12
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	63	38	26	24	24	23	0	0
58 Farm	61	40	33	29	26	24	0	0
59 Individuals and others[7]	410,116	426,229	468,569	631,430r	636,935r	632,131r	635,756	641,796
60 One- to four-family	246,061	259,971	294,517	445,534r	449,440r	444,865r	448,215	453,147
61 Multifamily	80,977	79,209	81,634	83,714r	84,388r	83,567r	83,101	83,382
62 Commercial	63,057	67,618	73,023	82,769r	83,816r	84,493r	85,267	86,164
63 Farm	20,021	19,431	19,395	19,412	19,291r	19,207r	19,173	19,102

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

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

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1988	1989	1990	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.
	Seasonally adjusted								
1 **Total**	**664,049**	**718,863**	**735,102**	**729,962**	**729,108**	**729,152**	**730,317**	**730,147**	**728,425**
2 Automobile	284,214	290,676	284,585	273,565	271,906	270,219	270,013	268,123	267,434
3 Revolving	174,104	199,082	220,110	228,199	229,453	232,070	233,661	234,666	234,459
4 Mobile home	25,348	22,471	20,919	19,615	19,495	18,892	18,943	19,059	19,109
5 Other	180,383	206,633	209,487	208,582	208,253	207,971	207,700	208,300	207,424
	Not seasonally adjusted								
6 **Total**	**674,855**	**730,901**	**748,300**	**727,754**	**731,531**	**732,183**	**730,722**[r]	**732,256**	**742,548**
By major holder									
7 Commercial banks	324,792	342,770	347,466	334,273	335,662	335,509	335,258	334,904	340,594
8 *Finance companies*	146,212	140,832	137,450	134,120	135,509	132,471	131,778	130,679	129,566
9 Credit unions	88,340	93,114	92,911	92,017	92,843	93,305	92,746	92,373	92,188
10 Retailers	48,438	44,154	43,552	36,392	37,296	37,281	37,359	38,651	43,130
11 Savings institutions	63,399	57,253	45,616	39,012	37,893	37,036	37,424	36,987	35,941
12 Gasoline companies	3,674	3,935	4,822	4,712	4,857	4,753	4,529	4,388	4,362
13 Pools of securitized assets[2]	n.a.	48,843	76,483	87,228	87,471	91,829	91,628	94,274	96,767
By major type of credit[3]									
14 Automobile	284,328	290,705	284,813	274,222	274,190	273,354	272,092	268,297	267,808
15 Commercial banks	*123,392*	*126,288*	*126,259*	*121,319*	*120,577*	*119,730*	*119,276*	*118,502*	*117,349*
16 Finance companies	97,245	82,721	74,396	70,444	71,571	69,853	69,364	67,907	66,549
17 Pools of securitized assets[2]	0	18,235	24,537	25,609	25,071	26,808	26,803	26,237	27,997
18 Revolving	184,045	210,310	232,370	226,145	229,224	231,281	231,862	235,674	247,471
19 Commercial banks	123,020	130,811	132,433	124,645	125,787	125,524	126,234	125,734	132,624
20 Retailers	43,833	39,583	39,029	32,076	32,962	32,964	33,055	34,319	38,652
21 Gasoline companies	3,674	3,935	4,822	4,712	4,857	4,753	4,529	4,388	4,362
22 Pools of securitized assets[2]	n.a.	23,477	44,335	53,094	54,017	56,438	56,290	59,459	60,139
23 Mobile home	25,143	22,240	20,666	19,639	19,468	18,996	19,026	19,021	18,870
24 Commercial banks	9,025	9,112	9,763	9,552	9,534	9,614	9,600	9,656	9,552
25 Finance companies	7,191	4,716	5,252	5,669	5,700	5,300	5,358	5,401	5,520
26 Other	181,339	207,646	210,451	207,748	208,649	208,553	207,742	208,633	208,399
27 Commercial banks	69,355	76,559	79,011	78,757	79,764	80,641	80,148	81,012	81,069
28 Finance companies	41,776	53,395	57,801	58,007	58,238	57,318	57,056	57,371	57,497
29 Retailers	4,605	4,571	4,523	4,316	4,334	4,317	4,304	4,332	4,478
30 Pools of securitized assets[2]	n.a.	7,131	7,611	8,525	8,383	8,583	8,535	8,578	8,631

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

Data in this table also appear in the Board's G.19 (421) *monthly statistical* release. For ordering address, see inside front cover.

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

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year, except as noted

Item	1989	1990	1991	1991 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	12.07	11.78	11.14	n.a.	n.a.	11.06	n.a.	n.a.	10.61	n.a.
2 24-month personal	15.44	15.46	15.18	n.a.	n.a.	15.24	n.a.	n.a.	14.88	n.a.
3 120-month mobile home[3]	14.11	14.02	13.70	n.a.	n.a.	13.73	n.a.	n.a.	13.37	n.a.
4 Credit card	18.02	18.17	18.23	n.a.	n.a.	18.24	n.a.	n.a.	18.19	n.a.
Auto finance companies										
5 New car	12.62	12.54	12.41	12.77	12.55	12.40	12.38	12.23	10.79	10.41
6 Used car	16.18	15.99	15.60	15.74	15.66	15.63	15.60	15.46	15.06	14.90
OTHER TERMS[4]										
Maturity (months)										
7 New car	54.2	54.6	55.1	55.5	55.5	55.4	55.4	55.4	54.1	53.7
8 Used car	46.6	46.1	47.2	47.3	47.4	47.2	47.2	47.0	47.0	46.9
Loan-to-value ratio										
9 New car	91	87	88	88	88	88	87	88	88	88
10 Used car	97	95	96	97	96	97	96	97	96	93
Amount financed (dollars)										
11 New car	12,001	12,071	12,494	12,343	12,572	12,518	12,460	12,684	13,245	13,476
12 Used car	7,954	8,289	8,884	8,916	8,989	8,902	8,996	9,077	9,029	9,105

1. 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 only for the second month of each quarter.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data at seasonally adjusted annual rates

Instrument or sector	1986	1987	1988	1989	1990	1989	1990				1991	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**836.9**	**687.0**	**760.8**	**678.2**	**639.3**	**620.2**	**803.4**	**596.9**	**657.7**	**499.3**	**411.4**	**462.6**
By lending sector and instrument												
2 U.S. government	215.0	144.9	157.5	151.6	272.5	185.0	247.3	228.2	286.1	328.4	204.7	241.8
3 Treasury securities	214.7	143.4	140.0	150.0	264.4	189.6	217.8	222.9	287.5	329.4	228.7	248.0
4 Agency issues and mortgages	.4	1.5	17.4	1.6	8.2	−4.6	29.6	5.4	−1.3	−1.0	−24.0	−6.2
5 Private	621.9	542.1	603.3	526.6	366.8	435.2	556.1	368.7	371.6	170.9	206.7	220.9
By instrument												
6 Debt capital instruments	465.8	453.2	459.2	379.8	298.2	347.0	391.0	309.3	275.5	216.8	230.5	292.7
7 Tax-exempt obligations	22.7	49.3	49.8	30.4	20.1	19.1	12.4	24.5	30.0	13.5	11.3	27.5
8 Corporate bonds	126.8	79.4	102.9	73.7	49.7	87.4	30.2	68.8	32.8	67.1	80.6	95.3
9 Mortgages	316.3	324.5	306.5	275.7	228.3	240.5	348.4	216.0	212.7	136.3	138.6	169.9
10 Home mortgages	218.7	234.9	231.0	218.0	212.6	214.3	298.7	220.0	184.7	147.1	136.8	176.6
11 Multifamily residential	33.5	24.4	16.7	16.4	6.5	9.5	22.7	−15.5	16.2	2.7	4.6	2.9
12 Commercial	73.6	71.6	60.8	42.7	9.3	19.9	26.5	13.4	9.9	−12.8	−3.0	−8.0
13 Farm	−9.5	−6.4	−2.1	−1.5	.0	−3.2	.5	−1.9	2.0	−.7	.2	−1.6
14 Other debt instruments	156.1	88.9	144.1	146.8	68.7	88.2	165.1	59.4	96.0	−45.9	−23.8	−71.9
15 Consumer credit	58.0	33.5	50.2	39.1	14.3	44.1	30.4	2.8	21.3	2.5	−23.6	−20.4
16 Bank loans n.e.c.	66.9	10.0	39.8	39.9	1.3	7.7	16.3	15.4	−2.5	−24.2	14.2	−51.6
17 Open market paper	−9.3	2.3	11.9	20.4	9.7	−6.9	69.6	−6.2	17.3	−41.7	5.1	−22.6
18 Other	40.5	43.2	42.2	47.4	43.4	43.3	48.8	47.4	60.0	17.5	−19.5	22.6
By borrowing sector												
19 State and local government	36.2	48.8	45.6	29.6	17.2	16.5	16.0	17.2	28.1	7.6	12.2	16.8
20 Household	293.0	302.2	314.9	285.0	254.0	291.8	377.2	257.5	227.3	154.0	162.6	199.7
21 Nonfinancial business	292.7	191.0	242.8	211.9	95.6	126.9	162.9	94.0	116.2	9.4	32.0	4.3
22 Farm	−16.3	−10.6	−7.5	1.6	2.6	8.9	6.2	−10.8	11.7	3.1	4.7	−1.6
23 Nonfarm noncorporate	99.2	77.9	65.7	50.8	13.7	35.0	45.5	3.5	19.6	−14.0	−18.7	−3.6
24 Corporate	209.7	123.7	184.6	159.5	79.4	83.1	111.2	101.3	84.8	20.2	46.0	9.5
25 Foreign net borrowing in United States	9.7	4.5	6.3	10.9	23.5	16.9	2.0	41.2	29.7	21.1	50.6	−53.0
26 Bonds	3.1	7.4	6.9	5.3	21.6	−1.0	32.7	25.8	1.2	26.5	8.9	22.0
27 Bank loans n.e.c.	−1.0	−3.6	−1.8	−.1	−2.9	−4.3	−6.9	−1.8	1.9	−4.7	10.3	−7.1
28 Open market paper	11.5	2.1	8.7	13.3	12.3	22.2	−16.4	23.1	27.3	15.3	45.5	−52.0
29 U.S. government loans	−3.9	−1.4	−7.5	−7.5	−7.5	.1	−7.3	−5.9	−.8	−16.0	−14.1	−15.8
30 **Total domestic plus foreign**	**846.6**	**691.5**	**767.1**	**689.1**	**662.8**	**637.1**	**805.5**	**638.1**	**687.3**	**520.4**	**462.0**	**409.7**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**285.1**	**300.2**	**247.6**	**205.5**	**202.1**	**187.3**	**190.2**	**170.4**	**180.0**	**267.7**	**102.6**	**95.4**
By instrument												
32 U.S. government-related	154.1	171.8	119.8	151.0	167.4	156.4	171.7	184.0	139.2	174.6	155.8	150.6
33 Sponsored-credit-agency securities	15.2	30.2	44.9	25.2	17.1	−4.7	9.7	17.1	22.3	19.5	14.5	−22.4
34 Mortgage pool securities	139.2	142.3	74.9	125.8	150.3	161.1	162.0	166.8	116.9	155.5	141.3	173.0
35 Loans from U.S. government	−.4	−.8	.0	.0	−.1	.0	.0	.0	.0	−.5	.0	.0
36 Private	131.0	128.4	127.8	54.5	34.7	30.9	18.5	−13.5	40.8	93.1	−53.2	−55.2
37 Corporate bonds	82.9	78.9	51.7	36.8	49.8	39.6	33.5	71.2	18.0	76.7	39.5	63.2
38 Mortgages	.1	.4	.3	.0	.3	−.4	.1	.2	.3	.5	.1	−.1
39 Bank loans n.e.c.	4.0	−3.2	1.4	1.8	.7	4.2	−2.3	−.6	2.0	3.8	1.0	−5.8
40 Open market paper	24.2	27.9	54.8	26.9	8.6	36.3	9.2	−53.4	51.0	27.6	−65.9	−59.7
41 Loans from Federal Home Loan Banks	19.8	24.4	19.7	−11.0	−24.7	−48.8	−22.0	−30.9	−30.5	−15.5	−27.9	−52.9
By borrowing sector												
42 Sponsored credit agencies	14.9	29.5	44.9	25.2	17.0	−4.7	9.7	17.1	22.3	19.0	14.5	−22.4
43 Mortgage pools	139.2	142.3	74.9	125.8	150.3	161.1	162.0	166.8	116.9	155.5	141.3	173.0
44 Private	131.0	128.4	127.8	54.5	34.7	30.9	18.5	−13.5	40.8	93.1	−53.2	−55.2
45 Commercial banks	−3.6	6.2	−3.0	−1.4	−1.1	−.7	−5.7	−13.9	−5.6	20.9	−22.0	−16.6
46 Bank affiliates	15.2	14.3	5.2	6.2	−27.7	−3.9	−8.0	−32.1	−40.4	−30.2	−18.5	−7.1
47 Savings and loan associations	20.9	19.6	19.9	−14.1	−31.2	−56.2	−15.8	−53.5	−31.9	−23.4	−29.5	−55.6
48 Mutual savings banks	4.2	8.1	1.9	−1.4	−.5	.7	−8.3	6.5	−4.2	4.0	−2.2	−1.4
49 Finance companies	54.7	40.8	67.7	46.3	57.1	52.6	28.2	27.0	97.3	75.7	−9.2	−11.7
50 Real estate investment trusts (REITs)	.8	.3	3.5	−1.9	−1.9	.1	−3.8	−2.7	−1.8	.6	−.7	−.2
51 Securitized credit obligation (SCO) issuers	39.0	39.1	32.5	20.8	40.1	38.2	32.1	55.1	27.5	45.6	28.9	37.3

1.57—Continued

Transaction category or sector	1986	1987	1988	1989	1990	1989	1990				1991	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
52 **Total net borrowing, all sectors**	**1,131.7**	**991.7**	**1014.7**	**894.5**	**864.9**	**824.4**	**995.7**	**808.5**	**867.3**	**788.1**	**564.7**	**505.1**
53 U.S. government securities	369.5	317.5	277.2	302.6	440.0	341.4	419.0	412.2	425.4	503.4	360.5	392.4
54 State and local obligations	22.7	49.3	49.8	30.4	20.1	19.1	12.4	24.5	30.0	13.5	11.3	27.5
55 Corporate and foreign bonds	212.8	165.7	161.5	115.8	121.1	125.9	96.4	165.8	52.0	170.3	129.0	180.5
56 Mortgages	316.4	324.9	306.7	275.7	228.6	240.1	348.5	216.2	213.0	136.7	138.7	169.8
57 Consumer credit	58.0	33.5	50.2	39.1	14.3	44.1	30.4	2.8	21.3	2.5	−23.6	−20.4
58 Bank loans n.e.c.	69.9	3.2	39.4	41.5	−.9	7.5	7.1	13.0	1.4	−25.1	25.6	−64.5
59 Open market paper	26.4	32.3	75.4	60.6	30.7	51.6	62.3	−36.6	95.7	1.2	−15.2	−134.3
60 Other loans	56.1	65.5	54.4	28.9	11.1	−5.4	19.5	10.6	28.6	−14.5	−61.6	−46.0
61 MEMO: U.S. government, cash balance	.0	−7.9	10.4	−5.9	8.3	−7.3	22.9	−38.1	21.1	27.4	51.6	−64.3
Totals net of changes in U.S. government cash balances												
62 Net borrowing by domestic nonfinancial sectors	836.9	694.9	750.4	684.1	631.0	627.6	780.5	635.0	636.6	471.9	359.8	526.9
63 Net borrowing by U.S. government	215.0	152.8	147.1	157.5	264.2	192.4	224.4	266.3	265.1	301.0	153.1	306.1
	External corporate equity funds raised in United States											
64 **Total net share issues**	**86.8**	**10.9**	**−124.2**	**−63.7**	**9.6**	**14.9**	**−9.2**	**48.0**	**−24.1**	**23.6**	**108.0**	**173.9**
65 Mutual funds	159.0	73.9	1.1	41.3	61.4	72.4	47.8	71.0	46.1	80.6	87.8	122.2
66 All other	−72.2	−63.0	−125.3	−105.1	−51.7	−57.6	−57.0	−22.9	−70.2	−56.9	20.2	51.7
67 Nonfinancial corporations	−85.0	−75.5	−129.5	−124.2	−63.0	−79.3	−69.0	−48.0	−74.0	−61.0	−12.0	11.0
68 Financial corporations	11.6	14.6	3.3	2.4	4.3	4.5	10.3	1.3	4.8	.9	3.4	4.3
69 Foreign shares purchased in United States	1.2	−2.1	.9	16.7	6.9	17.2	1.7	23.8	−1.0	3.2	28.8	36.4

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category or sector	1986[r]	1987[r]	1988[r]	1989[r]	1990[r]	1989[r]	1990[r]				1991[r]	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**861.6**	**722.8**	**767.2**	**714.7**	**630.0**	**696.4**	**780.6**	**669.3**	**588.3**	**482.0**	**427.1**	**515.7**
2 **Total net advances by federal agencies and foreign sectors**	**280.6**	**248.0**	**208.1**	**188.1**	**261.7**	**188.5**	**218.5**	**290.1**	**347.4**	**190.8**	**302.9**	**211.3**
By instrument												
3 U.S. government securities	69.4	70.1	85.2	30.2	74.4	25.5	9.2	100.9	142.0	45.6	140.1	50.9
4 Residential mortgages	136.3	139.1	86.3	137.9	184.1	173.2	194.5	185.2	176.3	180.5	176.0	186.7
5 Federal Home Loan Bank advances to thrifts	19.8	24.4	19.7	-11.0	-24.7	-50.3	-28.9	-26.9	-27.3	-15.7	-35.7	-48.5
6 Other loans and securities	55.1	14.3	16.8	31.0	27.8	40.2	43.6	31.0	56.4	-19.6	22.5	22.3
By lender												
7 U.S. government	9.7	-7.9	-9.4	-2.6	33.6	3.9	38.3	36.1	63.6	-3.7	48.1	26.5
8 Sponsored credit agencies and mortgage pools	153.3	169.3	112.0	125.3	166.7	149.3	179.1	163.6	182.4	141.9	164.0	123.9
9 Monetary authority	19.4	24.7	10.5	-7.3	8.1	-4.5	-.3	30.8	26.2	-24.2	60.2	1.8
10 Foreign	98.2	61.8	95.0	72.7	53.2	39.9	1.4	59.6	75.1	76.8	30.6	59.1
Agency and foreign borrowing not included in line 1												
11 Sponsored credit agencies and mortgage pools	154.1	171.8	119.8	151.0	167.4	167.0	164.8	172.8	146.2	185.6	149.6	118.0
12 Foreign	9.7	6.2	6.4	10.6	23.5	15.6	12.5	36.3	26.2	19.0	62.0	-59.2
13 **Total private domestic funds advanced**	**744.8**	**652.8**	**685.3**	**688.2**	**559.2**	**690.4**	**739.4**	**588.2**	**413.4**	**495.8**	**335.8**	**363.1**
14 U.S. government securities	301.0	246.3	189.7	267.2	340.0	305.5	389.9	311.5	246.6	411.9	208.7	336.2
15 State and local obligations	45.7	83.5	53.7	65.0	45.5	78.3	70.7	56.2	36.5	18.3	25.3	38.4
16 Corporate and foreign bonds	89.8	67.5	94.4	65.5	63.2	74.5	55.0	75.7	27.2	94.8	63.5	82.5
17 Residential mortgages	115.9	120.2	161.3	96.5	26.3	67.2	72.3	25.7	23.4	-16.1	-27.1	-16.3
18 Other mortgages and loans	212.3	159.8	205.9	183.1	59.5	114.7	122.6	92.1	52.3	-28.9	29.7	-126.2
19 LESS: Federal Home Loan Bank advances	19.8	24.4	19.7	-11.0	-24.7	-50.3	-28.9	-26.9	-27.3	-15.7	-35.7	-48.5
20 **Total credit market funds advanced by private financial institutions**	**743.5**	**497.3**	**538.5**	**534.0**	**380.0**	**574.6**	**422.8**	**282.4**	**294.9**	**520.1**	**284.9**	**213.7**
By lending institution												
21 Commercial banks	194.8	135.3	157.0	177.0	121.2	181.7	174.3	140.9	107.6	61.8	111.4	19.8
22 Savings institutions	107.6	136.8	118.0	-90.9	-153.4	-194.0	-70.0	-211.9	-160.8	-171.0	-173.8	-150.0
23 Insurance and pension funds	174.0	149.1	176.4	197.9	183.2	218.1	169.2	241.6	135.6	186.2	208.0	210.3
24 Other financial institutions	267.1	76.2	87.1	249.9	229.1	368.8	149.2	111.7	212.4	443.1	139.4	133.6
By source of funds												
25 Private domestic deposits and repurchase agreements	262.4	173.8	229.6	209.5	53.3	178.6	196.3	-5.7	45.5	-22.8	214.6	-116.3
26 Credit market borrowing	124.0	92.4	93.7	40.0	-6.8	10.0	-27.4	19.5	-59.4	40.2	-70.1	-23.2
27 Other sources	357.1	231.1	215.3	284.5	333.5	386.1	253.9	268.6	308.8	502.6	140.4	353.1
28 Foreign funds	12.9	43.7	9.3	-9.9	24.0	-.8	13.5	23.5	87.5	-28.5	9.2	-99.3
29 Treasury balances	1.7	-5.8	7.3	-3.4	5.3	6.4	5.2	-1.0	13.7	3.4	20.6	-22.3
30 Insurance and pension reserves	171.3	94.9	174.1	192.0	164.1	159.9	96.8	209.1	128.3	222.1	267.0	191.8
31 Other, net	171.1	98.4	24.5	105.8	140.0	220.5	138.3	36.9	79.4	305.6	-156.5	282.8
Private domestic nonfinancial investors												
32 Direct lending in credit markets	125.3	247.8	240.5	194.2	172.4	125.8	289.2	325.4	59.0	16.0	-19.2	126.2
33 U.S. government securities	20.3	100.5	134.5	125.5	123.4	47.6	189.0	175.4	134.6	-5.5	17.7	157.1
34 State and local obligations	1.6	96.1	57.3	62.7	24.9	76.9	65.3	40.0	7.6	-13.5	15.2	22.7
35 Corporate and foreign bonds	44.8	6.4	-32.2	-26.5	-31.2	-29.6	-22.5	21.3	-125.5	1.7	-9.2	18.8
36 Open market paper	9.5	13.3	41.9	2.9	18.8	-35.5	19.0	53.0	12.8	-9.5	-55.2	-83.7
37 Other loans and mortgages	49.1	31.5	39.0	29.6	36.6	66.3	38.5	35.7	29.4	42.8	12.2	11.3
38 Deposits and currency	282.8	190.3	233.1	225.7	83.0	211.2	212.7	24.7	74.2	20.3	231.2	-92.8
39 Currency	14.4	19.0	14.7	11.7	22.6	16.1	20.0	22.6	30.9	16.9	38.7	6.0
40 Checkable deposits	98.2	-.3	12.5	.6	.4	34.1	31.1	-4.6	-1.8	-23.0	63.2	4.2
41 Small time and savings accounts	120.6	76.0	122.4	98.2	59.4	117.0	109.3	28.9	38.5	61.0	98.0	14.7
42 Money market fund shares	43.2	28.9	21.2	86.7	56.0	52.8	108.6	-32.7	106.0	42.1	171.0	-63.5
43 Large time deposits	-19.7	47.6	40.6	9.1	-42.1	-13.9	-15.7	-15.5	-70.7	-66.4	-61.2	-74.3
44 Security repurchase agreements	20.2	21.6	32.9	14.9	-20.5	-11.4	-37.1	18.2	-26.5	-36.6	-56.4	2.7
45 Deposits in foreign countries	5.9	-2.5	-11.2	4.4	7.0	16.5	-3.6	7.8	-2.2	26.2	-22.1	17.5
46 **Total of credit market instruments, deposits, and currency**	**408.1**	**438.2**	**473.6**	**419.9**	**255.4**	**336.9**	**501.9**	**350.1**	**133.2**	**36.3**	**212.0**	**33.4**
MEMO												
47 Public holdings as percent of total	32.2	34.0	26.9	25.9	40.0	26.5	27.5	41.1	56.5	38.1	61.9	46.3
48 Private financial intermediation (percent)	99.8	76.2	78.6	77.6	68.0	83.2	57.2	48.0	71.3	104.9	84.9	58.9
49 Total foreign funds	111.1	105.5	104.3	62.8	77.2	39.1	14.9	83.1	162.6	48.3	39.8	-40.1
Corporate equities not included above												
50 **Total net issues**	**88.5**	**7.1**	**-119.3**	**-65.4**	**15.8**	**16.7**	**-.8**	**56.4**	**-19.1**	**26.6**	**116.5**	**179.5**
51 Mutual fund shares	160.9	70.2	6.1	38.5	65.7	73.4	56.3	77.1	45.9	83.7	97.6	125.2
52 Other equities	-72.4	-63.1	-125.4	-103.9	-50.0	-56.7	-57.1	-20.7	-65.0	-57.0	18.9	54.3
53 Acquisitions by financial institutions	61.1	22.2	4.1	18.9	32.0	63.7	37.7	62.9	-27.9	55.4	61.0	56.3
54 Other net purchases	27.4	-15.1	-123.3	-84.3	-16.2	-47.0	-38.5	-6.6	8.8	-28.8	55.6	123.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus lines 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks, plus bank borrowings from foreign branches, plus liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking institutions in foreign banks.
29. Demand deposits and note balances at commercial banks.
30. Excludes investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 13 less line 20 plus line 26.
33–37. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Sum of lines 32 and 38, or line 13 less line 27 plus lines 39 and 45.
47. Line 2 divided by line 1.
48. Line 20 divided by line 13.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars, end of period

Transaction category or sector	1986	1987	1988	1989	1989	1990				1991	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**7,646.3**	**8,343.9**	**9,096.0**	**9,805.2**	**9,805.2**	**10,073.3**	**10,226.8**	**10,386.9**	**10,557.3**	**10,615.5**	**10,735.3**
By lending sector and instrument											
2 U.S. government	1,815.4	1,960.3	2,117.8	2,269.4	2,269.4	2,360.9	2,401.7	2,470.2	2,568.9	2,624.7	2,667.7
3 Treasury securities	1,811.7	1,955.2	2,095.2	2,245.2	2,245.2	2,329.3	2,368.8	2,437.6	2,536.5	2,598.4	2,642.9
4 Agency issues and mortgages	3.6	5.2	22.6	24.2	24.2	31.6	32.9	32.6	32.4	26.4	24.8
5 Private	5,831.0	6,383.6	6,978.2	7,535.8	7,535.8	7,712.5	7,825.1	7,916.7	7,988.4	7,990.8	8,067.7
By instrument											
6 Debt capital instruments	3,962.7	4,427.9	4,886.4	5,283.3	5,283.3	5,451.9	5,533.8	5,608.8	5,669.9	5,709.8	5,787.5
7 Tax-exempt obligations	679.1	728.4	790.8	821.2	821.2	822.2	827.2	837.9	841.3	842.2	847.6
8 Corporate bonds	669.4	748.8	851.7	925.4	925.4	933.0	950.2	958.4	975.1	995.3	1,019.1
9 Mortgages	2,614.2	2,950.7	3,243.8	3,536.6	3,536.6	3,696.7	3,756.4	3,812.6	3,853.4	3,872.3	3,920.9
10 Home mortgages	1,720.8	1,943.1	2,173.9	2,404.3	2,404.3	2,558.3	2,619.5	2,670.0	2,710.0	2,730.1	2,781.0
11 Multifamily residential	246.2	270.0	286.7	304.4	304.4	304.5	300.5	304.5	306.0	306.5	307.1
12 Commercial	551.4	648.7	696.4	742.6	742.6	750.0	752.5	753.8	753.5	752.0	748.9
13 Farm	95.8	88.9	86.8	85.3	85.3	83.9	84.0	84.3	84.0	83.6	83.9
14 Other debt instruments	1,868.2	1,955.7	2,091.9	2,252.6	2,252.6	2,260.6	2,291.3	2,307.9	2,318.5	2,281.0	2,280.1
15 Consumer credit	659.8	693.2	743.5	790.6	790.6	782.3	789.4	798.7	808.9	782.3	784.2
16 Bank loans n.e.c.	666.0	673.3	713.1	763.0	763.0	748.5	756.1	753.6	757.4	749.0	740.3
17 Open market paper	62.9	73.8	85.7	107.1	107.1	126.0	128.7	131.8	116.9	119.9	118.4
18 Other	479.6	515.3	549.6	591.9	591.9	603.7	617.1	623.8	635.4	629.9	637.3
By borrowing sector											
19 State and local government	510.1	558.9	604.5	634.1	634.1	633.8	636.9	647.1	649.1	650.2	652.8
20 Household	2,596.1	2,879.1	3,191.5	3,501.8	3,501.8	3,654.8	3,726.5	3,790.3	3,847.2	3,853.3	3,911.3
21 Nonfinancial business	2,724.8	2,945.6	3,182.2	3,400.0	3,400.0	3,423.9	3,461.7	3,479.4	3,492.2	3,487.3	3,503.6
22 Farm	156.6	145.5	137.6	139.2	139.2	137.3	138.7	141.6	140.5	139.3	143.0
23 Nonfarm noncorporate	997.6	1,075.4	1,145.1	1,195.9	1,195.9	1,208.3	1,208.7	1,209.0	1,209.6	1,205.9	1,204.6
24 Corporate	1,570.6	1,724.6	1,899.5	2,064.8	2,064.8	2,078.3	2,114.3	2,128.7	2,142.1	2,142.1	2,155.9
25 **Foreign credit market debt held in United States**	**238.3**	**244.6**	**253.9**	**261.5**	**261.5**	**261.7**	**273.0**	**279.4**	**284.9**	**297.2**	**285.1**
26 Bonds	74.9	82.3	89.2	94.5	94.5	103.3	108.4	108.9	116.1	118.9	123.0
27 Bank loans n.e.c.	26.9	23.3	21.5	21.4	21.4	18.9	19.3	19.8	18.5	20.4	19.5
28 Open market paper	37.4	41.2	49.9	63.0	63.0	59.3	65.1	71.5	75.3	87.0	74.0
29 U.S. government loans	99.1	97.7	93.2	82.6	82.6	80.2	80.2	79.3	75.0	70.9	68.6
30 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**7,884.7**	**8,588.5**	**9,349.9**	**10,066.8**	**10,066.8**	**10,335.0**	**10,499.8**	**10,666.3**	**10,842.2**	**10,912.8**	**11,020.5**
	Financial sectors										
31 **Total credit market debt owed by financial sectors**	**1,529.8**	**1,836.8**	**2,084.4**	**2,322.4**	**2,322.4**	**2,359.0**	**2,405.5**	**2,448.8**	**2,527.7**	**2,540.1**	**2,567.3**
By instrument											
32 U.S. government-related	810.3	978.6	1,098.4	1,249.3	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,452.2	1,485.1
33 Sponsored credit-agency securities	273.0	303.2	348.1	373.3	373.3	378.1	381.0	384.4	393.7	397.0	389.6
34 Mortgage pool securities	531.6	670.4	745.3	871.0	871.0	905.2	944.2	978.5	1,019.9	1,050.4	1,090.7
35 Loans from U.S. government	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9
36 Private	719.5	858.2	986.1	1,073.0	1,073.0	1,070.8	1,075.4	1,080.9	1,109.3	1,087.9	1,082.2
37 Corporate bonds	287.4	366.3	418.0	482.7	482.7	491.7	510.0	514.4	533.6	543.0	559.5
38 Mortgages	2.7	3.1	3.4	3.4	3.4	4.0	4.0	4.1	4.2	4.2	4.2
39 Bank loans n.e.c.	36.1	32.8	34.2	36.0	36.0	33.2	34.8	34.9	36.7	34.8	35.2
40 Open market paper	284.6	322.9	377.7	409.1	409.1	409.1	400.3	409.6	417.7	398.8	388.6
41 Loans from Federal Home Loan Banks	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7
By borrowing sector											
42 Sponsored credit agencies	278.7	308.2	353.1	378.3	378.3	383.0	385.9	389.4	398.5	401.8	394.4
43 Mortgage pools	531.6	670.4	745.3	871.0	871.0	905.2	944.2	978.5	1,019.9	1,050.4	1,090.7
44 Private financial sectors	719.5	858.2	986.1	1,073.0	1,073.0	1,070.8	1,075.4	1,080.9	1,109.3	1,087.9	1,082.2
45 Commercial banks	75.6	81.8	78.8	77.4	77.4	73.2	71.6	70.7	76.3	68.1	65.9
46 Bank affiliates	116.8	131.1	136.2	142.5	142.5	142.0	134.3	122.9	114.8	111.7	110.3
47 Savings and loan associations	119.8	139.4	159.3	145.2	145.2	137.1	125.6	116.2	114.0	102.8	90.8
48 Mutual savings banks	8.6	16.7	18.6	17.2	17.2	15.4	16.7	16.2	16.7	16.4	15.8
49 Finance companies	328.1	378.8	446.1	496.2	496.2	499.2	509.7	530.9	551.8	545.9	547.0
50 Real estate investment trusts (REITs)	6.5	7.3	11.4	10.1	10.1	10.9	10.4	10.2	10.6	10.6	10.8
51 Securitized credit obligation (SCO) issuers	64.0	103.1	135.7	184.4	184.4	193.1	206.9	213.8	225.2	232.4	241.7
	All sectors										
52 **Total credit market debt, domestic and foreign**	**9,414.4**	**10,425.3**	**11,434.3**	**12,389.1**	**12,389.1**	**12,694.0**	**12,905.3**	**13,115.1**	**13,369.9**	**13,452.9**	**13,587.7**
53 U.S. government securities	2,620.0	2,933.9	3,211.1	3,513.7	3,513.7	3,644.1	3,726.9	3,833.1	3,982.5	4,072.1	4,147.9
54 State and local obligations	679.1	728.4	790.8	821.2	821.2	822.2	827.2	837.9	841.3	842.2	847.6
55 Corporate and foreign bonds	1,031.7	1,197.4	1,358.9	1,502.6	1,502.6	1,527.9	1,568.6	1,581.6	1,624.8	1,657.3	1,701.6
56 Mortgages	2,617.0	2,953.8	3,247.2	3,540.1	3,540.1	3,700.7	3,760.5	3,816.7	3,857.7	3,876.5	3,925.1
57 Consumer credit	659.8	693.2	743.5	790.6	790.6	782.3	789.4	798.7	808.9	782.3	784.2
58 Bank loans n.e.c.	729.0	729.5	768.9	820.3	820.3	800.7	810.2	808.3	812.6	804.1	794.9
59 Open market paper	384.9	437.9	513.4	579.2	579.2	594.4	594.0	612.9	609.9	605.7	581.1
60 Other loans	693.1	751.1	800.5	821.4	821.4	821.7	828.5	826.0	832.3	812.7	805.5

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted, end of period

Transaction category or sector	1986[r]	1987[r]	1988[r]	1989[r]	1989[r]	1990[r]				1991[r]	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**7,749.8**	**8,483.8**	**9,242.3**	**10,029.0**	**10,029.0**	**10,327.3**	**10,486.8**	**10,638.4**	**10,801.7**	**10,870.0**	**10,989.1**
2 **Total held by federal agencies and foreign sector**	**1,810.5**	**2,037.7**	**2,223.2**	**2,413.1**	**2,413.1**	**2,450.6**	**2,529.9**	**2,611.3**	**2,673.1**	**2,733.8**	**2,793.8**
By instrument											
3 U.S. government securities	509.8	570.9	651.5	688.9	688.9	682.7	714.1	745.6	763.0	789.3	808.5
4 Residential mortgages	678.5	814.1	900.4	1,038.4	1,038.4	1,081.5	1,126.5	1,171.8	1,221.0	1,261.4	1,306.8
5 Federal Home Loan Bank advances to thrifts	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7
6 Other loans and securities	513.5	519.7	518.5	544.1	544.1	553.6	563.1	576.0	572.0	576.1	583.9
By type of lender											
7 U.S. government	255.2	239.9	214.6	207.0	207.0	217.1	227.4	242.7	240.6	253.2	261.1
8 Sponsored credit agencies and mortgage pools	835.9	1,001.0	1,113.0	1,238.2	1,238.2	1,274.8	1,315.0	1,360.5	1,403.4	1,438.8	1,468.7
9 Monetary authority	205.5	230.1	240.6	233.3	233.3	224.4	237.8	240.8	241.4	247.3	253.7
10 Foreign	513.9	566.7	655.0	734.6	734.6	734.2	749.8	767.5	787.7	794.5	810.4
Agency and foreign debt not in line 1											
11 Sponsored credit agencies and mortgage pools	810.3	978.6	1,098.4	1,249.3	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,452.1	1,480.3
12 Foreign	245.1	254.3	255.7	265.4	265.4	265.7	277.0	283.4	297.9	310.2	297.7
13 **Total private domestic holdings**	**6,994.8**	**7,678.9**	**8,373.2**	**9,130.6**	**9,130.6**	**9,430.6**	**9,564.0**	**9,678.4**	**9,844.8**	**9,898.6**	**9,973.3**
14 U.S. government securities	2,100.6	2,352.5	2,546.8	2,806.8	2,806.8	2,910.5	2,958.5	3,027.7	3,148.6	3,206.8	3,259.0
15 State and local obligations	789.6	873.1	939.4	1,046.2	1,046.2	1,060.6	1,073.2	1,084.8	1,091.7	1,094.6	1,102.7
16 Corporate and foreign bonds	583.0	653.4	744.8	809.8	809.8	824.3	842.7	850.5	882.0	898.7	918.2
17 Residential mortgages	1,288.5	1,399.0	1,560.2	1,670.4	1,670.4	1,834.9	1,849.7	1,857.8	1,849.2	1,836.6	1,840.7
18 Other mortgages and loans	2,341.6	2,534.0	2,734.7	2,939.2	2,939.2	2,933.0	2,966.2	2,975.3	2,990.4	2,968.9	2,947.4
19 LESS: Federal Home Loan Bank advances	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7
20 **Total credit market claims held by private financial institutions**	**5,995.9**	**6,515.1**	**7,055.3**	**7,602.9**	**7,602.9**	**7,862.0**	**7,931.6**	**7,988.8**	**8,131.4**	**8,191.0**	**8,252.4**
By holding institution											
21 Commercial banks	2,183.9	2,319.2	2,476.2	2,643.9	2,643.9	2,667.2	2,709.5	2,739.0	2,765.1	2,772.9	2,784.9
22 Savings institutions	1,297.9	1,445.5	1,565.2	1,478.2	1,478.2	1,476.1	1,424.2	1,385.9	1,345.0	1,302.7	1,264.3
23 Insurance and pension funds	1,506.7	1,659.6	1,836.1	2,034.0	2,034.0	2,103.7	2,153.3	2,173.8	2,217.5	2,274.0	2,326.7
24 Other finance	1,007.4	1,090.8	1,177.9	1,446.7	1,446.7	1,615.0	1,644.5	1,690.2	1,803.7	1,841.4	1,876.5
By source of funds											
25 Private domestic deposits and repurchase agreements	3,166.2	3,336.2	3,581.3	3,790.4	3,790.4	3,816.0	3,806.5	3,812.1	3,843.8	3,873.3	3,836.5
26 Credit market debt	703.1	807.3	901.4	970.0	970.0	1,089.3	1,095.1	1,078.5	1,093.5	1,072.9	1,067.7
27 Other sources	2,126.6	2,371.7	2,572.6	2,842.5	2,842.5	2,956.7	3,030.0	3,098.2	3,194.2	3,244.8	3,348.2
28 Foreign funds	18.6	62.3	71.6	62.1	62.1	62.1	63.5	86.6	86.1	84.7	55.3
29 U.S. Treasury balances	27.5	21.6	29.0	25.6	25.6	16.7	32.1	36.6	30.9	26.3	36.0
30 Insurance and pension reserves	1,462.2	1,568.0	1,723.2	1,908.2	1,908.2	1,951.4	1,983.0	2,018.6	2,067.7	2,120.7	2,171.8
31 Other, net	618.4	719.8	748.9	846.6	846.6	926.4	951.3	956.3	1,009.4	1,013.0	1,085.1
Private domestic nonfinancial investors											
32 Credit market claims	1,702.0	1,971.1	2,219.3	2,497.8	2,497.8	2,657.9	2,727.5	2,768.1	2,806.9	2,780.5	2,788.7
33 U.S. government securities	807.4	909.7	1,050.7	1,169.0	1,169.0	1,196.8	1,214.5	1,256.8	1,278.3	1,278.2	1,289.7
34 State and local obligations	320.3	416.4	486.7	591.2	591.2	597.8	610.8	615.7	616.1	610.1	618.8
35 Corporate and foreign bonds	69.3	91.2	52.4	64.7	64.7	204.6	217.8	200.1	203.7	203.5	206.6
36 Open market paper	183.5	198.0	243.0	245.9	245.9	247.6	264.5	266.4	264.7	248.0	230.4
37 Other loans and mortgages	321.6	355.8	386.5	427.0	427.0	411.2	420.0	429.1	444.2	440.7	443.1
38 Deposits and currency	3,377.3	3,565.9	3,814.5	4,039.7	4,039.7	4,062.4	4,066.6	4,076.1	4,122.7	4,149.5	4,124.8
39 Currency	186.3	205.4	220.1	231.8	231.8	234.4	242.7	247.2	254.4	262.0	265.9
40 Checkable deposits	522.2	521.5	532.9	532.9	532.9	508.1	514.2	503.5	533.3	515.6	524.2
41 Small time and savings accounts	1,948.3	2,017.1	2,156.2	2,254.7	2,254.7	2,286.6	2,287.6	2,296.8	2,314.2	2,343.4	2,340.8
42 Money market fund shares	268.9	297.8	318.9	405.6	405.6	438.1	425.9	452.1	461.6	509.6	489.6
43 Large time deposits	298.2	349.7	390.3	399.3	399.3	394.9	386.1	373.1	357.3	341.8	318.2
44 Security repurchase agreements	128.5	150.1	182.9	197.9	197.9	188.4	192.7	186.6	177.4	162.9	163.6
45 Deposits in foreign countries	24.8	24.3	13.1	17.6	17.6	11.9	17.5	16.8	24.6	14.3	22.5
46 **Total of credit market instruments, deposits, and currency**	**5,079.3**	**5,537.0**	**6,033.8**	**6,537.5**	**6,537.5**	**6,720.3**	**6,794.2**	**6,844.2**	**6,929.6**	**6,930.0**	**6,913.5**
MEMO											
47 Public holdings as percent of total	22.6	23.3	23.4	23.4	23.4	23.1	23.5	23.9	24.1	24.5	24.8
48 Private financial intermediation (percent)	104.0	98.6	97.2	94.2	94.2	91.6	91.6	90.5	87.8	86.5	85.5
49 Total foreign funds	532.4	628.9	726.6	796.7	796.7	796.4	813.3	854.1	873.7	879.3	865.7
Corporate equities not included above											
50 Total market value	3,360.6	3,325.0	3,619.8	4,374.8	4,374.8	4,171.1	4,334.4	3,779.7	3,986.5	4,552.8	4,587.5
51 Mutual fund shares	413.5	460.1	478.3	555.1	555.1	550.3	587.9	547.3	579.9	643.0	681.3
52 Other equities	2,947.1	2,864.9	3,141.6	3,819.7	3,819.7	3,620.8	3,746.5	3,232.4	3,406.6	3,909.7	3,906.2
53 Holdings by financial institutions	942.0	979.4	1,113.6	1,416.9	1,416.9	1,359.2	1,455.8	1,231.4	1,338.4	1,568.6	1,574.9
54 Other holdings	2,418.6	2,345.7	2,506.2	2,958.0	2,958.0	2,811.9	2,878.6	2,548.3	2,648.1	2,984.2	3,012.6

NOTES BY LINE NUMBER.
1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus lines 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 27 and 46 less lines 39 and 45.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks, plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
29. Demand deposits and note balances at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 13 less line 20 plus line 26.
33–37. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Sum of lines 32 and 38, or line 13 less line 27 plus lines 39 and 45.
47. Line 2 divided by lines 1 plus 12.
48. Line 20 divided by line 13.
49. Sum of lines 10 and 28.
50–52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding can be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, except as noted

Measure	1989	1990	1991	1991								1992
				May	June	July	Aug.	Sept.	Oct.[r]	Nov.	Dec.[r]	Jan.
1 **Industrial production[1] (1987=100)**	**108.1**	**109.2**	**107.1**	**106.4**	**107.3**	**108.1**	**108.0**	**108.4**	**108.4**	**108.1[r]**	**107.6**	**106.7**
Market groupings (1987=100)												
2 Products, total	108.6	110.1	108.1[r]	107.7	108.6	108.7	108.5	108.9	109.0	109.0[r]	108.8	107.8
3 Final, total	109.1	110.9	109.6[r]	109.3	110.1	110.2	109.8	110.4	110.6	110.6[r]	110.2	109.2
4 Consumer goods	106.7	107.3	107.6[r]	106.6	108.0	108.3	108.4	109.4	109.7	110.0[r]	109.7	108.9
5 Equipment	112.3	115.5	112.2	112.7	112.8	112.8	111.6	111.8	111.9	111.4[r]	110.9	109.5
6 Intermediate	106.8	107.7	103.4[r]	102.7	104.0	104.0	104.4	104.3	104.1	104.1[r]	104.2	103.5
7 Materials	107.4	107.8	105.5[r]	104.5	105.4	107.0	107.2	107.5	107.4	106.6	105.8	104.9
Industry groupings (1987=100)												
8 Manufacturing	108.9	109.9	107.5	106.6	107.5	108.3	108.4	108.9	109.0	108.6	108.5	107.5
9 Capacity utilization, manufacturing (percent)[2]	83.9	82.3	78.2	77.8	78.3	78.7	78.6	78.8	78.7	78.2	78.0	77.0
10 Construction contracts (1982=100)[3]	172.9	156.2	140.8	138.0	133.0	144.0	150.0	143.0	157.0	134.0	152.0	n.a.
11 Nonagricultural employment, total[4]	106.0	107.6	106.6	106.5	106.5	106.5	106.6	106.7	106.7	106.5	106.5	106.4
12 Goods-producing, total	102.5	101.0	96.4	96.5	96.3	96.3	96.4	96.3	96.0	95.5	95.3	95.1
13 Manufacturing, total	102.2	100.5	96.9	96.9	96.6	96.7	96.9	96.8	96.6	96.4	96.1	95.9
14 Manufacturing, production worker	102.3	100.0	96.0	95.8	95.7	96.0	96.3	96.0	95.9	95.6	95.5	95.1
15 Service-producing	107.1	109.7	109.9	109.7	109.8	109.8	109.9	110.0	110.1	110.0	110.1	110.0
16 Personal income, total	115.2	123.1	127.1	126.9	127.5	127.1	127.7	128.2	128.4	128.2[r]	129.5	n.a.
17 Wages and salary disbursements	114.4	121.1	124.2	123.8	124.8	124.2	124.9	125.4	125.1	125.2	126.0	n.a.
18 Manufacturing	110.6	113.4	113.5	112.7	113.4	113.8	114.4	114.6	115.6	114.4[r]	115.5	n.a.
19 Disposable personal income[5]	115.2	123.4	128.2	128.1	128.6	128.3	128.9	129.3	129.6	129.4[r]	130.8	n.a.
20 Retail sales[6]	113.2	117.4	118.4[r]	119.0	119.0	119.4	118.6	119.0	118.9	118.9[r]	119.0	119.7
Prices[7]												
21 Consumer (1982–84=100)	124.0	130.7	136.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	138.1
22 Producer finished goods (1982=100)	113.6	119.2	121.7	121.8	121.9	121.6	121.7	121.4[r]	122.3	122.3	121.9	121.7

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. 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 Co., F.W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the armed forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on U.S. Bureau of the Census data published in *Survey of Current Business*.
7. Based on data not seasonally adjusted, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes can be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not indexes) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 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.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted; exceptions noted

Category	1989	1990	1991	1991							1992
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**188,601**	**190,216**	**191,883**	**191,805**	**191,955**	**192,095**	**192,240**	**192,386**	**192,522**	**192,661**	**192,796**
2 Labor force (including Armed Forces)[1]	126,077	126,954	127,421	127,661	127,320	127,126	127,708	127,605	127,444	127,675	128,083
3 Civilian labor force	123,869	124,787	125,303	125,524	125,204	125,004	125,590	125,508	125,374	125,619	126,046
Employment											
4 Nonagricultural industries[2]	114,142	114,728	114,644	113,623	113,485	113,230	113,806	113,663	113,500	113,545	113,951
5 Agriculture	3,199	3,186	3,233	3,286	3,244	3,254	3,283	3,204	3,272	3,183	3,166
Unemployment											
6 Number	6,528	6,874	8,426	8,615	8,475	8,520	8,501	8,641	8,602	8,891	8,929
7 Rate (percent of civilian labor force)	5.3	5.5	6.7	6.9	6.8	6.8	6.8	6.9	6.9	7.1	7.1
8 Not in labor force	62,524	63,262	64,462	64,144	64,635	64,969	64,532	64,781	65,078	64,986	64,713
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**108,329**	**109,971**	**108,975**	**108,885**	**108,859**	**108,971**	**109,066**	**109,073**	**108,843**	**108,846**	**108,755**
10 Manufacturing	19,442	19,111	18,427	18,378	18,402	18,442	18,414	18,377	18,337	18,290	18,238
11 Mining	693	711	697	704	701	693	684	679	674	671	667
12 Contract construction	5,187	5,136	4,696	4,710	4,695	4,691	4,699	4,671	4,584	4,593	4,587
13 Transportation and public utilities	5,644	5,826	5,823	5,809	5,809	5,820	5,829	5,828	5,816	5,798	5,814
14 Trade	25,770	25,843	25,412	25,413	25,411	25,393	25,387	25,335	25,261	25,238	25,173
15 Finance	6,695	6,739	6,707	6,703	6,688	6,687	6,692	6,697	6,694	6,693	6,695
16 Service	27,120	28,240	28,778	28,712	28,733	28,831	28,937	29,019	29,008	29,043	29,050
17 Government	17,779	18,322	18,434	18,456	18,420	18,414	18,424	18,467	18,469	18,520	18,531

1. Persons sixteen years of age and older. 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.
2. Includes self-employed, unpaid family, and domestic service workers.
3. 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, and exclude proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1984 benchmark, and only seasonally adjusted data are available at this time.

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

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1991 Q1	1991 Q2	1991 Q3	1991 Q4[r]	1991 Q1	1991 Q2	1991 Q3	1991 Q4	1991 Q1	1991 Q2	1991 Q3	1991 Q4[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)			
1 **Total industry**	**105.8**	**106.4**	**108.1**	**108.0**	**133.6**	**134.5**	**135.3**	**136.2**	**79.2**	**79.1**	**79.9**	**79.3**
2 Manufacturing	106.1	106.7	108.5	108.7	136.0	136.9	137.9	138.9	78.0	77.9	78.7	78.3
3 Primary processing	100.6	100.8	104.1	104.2	126.8	127.5	128.1	128.8	79.4	79.1	81.2	80.9
4 Advanced processing	108.6	109.4	110.6	110.8	140.2	141.3	142.4	143.5	77.5	77.4	77.7	77.2
5 Durable goods	106.1	106.7	108.1	107.7	139.9	140.9	141.8	142.8	75.8	75.7	76.2	75.4
6 Lumber and products	92.3	94.0	95.1	95.4	125.0	125.2	125.4	125.7	73.9	75.1	75.8	75.9
7 Primary metals	97.9	95.9	102.0	103.1	128.2	128.6	129.0	129.3	76.4	74.6	79.1	79.7
8 Iron and steel	96.3	92.8	100.3	104.3	133.0	133.5	134.0	134.5	72.4	69.5	74.8	77.5
9 Nonferrous	100.2	100.3	104.5	101.4	121.3	121.5	121.7	121.9	82.6	82.6	85.8	83.2
10 Nonelectrical machinery	124.4	123.5	123.5	122.8	157.9	159.5	161.2	162.8	78.8	77.4	76.6	75.5
11 Electrical machinery	108.1	110.6	111.2	110.3	142.7	144.0	145.3	146.6	75.8	76.8	76.5	75.3
12 Motor vehicles and parts	80.8	89.5	95.9	97.0	133.4	134.2	134.9	135.6	60.5	66.7	71.1	71.5
13 Aerospace and miscellaneous transportation equipment	109.9	106.4	105.2	102.8	137.0	137.9	138.7	139.6	80.2	77.2	75.9	73.6
14 Nondurable goods	106.1	106.7	109.1	110.0	130.9	131.9	132.9	133.8	81.0	80.9	82.1	82.2
15 Textile mill products	94.6	99.4	104.1	104.9	117.3	117.7	118.0	118.3	80.6	84.5	88.2	88.6
16 Paper and products	102.6	102.7	107.6	107.4	116.4	117.1	117.9	118.7	88.2	87.7	91.2	90.5
17 Chemicals and products	109.1	109.3	112.1	113.4	138.4	139.7	141.0	142.3	78.8	78.2	79.5	79.7
18 Plastics materials	113.2	115.6	125.4	127.7	135.7	139.2	142.6	146.1	83.4	83.0	87.9	87.4
19 Petroleum products	107.3	107.6	108.1	106.6	121.4	121.4	121.4	121.4	88.4	88.6	89.0	87.8
20 Mining	102.0	101.1	101.8	99.3	113.8	114.3	114.6	114.7	89.6	88.4	88.9	86.6
21 Utilities	106.2	109.6	110.4	109.5	128.1	128.4	128.8	129.2	82.9	85.3	85.7	84.8
22 Electric	109.3	114.4	115.2	111.6	123.8	124.3	124.7	125.2	88.3	92.1	92.4	89.2

Series	Previous cycle[2] High	Previous cycle[2] Low	Latest cycle[3] High	Latest cycle[3] Low	1991 Jan.	1991 June	1991 July	1991 Aug.	1991 Sept.	1991 Oct.[r]	1991 Nov.[r]	1991 Dec.[r]	1992 Jan.[p]
	Capacity utilization rate (percent)												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**80.0**	**79.6**	**80.0**	**79.8**	**79.9**	**79.8**	**79.3**	**78.8**	**78.0**
2 Manufacturing	88.9	70.8	87.3	70.0	78.9	78.3	78.7	78.6	78.8	78.7	78.2	78.0	77.0
3 Primary processing	92.2	68.9	89.7	66.8	80.6	79.9	81.1	81.2	81.3	81.4	80.8	80.5	79.7
4 Advanced processing	87.5	72.0	86.3	71.4	78.2	77.6	77.8	77.5	77.7	77.6	77.2	76.9	75.9
5 Durable goods	88.8	68.5	86.9	65.0	76.8	76.0	76.4	76.0	76.2	75.9	75.5	74.9	73.8
6 Lumber and products	90.1	62.2	87.6	60.9	75.4	77.2	75.6	76.0	75.8	74.6	76.5	76.6	76.6
7 Primary metals	100.6	66.2	102.4	46.8	77.8	74.9	78.5	79.6	79.3	79.4	80.0	79.7	79.6
8 Iron and steel	105.8	66.6	110.4	38.3	74.5	69.5	74.3	75.0	75.1	76.2	78.5	77.8	78.7
9 Nonferrous	92.9	61.3	90.5	62.2	83.0	83.5	85.1	86.7	85.7	84.5	82.5	82.6	81.0
10 Nonelectrical machinery	96.4	74.5	92.1	64.9	79.8	77.1	77.2	76.5	76.1	76.1	75.5	74.8	74.3
11 Electrical machinery	87.8	63.8	89.4	71.1	75.7	77.2	76.6	76.8	76.2	75.1	75.5	75.2	74.8
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	62.3	68.9	71.8	67.9	73.6	74.2	70.7	69.7	63.9
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	81.1	76.8	76.1	76.1	75.3	74.8	73.9	72.1	70.3
14 Nondurable goods	87.9	71.8	87.0	76.9	81.8	81.4	82.0	82.1	82.3	82.4	82.0	82.1	81.5
15 Textile mill products	92.0	60.4	91.7	73.8	80.2	86.4	88.4	88.8	87.4	89.2	88.2	88.4	87.4
16 Paper and products	96.9	69.0	94.2	82.0	89.8	89.7	91.9	90.4	91.4	92.1	89.4	90.1	87.7
17 Chemicals and products	87.9	69.9	85.1	70.1	79.8	78.2	79.3	79.7	79.6	80.0	79.4	79.6	79.0
18 Plastics materials	102.0	50.6	90.9	63.4	86.2	84.1	89.6	87.1	87.0	89.5	87.2	85.5	84.4
19 Petroleum products	96.7	81.1	89.5	68.2	86.2	90.2	89.2	88.4	89.4	87.3	87.9	88.3	87.8
20 Mining	94.4	88.4	96.6	80.6	89.5	89.2	89.6	88.5	88.5	87.9	86.6	85.2	85.0
21 Utilities	95.6	82.5	88.3	76.2	84.1	86.7	86.2	85.9	85.1	84.8	85.9	83.6	83.2
22 Electric	99.0	82.7	88.3	78.7	89.3	94.1	93.6	92.7	90.8	89.7	90.0	87.7	87.3

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35.

2. Monthly high, 1973; monthly low, 1975.

3. Monthly highs, 1978 through 1980; monthly lows, 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1987 proportion	1991 avg.	1991 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	1992 Jan.[p]
			Index (1987 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**107.1**	**106.6**	**105.7**	**105.0**	**105.5**	**106.4**	**107.3**	**108.1**	**108.0**	**108.4**	**108.4**	**108.1**	**107.6**	**106.7**
2 Products	60.8	108.1	107.8	106.9	106.5	106.9	107.7	108.6	108.7	108.5	108.9	109.0	109.0	108.8	107.8
3 Final products	46.0	109.6	109.1	108.3	108.1	108.7	109.3	110.1	110.2	109.8	110.4	110.6	110.6	110.2	109.2
4 Consumer goods, total	26.0	107.6	105.6	104.7	104.7	105.5	106.6	108.0	108.3	108.4	109.4	109.7	110.0	109.7	108.9
5 Durable consumer goods	5.6	102.3	97.6	95.2	95.9	99.3	101.1	104.2	105.5	104.0	107.7	107.5	106.0	105.2	101.8
6 Automotive products	2.5	97.8	90.6	88.1	88.9	94.2	97.4	100.4	102.3	98.6	106.5	106.7	103.6	101.5	94.2
7 Autos and trucks	1.5	90.2	79.6	74.7	76.7	85.0	89.2	92.5	98.1	90.2	103.0	105.1	99.0	96.7	84.3
8 Autos, consumer	.9	84.6	83.2	78.6	76.3	78.3	81.9	83.8	92.8	83.0	94.6	92.6	89.8	88.2	79.1
9 Trucks, consumer	.6	99.6	73.6	68.1	77.4	96.3	101.6	107.1	106.9	102.2	117.1	126.1	114.5	111.0	93.0
10 Auto parts and allied goods	1.0	109.3	107.1	108.3	107.3	108.0	109.5	112.2	108.6	111.3	111.8	109.1	110.4	108.8	109.2
11 Other	3.1	105.8	103.2	100.7	101.4	103.4	104.1	107.3	108.1	108.3	108.7	108.1	108.0	108.0	107.8
12 Appliances, A/C, and TV	.8	99.6	92.8	94.5	96.2	97.3	96.8	104.8	100.6	99.6	104.1	102.1	102.3	100.3	101.4
13 Carpeting and furniture	.9	99.4	100.3	92.0	93.9	97.0	96.9	99.2	103.1	103.9	101.8	101.8	101.6	102.6	102.0
14 Miscellaneous home goods	1.4	113.4	110.8	109.8	109.2	110.8	112.8	113.8	115.5	115.9	115.6	115.6	115.2	115.8	115.1
15 Nondurable consumer goods	20.4	109.0	107.8	107.3	107.1	107.2	108.1	109.0	109.0	109.6	109.8	110.3	111.0	111.0	110.9
16 Foods and tobacco	9.1	106.8	106.3	105.9	105.4	105.3	106.2	106.9	106.9	107.1	107.8	107.8	108.1	108.2	108.4
17 Clothing	2.6	93.5	90.6	90.8	90.4	90.6	92.0	93.9	94.3	94.8	95.2	96.3	96.5	96.8	96.5
18 Chemical products	3.5	115.9	114.7	114.8	114.2	115.0	113.9	114.3	115.4	117.4	117.3	117.0	117.7	118.7	118.0
19 Paper products	2.5	123.6	122.1	121.0	122.2	122.7	121.8	123.3	122.1	122.6	124.8	125.6	126.0	126.1	126.3
20 Energy	2.7	108.5	106.5	105.2	105.5	104.4	109.0	110.0	109.4	109.5	106.7	108.5	112.0	109.2	108.8
21 Fuels	.7	103.5	99.8	103.4	104.3	101.4	103.6	104.9	105.2	104.0	104.4	103.5	103.6	103.7	104.0
22 Residential utilities	2.0	110.4	109.0	105.9	105.9	105.5	111.0	111.9	110.9	111.5	107.6	110.3	115.1	111.3	110.6
23 Equipment	20.0	112.2	113.6	112.9	112.5	112.8	112.7	112.8	112.8	111.6	111.8	111.9	111.4	110.9	109.5
24 Business equipment	13.9	121.5	121.6	120.6	120.3	121.3	121.7	121.9	122.5	121.3	122.2	122.3	121.7	121.7	120.3
25 Information processing and related	5.6	131.5	130.1	131.6	131.2	131.5	131.8	130.9	131.1	130.3	130.3	131.7	133.5	133.9	133.9
26 Office and computing	1.9	155.6	155.0	157.3	155.1	155.6	155.6	154.0	156.0	153.1	152.2	156.0	158.5	159.3	160.4
27 Industrial	4.0	108.1	111.5	109.1	109.5	109.3	109.3	109.1	109.0	108.6	108.2	106.8	104.1	103.1	102.2
28 Transit	2.5	126.9	124.0	120.3	120.4	124.1	125.9	128.0	131.2	126.7	132.7	133.1	130.5	129.9	124.1
29 Autos and trucks	1.2	88.6	79.8	75.0	76.7	84.4	87.9	90.8	96.6	86.2	99.3	101.1	96.5	96.1	84.9
30 Other	1.9	113.6	115.0	112.5	110.8	112.7	113.0	114.8	114.0	114.8	114.2	113.6	113.4	114.2	114.2
31 Defense and space equipment	5.4	91.0	94.4	94.5	93.9	92.5	91.5	91.0	90.0	89.8	89.1	89.1	88.8	87.4	85.9
32 Oil and gas well drilling	.6	93.3	106.4	108.2	107.7	105.1	101.3	103.0	97.8	86.7	80.1	79.0	78.1	75.8	71.8
33 Manufactured homes	.2	85.5	83.1	77.3	79.3	83.1	86.6	90.8	86.5	90.3	86.2	86.3	87.0	87.9	89.5
34 Intermediate products, total	14.7	103.4	103.8	102.6	101.3	101.2	102.7	104.0	104.0	104.4	104.3	104.1	104.1	104.2	103.5
35 Construction supplies	6.0	96.1	97.7	96.4	94.0	94.9	95.8	97.4	96.9	96.7	96.5	95.4	95.8	95.6	95.3
36 Business supplies	8.7	108.4	108.1	106.8	106.4	105.6	107.5	108.5	109.0	109.7	109.7	110.1	109.9	110.1	109.2
37 Materials	39.2	105.5	104.8	103.9	102.6	103.4	104.5	105.4	107.0	107.2	107.5	107.4	106.6	105.8	104.9
38 Durable goods materials	19.4	107.1	106.8	105.5	103.3	104.9	106.2	106.7	108.2	109.1	109.3	108.8	108.6	108.2	107.0
39 Durable consumer parts	4.2	96.5	94.2	90.4	87.5	92.1	95.5	97.3	100.2	100.1	101.3	101.6	100.5	97.6	95.3
40 Equipment parts	7.3	114.4	115.9	116.2	114.8	114.6	114.8	113.6	113.5	114.3	113.9	113.6	113.7	114.1	113.5
41 Other	7.9	106.0	105.2	103.8	101.0	102.6	103.8	105.3	107.5	109.0	109.3	108.2	108.2	108.3	107.1
42 Basic metal materials	2.8	106.0	104.6	104.8	101.2	101.6	103.0	105.9	108.8	110.2	109.5	107.7	107.7	108.5	107.8
43 *Nondurable goods materials*	9.0	106.0	104.9	103.6	102.8	103.1	103.7	104.9	108.1	107.8	108.3	109.6	107.6	107.6	106.3
44 Textile materials	1.2	97.2	89.1	91.5	92.7	94.7	96.8	98.1	101.4	101.5	99.5	101.8	99.9	99.6	98.7
45 Pulp and paper materials	1.9	106.9	106.0	104.1	102.4	102.0	101.5	106.9	110.3	108.2	110.4	112.0	108.4	110.0	105.5
46 Chemical materials	3.8	106.2	106.7	104.1	102.7	102.9	103.9	103.9	107.7	107.9	108.2	109.9	108.3	107.6	107.5
47 Other	2.1	109.8	109.3	108.8	108.8	109.0	109.2	108.6	110.5	110.9	111.3	111.2	110.1	109.9	109.1
48 Energy materials	10.9	102.3	101.1	101.1	101.3	101.1	102.4	103.4	104.1	103.3	103.6	103.1	102.1	100.2	100.0
49 Primary energy	7.2	102.3	101.3	102.1	101.5	100.5	101.2	104.7	106.2	104.5	103.8	102.8	100.8	99.1	99.5
50 Converted fuel materials	3.7	102.2	100.9	99.2	100.8	102.4	104.7	101.0	100.1	101.0	103.4	103.8	104.6	102.4	101.0
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.3	107.6	107.4	106.6	105.7	106.1	106.9	107.8	108.4	108.5	108.6	108.5	108.3	107.9	107.3
52 Total excluding motor vehicles and parts	95.3	107.9	107.8	107.0	106.2	106.5	107.3	108.1	108.6	108.8	108.8	108.8	108.7	108.2	107.6
53 Total excluding office and computing machines	97.5	105.9	105.4	104.4	103.7	104.2	105.2	106.2	106.9	106.8	107.3	107.2	106.8	106.3	105.3
54 Consumer goods excluding autos and trucks	24.5	108.6	107.2	106.5	106.4	106.7	107.6	108.9	108.9	109.5	109.8	109.9	110.6	110.5	110.4
55 Consumer goods excluding energy	23.3	107.5	105.5	104.7	104.6	105.6	106.3	107.7	108.1	108.3	109.7	109.8	109.7	109.8	108.9
56 Business equipment excluding autos and trucks	12.7	124.7	125.7	125.0	124.5	124.9	125.0	125.0	125.0	124.7	124.4	124.4	124.2	124.1	123.8
57 Business equipment excluding office and computing equipment	12.0	116.0	116.2	114.6	114.6	115.7	116.3	116.7	117.0	116.2	117.3	116.9	115.8	115.6	113.9
58 Materials excluding energy	28.4	106.8	106.2	104.9	103.1	104.3	105.4	106.1	108.2	108.7	109.0	109.1	108.3	108.0	106.8

2.13—Continued

Group	SIC[2] code	1987 proportion	1991 avg.	1991 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	1992 Jan.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
1 **Total index**	....	**100.0**	**107.1**	**106.6**	**105.7**	**105.0**	**105.5**	**106.4**	**107.3**	**108.1**	**108.0**	**108.4**	**108.4**	**108.1**	**107.6**	**106.7**
2 Manufacturing	....	84.4	107.5	107.0	106.1	105.2	105.9	106.6	107.5	108.3	108.4	108.9	109.0	108.6	108.5	107.5
3 Primary processing	....	26.7	102.4	102.0	100.8	99.0	99.6	100.7	102.1	103.7	104.1	104.4	104.7	104.1	103.9	102.9
4 Advanced processing	....	57.7	109.8	109.3	108.5	108.0	108.9	109.3	109.9	110.5	110.3	111.0	111.0	110.7	110.6	109.5
5 Durable goods	....	47.3	107.1	107.2	106.1	105.0	106.0	106.7	107.3	108.1	107.8	108.4	108.2	107.7	107.2	105.8
6 Lumber and products	24	2.0	94.3	94.2	91.5	91.2	92.7	92.5	96.7	94.8	95.3	95.2	93.8	96.2	96.4	96.4
7 Furniture and fixtures	25	1.4	99.2	99.0	94.9	95.4	98.3	98.5	99.4	100.5	101.3	101.2	100.5	99.9	101.2	101.4
8 Clay, glass, and stone products	32	2.5	94.9	97.2	98.9	94.4	94.2	95.1	95.0	95.8	95.5	94.4	94.4	92.8	91.9	91.1
9 *Primary metals*	*33*	*3.3*	*99.6*	*99.7*	*99.5*	*94.7*	*94.5*	*96.9*	*96.4*	*101.2*	*102.6*	*102.3*	*102.6*	*103.5*	*103.1*	*102.9*
10 Iron and steel	331,2	1.9	98.3	99.0	98.0	92.0	91.6	94.0	92.9	99.5	100.6	100.8	102.4	105.6	104.8	105.8
11 Raw steel	....	.1	97.3	104.7	97.9	89.8	91.0	88.9	94.0	102.6	102.4	100.9	101.3	99.1	97.6	100.1
12 Nonferrous	333–6,9	1.4	101.6	100.6	101.6	98.4	98.5	101.0	101.5	103.5	105.5	104.4	102.9	100.5	100.7	98.8
13 Fabricated metal products	34	5.4	100.4	101.7	99.1	97.8	98.0	99.1	99.8	100.9	101.4	101.9	101.9	101.8	101.3	99.5
14 *Nonelectrical machinery*	*35*	*8.6*	*123.6*	*125.5*	*124.5*	*123.1*	*123.5*	*123.6*	*123.4*	*123.9*	*123.3*	*123.1*	*123.5*	*122.9*	*122.1*	*121.8*
15 Office and computing machines	357	2.5	155.6	155.0	157.3	155.1	155.6	155.6	154.0	156.0	153.0	152.2	155.9	158.5	159.3	160.4
16 Electrical machinery	36	8.6	110.1	107.6	108.2	108.6	109.7	110.6	111.5	111.0	111.5	111.0	109.8	110.7	110.5	110.2
17 Transportation equipment	37	9.8	98.6	97.6	95.5	95.0	97.2	98.2	99.7	101.3	99.0	102.2	102.4	99.7	97.9	93.1
18 Motor vehicles and parts	371	4.7	90.4	83.0	79.4	79.8	86.2	89.8	92.5	96.7	91.6	99.5	100.4	95.9	94.7	86.9
19 Autos and light trucks	....	2.3	89.4	80.1	75.3	76.6	84.0	88.2	91.2	97.3	89.1	101.8	103.2	97.6	95.5	83.5
20 *Aerospace and miscellaneous transportation equipment*	*372–6,9*	*5.1*	*106.0*	*110.8*	*110.0*	*108.8*	*107.2*	*105.8*	*106.1*	*105.4*	*105.6*	*104.6*	*104.3*	*103.1*	*100.9*	*98.6*
21 Instruments	38	3.3	118.2	119.0	119.3	118.4	118.6	118.2	117.3	116.5	116.9	118.1	118.2	118.5	118.9	118.5
22 Miscellaneous	39	1.2	119.4	116.1	114.6	115.3	117.5	118.7	119.8	121.6	123.2	121.5	120.6	120.7	121.6	122.2
23 Nondurable goods	....	37.2	108.0	106.8	106.0	105.4	105.9	106.5	107.6	108.6	109.0	109.6	110.1	109.7	110.1	109.6
24 Foods	20	8.8	108.6	108.3	107.6	107.4	107.6	107.8	108.6	108.3	108.7	109.5	109.4	110.0	110.0	110.0
25 *Tobacco products*	*21*	*1.0*	*100.5*	*100.0*	*100.1*	98.2	97.6	98.7	99.4	102.6	*103.1*	*102.7*	102.2	*100.5*	*100.9*	*104.0*
26 Textile mill products	22	1.8	100.7	94.0	94.3	95.4	97.2	99.2	101.7	104.2	104.7	103.2	105.5	104.4	104.7	103.7
27 Apparel products	23	2.4	96.2	92.9	93.1	92.5	93.2	95.2	96.2	97.8	98.3	98.1	98.7	98.8	98.9	98.4
28 Paper and products	26	3.6	105.1	104.2	102.2	101.3	101.3	101.3	105.3	108.1	106.5	108.0	109.0	106.1	107.2	104.5
29 Printing and publishing	27	6.4	112.4	112.1	110.9	110.4	110.7	110.6	111.2	111.9	112.3	113.3	114.4	114.3	115.0	114.3
30 Chemicals and products	28	8.6	111.0	110.1	109.1	108.2	109.0	109.2	109.6	111.5	112.3	112.6	113.5	113.0	113.7	113.1
31 *Petroleum products*	*29*	*1.3*	*107.4*	*104.7*	*108.8*	*108.5*	*105.7*	*107.5*	*109.6*	*108.3*	*107.3*	*108.6*	*106.0*	*106.7*	*107.2*	*106.6*
32 Rubber and plastic products	30	3.0	110.0	108.8	106.1	104.4	106.6	109.2	110.5	110.1	112.6	113.8	113.2	112.6	112.7	112.2
33 Leather and products	31	.3	88.2	89.6	90.8	91.5	90.0	89.5	90.9	91.0	87.1	85.8	83.9	84.3	83.7	83.3
34 Mining	....	7.9	101.0	101.7	102.9	101.5	100.9	100.2	102.1	102.7	101.3	101.4	100.7	99.3	97.8	97.6
35 *Metal*	*10*	*.3*	*149.4*	*143.1*	*148.0*	*147.6*	*145.7*	*148.0*	*157.0*	*153.0*	*155.5*	*153.1*	*146.5*	*148.4*	*147.2*	*145.1*
36 Coal	11,12	1.2	109.2	108.4	112.8	109.9	105.9	103.4	110.2	116.0	110.8	110.1	107.9	108.4	107.6	110.4
37 Oil and gas extraction	13	5.7	95.7	96.0	97.2	96.4	96.6	96.0	96.9	96.4	95.7	96.0	96.0	93.9	91.7	91.1
38 Stone and earth minerals	14	.7	108.3	119.2	112.0	108.0	107.0	107.5	106.4	107.8	107.0	107.3	105.9	105.9	108.4	106.9
39 Utilities	....	7.6	109.2	107.6	104.6	106.4	105.9	111.4	111.5	110.9	110.7	109.7	109.4	111.0	108.1	107.7
40 Electric	491,3PT	6.0	112.6	110.4	107.8	*109.8*	*109.8*	*116.4*	*117.1*	*116.6*	*115.6*	*113.4*	112.2	*112.7*	*109.9*	*109.6*
41 Gas	492,3PT	1.6	96.3	97.5	92.8	93.6	91.6	92.8	90.7	89.7	92.4	95.8	98.9	104.8	101.7	100.7
SPECIAL AGGREGATES																
42 Manufacturing excluding motor vehicles and parts	....	79.8	108.5	108.4	107.6	106.7	107.1	107.6	108.3	109.0	109.3	109.5	109.5	109.3	109.3	108.7
43 Manufacturing excluding office and computing machines	....	82.0	106.0	105.6	104.5	103.7	104.4	105.1	106.1	106.9	107.0	107.6	107.6	107.1	107.0	105.9
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKETS																
44 ***Products, total***	....	***1734.8***	***1,880.3***	***1,860.4***	***1,848.4***	***1,845.4***	***1,853.3***	***1,875.7***	***1,890.5***	***1,895.3***	***1,885.5***	***1,901.8***	***1,911.4***	***1,906.5***	***1,894.4***	***1,878.0***
45 Final	....	1350.9	1,482.2	1,459.6	1,452.8	1,455.6	1,464.6	1,478.1	1,490.5	1,496.1	1,484.5	1,501.5	1,510.0	1,504.0	1,492.5	1,476.0
46 Consumer goods	....	833.4	880.1	857.9	852.7	857.4	862.9	874.4	884.2	888.3	882.7	898.3	902.4	901.8	898.5	885.5
47 Equipment	....	517.5	602.1	601.7	600.1	598.2	601.7	603.7	606.2	607.8	601.8	603.3	607.6	602.2	594.0	590.5
48 Intermediate	....	384.0	398.1	400.8	395.6	389.8	388.7	397.6	400.1	399.2	401.0	400.3	401.4	402.6	401.9	402.0

1. Data in this table also appear in the Board's G.17 (419) weekly statistical release. For ordering address see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in April 1990. 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	1989	1990	1991	1991 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.^r	Nov.^r	Dec.
	Private residential real estate activity (thousands of units, except as noted)												
NEW UNITS													
1 Permits authorized	1,339	1,111	961	892	913	966	999	1,005	953	982	1,028	993	1,055
2 One-family	932	794	759	689	742	760	780	794	769	782	796	787	851
3 Two-or-more-family	407	317	202	203	171	206	219	211	184	200	232	206	204
4 Started	1,376	1,193	1,015	918^r	978^r	983	1,036^r	1,053^r	1,053^r	1,020^r	1,085	1,085	1,106
5 One-family	1,003	895	841	751^r	802^r	830^r	870^r	881^r	881^r	864^r	887	907	965
6 Two-or-more-family	373	298	173	167^r	176	153^r	166^r	172^r	172^r	156	198	178	141
7 Under construction at end of period[1]	850	711	617	680	674	665	655	652	649	632	629	635	644
8 One-family	535	449	443	442	443	443	446	451	455	453	449	457	467
9 Two-or-more-family	315	262	174	238	231	222	209	201	194	179	180	178	177
10 Completed	1,423	1,308	1,088	1,190	1,089	1,070	1,105	1,069	1,054	1,194	1,069	1,023	991
11 One-family	1,026	966	835	881	821	800	815	806	821	869	876	826	820
12 Two-or-more-family	396	342	253	309	268	270	290	263	233	325	193	197	171
13 Mobile homes shipped	198	188	171	159^r	177^r	173^r	172^r	175	175^r	172	171	171	176
Merchant builder activity in one-family units													
14 Number sold	650	535	503	495	506	507	518	507	522	498^r	518	559	522
15 Number for sale at end of period[1]	363	318	283	308	303	299	295	296	291	291	287	284	283
Price of units sold (thousands of dollars)[2]													
16 Median	120.4	122.3	120.1	122.5	121.0	116.0	119.0	120.0	120.8	120.0^r	123.5	117.3	123.8
17 Average	148.3	149.0	147.4	156.4	150.8	145.4	145.9	148.2	141.8	147.3^r	147.8	140.5	148.2
EXISTING UNITS (one-family)													
18 Number sold	3,439	3,316	3,283	3,220	3,310	3,540	3,590	3,320	3,250	3,120	3,160	3,310	3,340
Price of units sold (thousands of dollars)[2]													
19 Median	92.9	95.2	99.5	98.2	100.3	101.1	102.0	103.6	102.2	99.7	99.2	97.9	100.0
20 Average	118.0	118.3	127.3	125.2	128.9	130.6	130.5	132.2	131.0	127.7	126.4	124.9	127.1
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**443,720**	**446,433**	**404,891**	**401,883**	**407,050**	**399,030**	**398,189**	**398,409**	**403,151**	**406,983**	**410,342**	**408,410**	**407,403**
22 Private	345,416	337,776	295,737	293,262	299,044	291,048	290,871	290,299	293,402	296,621	297,537	295,714	294,956
23 Residential	196,551	182,856	160,962	152,447	151,836	154,567	158,282	158,039	162,800	166,578	168,251	168,212	167,259
24 Nonresidential, total	148,865	154,920	134,775	140,815	147,208	136,481	132,589	132,260	130,602	130,043	129,286	127,502	127,697
25 Industrial buildings	20,412	23,849	21,710	23,089	24,301	20,683	20,868	20,885	20,418	20,321	21,494	21,643	22,371
26 Commercial buildings	65,496	62,866	48,036	51,766	54,824	50,220	47,596	47,144	46,341	45,589	44,479	42,316	41,237
27 Other buildings	19,683	21,591	20,743	20,628	21,928	20,858	20,429	20,674	19,973	20,615	20,708	20,443	21,242
28 Public utilities and other	43,274	46,614	44,286	45,332	46,155	44,720	43,696	43,557	43,870	43,518	42,605	43,100	42,847
29 Public	98,303	108,655	109,156	108,621	108,007	107,982	107,318	108,110	109,749	110,361	112,805	112,697	112,447
30 Military	3,520	2,734	1,849	1,866	1,828	1,918	1,864	1,759	1,783	2,261	1,205	1,912	2,200
31 Highway	28,171	30,595	29,041	29,996	28,591	29,246	28,776	28,854	30,047	28,610	29,079	28,680	28,805
32 Conservation and development	4,989	4,718	5,347	4,586	5,833	5,123	5,807	4,688	4,901	4,226	6,109	6,814	5,613
33 Other	61,623	70,608	72,919	72,173	71,755	71,695	70,871	72,809	73,018	75,264	76,412	75,291	75,829

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 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 17,000 jurisdictions beginning in 1984.

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, Jan. 1992
	1991 Jan.	1992 Jan.	1991r Mar.	1991r June	1991r Sept.	1991r Dec.	1991r Sept.	1991r Oct.	1991r Nov.	1991r Dec.	1992 Jan.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**5.7**	**2.6**	**2.7**	**3.0**	**3.0**	**3.2**	**.4**	**.2**	**.4**	**.2**	**.1**	**138.1**
2 Food	4.1	1.0	2.4	4.8	−2.3	2.7	.1	−.1	.4	.3	−.4	137.2
3 Energy items	9.7	−6.5	−29.4	−.8	1.2	3.6	.2	.0	.8	.1	−1.5	100.1
4 All items less food and energy	5.6	3.9	6.8	3.2	4.6	3.1	.4	.2	.3	.2	.3	144.9
5 Commodities	4.0	3.3	8.2	2.2	4.4	.6	.4	.1	.3	−.2	.2	130.1
6 Services	6.3	4.3	6.2	3.3	4.6	4.3	.4	.3	.3	.4	.4	153.4
PRODUCER PRICES (1982=100)												
7 Finished goods	4.0	−.5	−2.9	.7	1.3	1.0	.2	.3	.0	−.1	−.3	121.7
8 Consumer foods	.7	−1.8	.0	−.6	−4.4	−1.3	−.1	.0	−.2	−.2	−.3	122.5
9 Consumer energy	13.6	−10.0	−32.6	−1.5	3.7	−.5	.4	1.2	.1	−1.4	−2.8	74.3
10 Other consumer goods	4.2	2.9	5.6	1.8	3.6	2.4	.3	.3	.1	.2	.4	136.2
11 Capital equipment	3.9	1.9	5.2	1.6	1.3	1.9	.2	.2	.2	.2	.2	128.3
Intermediate materials												
12 Excluding foods and feeds	3.0	−2.9	−7.6	−1.0	.4	−1.7	.2	−.3	.1	−.2	−.5	113.4
13 Excluding energy	2.0	−1.1	−1.0	−.7	−1.3	.0	−.1	−.1	.0	.1	−.2	121.0
Crude materials												
14 Foods	−5.6	−3.0	−3.6	−8.6	−6.6	−3.8	1.6	−.2	−.4	−.4	1.7	104.0
15 Energy	18.6	−23.0	−54.0	.5	−.5	4.8	−2.5	4.0	1.2	−3.9	−3.5	75.2
16 Other	1.1	−8.2	−5.3	−14.1	−4.9	−7.4	−.8	−.5	−1.3	−.2	.0	122.6

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

SOURCE. 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	1989	1990	1991	1990	1991			
				Q4	Q1	Q2	Q3	Q4
GROSS DOMESTIC PRODUCT								
1 **Total**	**5,244.0**	**5,513.8**	**5,671.8**	**5,557.5**	**5,589.0**	**5,652.6**	**5,709.2**	**5,736.6**
By source								
2 Personal consumption expenditures	3,517.9	3,742.6	3,886.8	3,812.0	3,827.7	3,868.5	3,916.4	3,934.4
3 Durable goods	459.8	465.9	445.2	451.9	440.7	440.0	452.9	447.2
4 Nondurable goods	1,146.9	1,217.7	1,251.0	1,246.4	1,246.3	1,252.9	1,257.4	1,247.6
5 Services	1,911.2	2,059.0	2,190.5	2,113.6	2,140.7	2,175.6	2,206.1	2,239.6
6 Gross private domestic investment	837.6	802.6	725.3	750.9	709.3	708.8	740.9	742.3
7 Fixed investment	801.6	802.7	745.6	787.4	748.4	745.8	744.5	743.4
8 Nonresidential	570.7	587.0	550.4	585.2	560.0	554.6	546.8	540.3
9 Structures	193.1	198.7	174.5	191.2	184.0	180.0	169.0	164.8
10 Producers' durable equipment	377.6	388.3	376.0	394.0	375.9	374.7	377.8	375.6
11 Residential structures	230.9	215.7	195.1	202.2	188.4	191.2	197.7	203.1
12 Change in business inventories	36.0	.0	−20.2	−36.5	−39.2	−37.1	−3.6	−1.1
13 Nonfarm	35.5	−2.0	−17.0	−28.9	−35.0	−34.0	−3.2	4.2
14 Net exports of goods and services	−82.9	−74.4	−27.1	−76.6	−36.8	−17.2	−37.3	−17.3
15 Exports	504.9	550.4	593.3	572.6	565.9	589.8	597.0	620.4
16 Imports	587.8	624.8	620.4	649.2	602.7	607.0	634.3	637.7
17 Government purchases of goods and services	971.4	1,042.9	1,086.9	1,071.2	1,088.8	1,092.5	1,089.1	1,077.0
18 Federal	401.4	424.9	445.1	434.5	451.5	452.1	444.9	431.9
19 State and local	570.0	618.0	641.8	636.7	637.3	640.4	644.2	645.1
By major type of product								
20 Final sales, total	5,208.1	5,513.8	5,692.0	5,594.0	5,628.2	5,689.6	5,712.8	5,737.6
21 Goods	2,062.1	2,167.6	2,213.0	2,194.5	2,208.6	2,223.2	2,214.1	2,206.1
22 Durable	892.9	934.7	929.0	927.2	916.4	939.5	929.4	930.8
23 Nondurable	1,169.2	1,233.0	1,284.0	1,267.3	1,292.1	1,283.7	1,284.7	1,275.3
24 Services	2,634.7	2,834.0	3,012.7	2,905.5	2,951.7	2,999.0	3,035.1	3,065.0
25 Structures	511.3	512.2	466.4	494.0	467.9	467.4	463.5	466.6
26 Change in business inventories	36.0	.0	−20.2	−36.5	−39.2	−37.1	−3.6	−1.1
27 Durable goods	26.9	−7.0	−24.6	−29.4	−43.5	−33.5	−9.2	−12.0
28 Nondurable goods	9.1	7.0	4.3	−7.1	4.3	−3.6	5.6	10.9
MEMO								
29 **Total GDP in 1987 dollars**	**4,836.9**	**4,884.9**	**4,848.4**	**4,855.1**	**4,824.0**	**4,840.7**	**4,862.7**	**4,866.3**
NATIONAL INCOME								
30 **Total**	**4,244.7**	**4,459.6**	n.a.	**4,506.8**	**4,489.8**	**4,530.8**	**4,559.8**	n.a.
31 Compensation of employees	3,101.3	3,290.3	3,387.7	3,340.0	3,342.9	3,377.4	3,405.3	3,425.1
32 Wages and salaries	2,585.8	2,738.9	2,807.7	2,778.3	2,771.1	2,800.2	2,822.4	2,837.2
33 Government and government enterprises	478.6	514.0	540.2	525.4	536.0	540.1	541.8	542.8
34 Other	2,107.2	2,224.9	2,267.6	2,253.0	2,235.1	2,260.1	2,280.6	2,294.4
35 Supplement to wages and salaries	515.5	551.4	580.0	561.6	571.8	577.2	582.9	587.9
36 Employer contributions for social insurance	261.7	277.3	289.3	281.7	287.5	288.7	290.2	290.9
37 Other labor income	253.7	274.0	290.6	279.9	284.2	288.5	292.8	297.0
38 Proprietors' income[1]	347.0	373.2	379.6	373.9	364.2	380.0	382.5	391.9
39 Business and professional[1]	305.5	330.7	344.5	332.7	331.4	340.4	350.5	355.6
40 Farm[1]	41.4	42.5	35.2	41.2	32.8	39.6	32.0	36.3
41 Rental income of persons[2]	−7.9	−12.9	−13.2	−9.5	−11.9	−11.7	−14.2	−15.2
42 Corporate profits[1]	351.7	319.0	n.a.	296.1	302.1	303.5	306.1	n.a.
43 Profits before tax[3]	344.5	332.3	n.a.	326.1	309.1	306.2	318.2	n.a.
44 Inventory valuation adjustment	−17.5	−14.2	3.8	−21.2	6.7	9.9	−4.8	3.3
45 Capital consumption adjustment	24.7	.8	−9.1	−8.8	−13.6	−12.6	−7.3	−2.9
46 Net interest	452.6	490.1	481.3	506.4	492.6	481.6	480.1	470.8

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1989	1990	1991	1990	1991			
				Q4	Q1	Q2	Q3	Q4
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,380.2**	**4,679.8**	**4,833.9**	**4,764.7**	**4,768.0**	**4,821.1**	**4,853.3**	**4,893.1**
2 Wage and salary disbursements	2,585.8	2,738.9	2,807.8	2,778.2	2,770.9	2,800.6	2,822.4	2,837.2
3 Commodity-producing industries	723.8	745.4	738.7	745.2	733.4	735.2	742.3	744.0
4 Manufacturing	542.1	555.8	556.5	557.3	549.3	552.3	559.9	564.4
5 Distributive industries	607.5	634.6	641.2	639.0	635.1	642.0	644.0	643.8
6 Service industries	775.9	845.0	887.6	868.8	866.5	883.0	894.4	906.6
7 Government and government enterprises	478.6	514.0	540.2	525.2	535.8	540.5	541.8	542.8
8 Other labor income	253.7	274.0	290.6	279.9	284.2	288.5	292.8	297.0
9 Proprietors' income[1]	347.0	373.2	379.6	373.9	364.2	380.0	382.5	391.9
10 Business and professional[1]	305.5	330.7	344.5	332.7	331.4	340.4	350.5	355.6
11 Farm[1]	41.4	42.5	35.2	41.2	32.8	39.6	32.0	36.3
12 Rental income of persons[2]	−7.9	−12.9	−13.2	−9.5	−11.9	−11.7	−14.2	−15.2
13 Dividends	119.8	124.8	128.5	127.0	128.7	127.4	128.7	129.4
14 Personal interest income	669.0	721.3	719.4	736.9	730.1	721.8	716.7	709.1
15 Transfer payments	624.4	684.9	759.1	705.8	737.2	751.5	763.7	784.1
16 Old-age survivors, disability, and health insurance benefits	325.1	352.0	379.7	358.4	373.1	377.2	381.7	386.8
17 LESS: Personal contributions for social insurance	211.7	224.3	238.0	227.5	235.4	237.0	239.3	240.4
18 EQUALS: Personal income	4,380.2	4,679.8	4,833.9	4,764.7	4,768.0	4,821.1	4,853.3	4,893.1
19 LESS: Personal tax and nontax payments	591.7	621.0	616.0	627.2	617.1	613.6	615.1	618.3
20 EQUALS: Disposable personal income	3,788.6	4,058.8	4,217.8	4,137.5	4,151.0	4,207.5	4,238.2	4,274.7
21 LESS: Personal outlays	3,621.6	3,852.2	3,995.8	3,921.7	3,937.5	3,977.9	4,024.9	4,042.8
22 EQUALS: Personal saving	166.9	206.6	222.1	215.8	213.4	229.6	213.3	232.0
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,550.5	19,539.6	19,186.4	19,337.3	19,166.5	19,187.7	19,220.2	19,181.3
24 Personal consumption expenditures	13,027.6	13,050.4	12,887.6	12,951.6	12,877.4	12,892.0	12,929.6	12,858.5
25 Disposable personal income	14,030.0	14,154.0	13,987.0	14,058.0	13,965.0	14,022.0	13,992.0	13,970.0
26 Saving rate (percent)	4.4	5.1	5.3	5.2	5.1	5.5	5.0	5.4
GROSS SAVING								
27 **Gross saving**	**744.2**	**711.8**	n.a.	**678.3**	**747.7**	**713.9**	**698.0**	n.a.
28 *Gross private saving*	827.3	851.3	n.a.	853.9	873.8	893.0	876.4	n.a.
29 Personal saving	166.9	206.6	222.1	215.8	213.4	229.6	213.3	232.0
30 Undistributed corporate profits[1]	85.8	49.9	n.a.	32.8	45.0	43.4	39.4	n.a.
31 Corporate inventory valuation adjustment	−17.5	−14.2	3.8	−21.2	6.7	9.9	−4.8	3.3
Capital consumption allowances								
32 Corporate	350.5	365.5	384.0	372.7	380.1	383.2	384.6	388.1
33 Noncorporate	224.0	229.3	239.5	232.7	235.3	236.8	239.1	246.9
34 Government surplus, or deficit (−), national income and product accounts	−83.0	−139.5	−171.2	−175.6	−126.1	−179.1	−178.4	n.a.
35 Federal	−124.2	−165.3	−200.7	−193.6	−146.4	−206.7	−210.2	n.a.
36 State and local	41.1	25.7	29.6	18.0	20.4	27.6	31.8	n.a.
37 **Gross investment**	**741.5**	**719.9**	**736.9**	**680.4**	**765.8**	**730.4**	**720.0**	**731.3**
38 Gross private domestic	837.6	802.6	725.3	750.9	709.3	708.8	740.9	742.3
39 Net foreign	−96.0	−82.8	11.5	−70.4	56.5	21.7	−20.9	−11.0
40 **Statistical discrepancy**	**−2.7**	**8.1**	n.a.	**2.1**	**18.0**	**16.5**	**22.0**	n.a.

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1988	1989	1990	1990 Q3	1990 Q4	1991 Q1	1991 Q2	1991 Q3[p]
1 Balance on current account	−126,236	−106,305	−92,123	−23,881	−23,402	10,501	3,028	−10,459
2 Not seasonally adjusted	....	....	....	−29,112	−25,136	15,507	4,593	−15,593
3 Merchandise trade balance[2]	−126,986	−115,917	−108,115	−28,760	−27,728	−18,394	−15,391	−20,486
4 Merchandise exports	320,337	361,451	389,550	96,638	100,580	100,900	104,245	104,532
5 Merchandise imports	−447,323	−477,368	−497,665	−125,398	−128,308	−119,294	−119,636	−125,018
6 Military transactions, net	−5,743	−6,203	−7,219	−1,683	−2,243	−2,329	−1,484	−1,168
7 Investment income, net	5,353	2,689	11,945	2,802	6,133	4,883	2,345	2,502
8 Other service transactions, net	16,082	28,618	33,595	8,086	9,716	9,402	10,429	10,630
9 Remittances, pensions, and other transfers	−4,437	−4,420	−4,843	−1,302	−1,201	−1,316	−1,315	−1,267
10 U.S. government grants (excluding military)	−10,506	−11,071	−17,486	−3,024	−8,079	18,255	8,444	−670
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	2,966	1,320	2,976	−314	4,759	1,422	−493	2,715
12 Change in U.S. official reserve assets (increase, −)	−3,912	−25,293	−2,158	1,739	−1,092	−353	1,014	3,878
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	127	−535	−192	363	−93	31	−190	6
15 Reserve position in International Monetary Fund	1,025	471	731	8	−4	−341	72	−114
16 Foreign currencies	−5,064	−25,229	−2,697	1,368	−995	−43	1,132	3,986
17 Change in U.S. private assets abroad (increase, −)	−85,112	−104,637	−58,524	−28,114	−38,370	−1,992	−15,503	−18,564
18 Bank-reported claims[3]	−56,322	−51,255	5,333	−9,984	−24,513	20,598	1,215	−178
19 Nonbank-reported claims	−3,064	2,581	−1,944	676	−2,509	−1,308	−2,076	....
20 U.S. purchases of foreign securities, net	−7,846	−22,575	−28,476	−1,014	−7,546	−9,430	−12,833	−12,511
21 U.S. direct investments abroad, net	−17,880	−33,388	−33,437	−17,792	−3,802	−11,852	−1,809	−5,875
22 Change in foreign official assets in United States (increase, +)	39,657	8,624	32,425	13,341	20,301	6,631	−3,105	4,309
23 U.S. Treasury securities	41,741	149	28,643	11,849	20,119	2,381	−2,287	5,717
24 Other U.S. government obligations	1,309	1,383	667	134	708	−29	−219	407
25 Other U.S. government liabilities[4]	−568	281	1,703	−248	1,102	1,012	370	1,302
26 Other U.S. liabilities reported by U.S. banks[3]	−319	4,976	2,998	1,871	−707	2,501	−1,084	−3,144
27 Other foreign official assets[5]	−2,506	1,835	−1,586	−265	−921	766	115	27
28 Change in foreign private assets in United States (increase, +)	181,877	207,925	53,879	35,754	18,732	−7,360	6,608	18,507
29 U.S. bank-reported liabilities[3]	70,235	63,382	9,975	26,968	17,261	−18,795	−28,687	8,840
30 U.S. nonbank-reported liabilities	5,626	5,454	3,779	4,260	−1,840	−1,616	−760	....
31 Foreign private purchases of U.S. Treasury securities, net	20,239	29,618	1,131	24	−2,029	3,409	13,434	−1,389
32 Foreign purchases of other U.S. securities, net	26,353	38,920	1,781	−2,558	802	5,306	15,073	9,653
33 Foreign direct investments in United States, net	59,424	70,551	37,213	7,060	4,538	4,336	7,548	1,403
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	−9,240	18,366	63,526	1,475	19,072	−8,849	8,451	−386
36 Due to seasonal adjustments	....	....	....	−6,473	2,007	3,995	166	−6,059
37 Statistical discrepancy in recorded data before seasonal adjustment	−9,240	18,366	63,526	7,948	17,066	−12,844	8,285	5,673
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,912	−25,293	−2,158	1,739	−1,092	−353	1,014	3,878
39 *Foreign official assets in United States excluding line 25* (increase, +)	40,225	8,343	30,722	13,589	19,199	5,619	−3,475	3,007
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−2,996	10,738	2,163	−1,699	575	988	−3,162	−4,298

1. Seasonal factors not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts (IA) 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 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, 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. *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; exports, F.A.S. value; imports, Customs value; monthly data seasonally adjusted

Item	1989	1990	1991	1991 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 Exports of domestic and foreign merchandise, excluding grant-aid shipments	363,812	393,592	421,851	34,975	35,227	34,380	35,348	37,114	36,939	36,129
2 General imports, including merchandise for immediate consumption plus entries into bonded warehouses	473,211	495,311	488,055	38,764	41,176	40,910	42,282	43,434	41,109	42,065
3 **Trade balance**	**−109,399**	**−101,718**	**−66,205**	**−3,789**	**−5,949**	**−6,530**	**−6,934**	**−6,320**	**−4,171**	**−5,936**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, because of coverage and timing. On the *export* side, the largest difference is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import* side, this table includes imports of gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately in table 3.10, as indicated above. Since Jan. 1, 1987 census data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada. Components may not sum to totals because of rounding.

SOURCE. FT900, *Summary of U.S. Export and Import Merchandise Trade* (U.S. Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1988	1989	1990	1991 July	Aug.	Sept.	Oct.	Nov.	Dec.	1992 Jan.[p]
1 **Total**	**47,802**	**74,609**	**83,316**	**74,816**	**73,514**	**74,731**	**74,508**	**74,651**	**77,719**	**75,868**
2 Gold stock, including Exchange Stabilization Fund[1]	11,057	11,059	11,058	11,062	11,062	11,062	11,059	11,058	11,057	11,058
3 Special drawing rights[2,3]	9,637	9,951	10,989	10,360	10,479	10,722	10,710	10,942	11,240	10,980
4 Reserve position in International Monetary Fund[2]	9,745	9,048	9,076	8,730	8,726	9,094	9,065	8,943	9,488	9,113
5 Foreign currencies[4]	17,363	44,551	52,193	44,664	43,247	43,853	43,674	43,708	45,934	44,717

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights are valued according to a techique 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, 16 currencies were used; since January 1981, 5 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 by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus 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

Assets	1988	1989	1990	1991 July	Aug.	Sept.	Oct.	Nov.	Dec.	1992 Jan.[p]
1 Deposits	347	589	369	314	256	384	223	346	968	321
Assets held in custody										
2 U.S. Treasury securities[2]	232,547	224,911	278,499	274,514	279,394	279,013	280,249	285,905	281,107	293,958
3 Earmarked gold[3]	13,636	13,456	13,387	13,330	13,330	13,330	13,326	13,307	13,303	13,303

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies at face value.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts; it is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Assets	1988	1989	1990	1991						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	All foreign countries									
1 **Total, all currencies**	**505,595**	**545,366**	**556,925**	**533,017**	**529,313**	**528,077**	**547,359**	**546,570**	**550,777**	**549,177**
2 Claims on United States	169,111	198,835	188,496	181,135	174,802	169,061	177,572	176,959	177,828	176,270
3 Parent bank	129,856	157,092	148,837	142,222	137,159	130,169	137,036	136,570	137,165	137,478
4 Other banks in United States	14,918	17,042	13,296	12,011	11,100	12,447	13,692	13,432	13,543	12,884
5 Nonbanks	24,337	24,701	26,363	26,902	26,543	26,445	26,844	26,957	27,120	25,908
6 Claims on foreigners	299,728	300,575	312,449	294,421	294,826	296,855	300,229	299,915	304,049	303,934
7 Other branches of parent bank	107,179	113,810	135,003	115,420	112,205	112,916	114,845	108,269	107,180	111,729
8 Banks	96,932	90,703	72,602	75,196	77,711	76,393	77,293	80,060	84,980	81,970
9 Public borrowers	17,163	16,456	17,555	17,223	18,416	19,110	18,930	18,685	18,940	18,652
10 Nonbank foreigners	78,454	79,606	87,289	86,582	86,494	88,436	89,161	92,901	92,949	91,583
11 Other assets	36,756	45,956	55,980	57,461	59,685	62,161	69,558	69,696	68,900	68,973
12 **Total payable in U.S. dollars**	**357,573**	**382,498**	**379,479**	**373,441**	**365,008**	**359,316**	**368,149**	**365,223**	**365,143**	**363,910**
13 Claims on United States	163,456	191,184	180,174	174,775	168,353	163,593	171,393	170,615	171,701	169,631
14 Parent bank	126,929	152,294	142,962	138,262	132,883	126,746	133,450	132,929	133,984	133,445
15 Other banks in United States	14,167	16,386	12,513	11,502	10,605	11,973	13,109	12,904	12,668	12,025
16 Nonbanks	22,360	22,504	24,699	25,011	24,865	24,874	24,834	24,782	25,049	24,161
17 Claims on foreigners	177,685	169,690	174,451	171,752	169,494	167,039	166,996	164,543	165,490	167,010
18 Other branches of parent bank	80,736	82,949	95,298	84,318	79,112	79,317	80,179	75,649	75,823	78,114
19 Banks	54,884	48,396	36,440	43,578	45,589	41,761	40,656	41,132	42,808	41,635
20 Public borrowers	12,131	10,961	12,298	12,479	13,565	14,160	13,609	13,889	13,671	13,685
21 Nonbank foreigners	29,934	27,384	30,415	31,377	31,228	31,801	32,552	33,873	33,188	33,576
22 Other assets	16,432	21,624	24,854	26,914	27,161	28,684	29,760	30,065	27,952	27,269
	United Kingdom									
23 **Total, all currencies**	**156,835**	**161,947**	**184,818**	**165,534**	**161,869**	**162,879**	**172,113**	**172,795**	**174,648**	**175,599**
24 Claims on United States	40,089	39,212	45,560	37,574	32,475	31,315	34,409	32,615	32,531	35,257
25 Parent bank	34,243	35,847	42,413	34,534	29,241	28,189	31,205	29,021	28,901	31,931
26 Other banks in United States	1,123	1,058	792	711	860	816	997	1,502	1,259	1,267
27 Nonbanks	4,723	2,307	2,355	2,329	2,374	2,310	2,207	2,092	2,371	2,059
28 Claims on foreigners	106,388	107,657	115,536	103,608	103,067	103,935	105,699	108,397	111,160	109,692
29 Other branches of parent bank	35,625	37,728	46,367	38,333	36,588	38,382	39,077	36,757	36,474	35,735
30 Banks	36,765	36,159	31,604	31,019	31,866	30,168	31,658	33,375	36,709	36,394
31 Public borrowers	4,019	3,293	3,860	3,584	3,676	3,717	3,502	3,492	3,512	3,306
32 Nonbank foreigners	29,979	30,477	33,705	30,672	30,937	31,668	31,462	34,773	34,465	34,257
33 Other assets	10,358	15,078	23,722	24,352	26,327	27,629	32,005	31,783	30,957	30,650
34 **Total payable in U.S. dollars**	**103,503**	**103,208**	**116,762**	**106,536**	**101,040**	**100,966**	**105,243**	**103,439**	**103,591**	**105,974**
35 Claims on United States	38,012	36,404	41,259	34,726	29,352	28,870	31,772	29,995	30,054	32,418
36 Parent bank	33,252	34,329	39,609	32,790	27,085	26,608	29,673	27,404	27,689	30,370
37 Other banks in United States	964	843	334	555	759	680	727	1,378	894	822
38 Nonbanks	3,796	1,232	1,316	1,381	1,508	1,582	1,372	1,213	1,471	1,226
39 Claims on foreigners	60,472	59,062	63,701	58,565	57,861	56,127	56,354	57,155	59,037	58,791
40 Other branches of parent bank	28,474	29,872	37,142	30,108	29,111	30,279	30,840	28,655	29,047	28,667
41 Banks	18,494	16,579	13,135	14,983	15,723	12,534	12,485	13,269	15,480	15,219
42 Public borrowers	2,840	2,371	3,143	3,082	3,032	3,083	2,899	2,969	2,848	2,853
43 Nonbank foreigners	10,664	10,240	10,281	10,392	9,995	10,231	10,130	12,262	11,662	12,052
44 Other assets	5,019	7,742	11,802	13,245	13,827	15,969	17,117	16,289	14,500	14,765
	Bahamas and Caymans									
45 **Total, all currencies**	**170,639**	**176,006**	**162,316**	**169,194**	**170,044**	**166,333**	**170,219**	**170,529**	**170,846**	**168,295**
46 Claims on United States	105,320	124,205	112,989	115,128	114,870	111,787	116,263	117,782	118,164	115,213
47 Parent bank	73,409	87,882	77,873	80,963	81,974	77,566	80,890	83,286	83,348	81,489
48 Other banks in United States	13,145	15,071	11,869	10,718	9,683	11,119	12,063	11,028	11,457	10,907
49 Nonbanks	18,766	21,252	23,247	23,447	23,213	23,102	23,310	23,468	23,359	22,817
50 Claims on foreigners	58,393	44,168	41,356	45,346	46,696	46,318	45,640	43,662	44,177	45,229
51 Other branches of parent bank	17,954	11,309	13,416	12,886	10,880	10,774	10,645	9,086	10,268	11,098
52 Banks	28,268	22,611	16,310	20,917	21,836	21,113	20,535	20,300	19,865	20,174
53 Public borrowers	5,830	5,217	5,807	5,916	7,136	7,394	7,149	7,435	7,363	7,161
54 Nonbank foreigners	6,341	5,031	5,823	5,627	6,844	7,037	7,311	6,841	6,681	6,796
55 Other assets	6,926	7,633	7,971	8,720	8,478	8,228	8,316	9,085	8,505	7,853
56 **Total payable in U.S. dollars**	**163,518**	**170,780**	**158,390**	**165,290**	**166,115**	**162,260**	**166,287**	**166,598**	**166,582**	**163,740**

1. Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liabilities	1988	1989	1990	1991 June	July	Aug.	Sept.	Oct.	Nov.	Dec.
				All foreign countries						
57 **Total, all currencies**	**505,595**	**545,366**	**556,925**	**533,017**	**529,313**	**528,077**	**547,359**	**546,570**	**550,777**	**549,177**
58 Negotiable certificates of deposit (CDs)	28,511	23,500	18,060	16,503	19,692	18,796	17,579	18,928	18,334	16,284
59 To United States	185,577	197,239	189,412	188,025	182,270	178,249	188,448	186,246	188,686	198,163
60 Parent bank	114,720	138,412	138,748	128,352	127,284	122,179	131,998	130,092	131,383r	136,473
61 Other banks in United States	14,737	11,704	7,463	11,789	10,090	10,085	11,843	10,356	12,892r	13,040
62 Nonbanks	56,120	47,123	43,201	47,884	44,896	45,985	44,607	45,798	44,411	48,650
63 To foreigners	270,923	296,850	311,668	290,277	287,887	290,257	295,645	295,282	298,152	288,488
64 Other branches of parent bank	111,267	119,591	139,113	116,253	112,521	112,845	114,101	108,534	109,085	111,960
65 Banks	72,842	76,452	58,986	57,236	59,975	62,329	62,665r	68,286r	67,945r	63,097
66 Official institutions	15,183	16,750	14,791	20,394	17,245	18,030	19,420	17,247	19,394	15,596
67 Nonbank foreigners	71,631	84,057	98,778	96,394	98,146	97,053	99,459r	101,215r	101,728r	97,835
68 Other liabilities	20,584	27,777	37,785	38,212	39,464	40,775	45,687	46,114	45,605	46,242
69 **Total payable in U.S. dollars**	**367,483**	**396,613**	**383,522**	**372,871**	**363,869**	**360,397**	**367,771**	**366,449**	**369,515r**	**370,530**
70 Negotiable CDs	24,045	19,619	14,094	12,620	14,538	14,183	13,180	14,157	13,813	11,909
71 To United States	173,190	187,286	175,654	175,882	170,610	167,207	176,709	174,274	176,254	185,328
72 Parent bank	107,150	132,563	130,510	121,118	120,558	115,999	125,496	123,399	124,625r	129,711
73 Other banks in United States	13,468	10,519	6,052	10,647	8,815	8,449	10,368	9,011	11,436r	11,487
74 Nonbanks	52,572	44,204	39,092	44,117	41,237	42,759	40,845	41,864	40,193	44,130
75 To foreigners	160,766	176,460	179,002	170,334	163,451	164,188	163,551	161,850	164,275	158,920
76 Other branches of parent bank	84,021	87,636	98,128	84,952	79,909	79,277	79,679	75,243	76,224	76,528
77 Banks	28,493	30,537	20,251	21,142	21,470	23,330	21,239r	25,653r	24,501r	24,156
78 Official institutions	8,224	9,873	7,921	13,972	11,563	11,496	12,591	10,565	13,375	10,304
79 Nonbank foreigners	40,028	48,414	52,702	50,268	50,509	50,085	50,042r	50,389r	50,175r	47,932
80 Other liabilities	9,482	13,248	14,772	14,035	15,270	14,819	14,331	16,168	15,173r	14,373
				United Kingdom						
81 **Total, all currencies**	**156,835**	**161,947**	**184,818**	**165,534**	**161,869**	**162,879**	**172,113**	**172,795**	**174,648**	**175,599**
82 Negotiable CDs	24,528	20,056	14,256	12,196	14,889	14,148	12,941	14,145	13,506	11,333
83 To United States	36,784	36,036	39,928	31,084	26,599	27,915	31,534	29,137	30,560	37,720
84 Parent bank	27,849	29,726	31,806	23,238	19,545	20,367	23,707	21,080	22,629	29,834
85 Other banks in United States	2,037	1,256	1,505	1,092	1,490	1,662	1,724	2,053	1,934	1,438
86 Nonbanks	6,898	5,054	6,617	6,754	5,564	5,886	6,103	6,004	5,997	6,448
87 To foreigners	86,026	92,307	108,531	99,756	97,263	96,773	98,572	100,267	102,299	98,167
88 Other branches of parent bank	26,812	27,397	36,709	29,371	28,591	27,457	29,898	26,879	26,977	30,054
89 Banks	30,609	29,780	25,126	22,994	24,310	25,131	23,525r	28,254r	27,959r	25,541
90 Official institutions	7,873	8,551	8,361	13,062	10,010	10,722	12,071	10,045	12,628	9,670
91 Nonbank foreigners	20,732	26,579	38,335	34,329	34,352	33,463	33,078r	35,089r	34,735r	32,902
92 Other liabilities	9,497	13,548	22,103	22,498	23,118	24,043	29,066	29,246	28,283	28,379
93 **Total payable in U.S. dollars**	**105,907**	**108,178**	**116,094**	**104,523**	**99,756**	**100,131**	**104,303**	**103,238**	**104,433**	**108,755**
94 Negotiable CDs	22,063	18,143	12,710	10,833	12,758	12,337	11,249	12,397	12,042	10,076
95 To United States	32,588	33,056	34,697	27,106	22,355	23,788	27,272	24,394	25,517	33,003
96 Parent bank	26,404	28,812	29,955	21,848	17,924	18,949	22,228	19,391	20,923	28,260
97 Other banks in United States	1,752	1,065	1,156	892	1,233	1,216	1,259	1,704	1,481	1,177
98 Nonbanks	4,432	3,179	3,586	4,366	3,198	3,623	3,785	3,299	3,113	3,566
99 To foreigners	47,083	50,517	60,014	58,068	55,433	54,848	56,829	56,639	57,527	56,626
100 Other branches of parent bank	18,561	18,384	25,957	20,452	19,509	18,480	20,878	18,319	18,678	20,800
101 Banks	13,407	12,244	9,488	8,758	9,678	9,731	8,401r	12,040r	10,542r	11,069
102 Official institutions	4,348	5,454	4,692	10,032	7,519	7,929	9,149	7,050	9,995	7,156
103 Nonbank foreigners	10,767	14,435	19,877	18,826	18,727	18,708	18,401r	19,230r	18,312r	17,601
104 Other liabilities	4,173	6,462	8,673	8,516	9,210	9,158	8,953	9,808	9,347	9,050
				Bahamas and Caymans						
105 **Total, all currencies**	**170,639**	**176,006**	**162,316**	**169,194**	**170,044**	**166,333**	**170,219**	**170,529**	**170,846**	**168,295**
106 Negotiable CDs	953	678	646	696	904	963	1,055	981	1,034	1,173
107 To United States	122,332	124,859	114,738	126,182	127,083	123,117	128,217	130,223	129,781	129,914
108 Parent bank	62,894	75,188	74,941	76,980	81,541	77,159	82,142	84,853	83,057r	79,436
109 Other banks in United States	11,494	8,883	4,526	9,449	7,484	7,036	8,841	7,070	9,728r	10,011
110 Nonbanks	47,944	40,788	35,271	39,753	38,058	38,922	37,234	38,300	36,996	40,467
111 To foreigners	45,161	47,382	44,444	40,180	39,624	39,994	38,868	36,861	37,857	35,127
112 Other branches of parent bank	23,686	23,414	24,715	21,701	21,765	21,846	20,767	19,675	19,555	17,315
113 Banks	8,336	8,823	5,588	5,734	4,877	5,558	5,431	5,218	5,984	5,662
114 Official institutions	1,074	1,097	622	931	661	655	647	666	646	572
115 Nonbank foreigners	12,065	14,048	13,519	11,814	12,321	11,935	12,023	11,302	11,672	11,578
116 Other liabilities	2,193	3,087	2,488	2,136	2,433	2,259	2,079	2,464	2,174	2,081
117 **Total payable in U.S. dollars**	**162,950**	**171,250**	**157,132**	**164,906**	**165,708**	**162,040**	**165,556**	**166,226**	**166,157**	**163,572**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1989	1990	1991						
			June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 **Total**[1]	**312,477**	**344,529**	**347,118**	**350,476**	**356,885**	**350,518**	**358,025**[r]	**366,009**	**363,954**
By type									
2 Liabilities reported by banks in the United States[2]	36,496	39,880	41,232	43,417	47,374	38,402	41,526[r]	42,701	37,959
3 U.S. Treasury bills and certificates[3]	76,985	79,424	84,526	86,071	88,596	90,394	94,428	92,855	92,692
U.S. Treasury bonds and notes									
4 Marketable	179,269	202,487	197,808	197,104	196,815	197,645	198,157	205,354	207,983
5 Nonmarketable[4]	568	4,491	4,672	4,704	4,734	4,765	4,796	4,827	4,858
6 U.S. securities other than U.S. Treasury securities[5]	19,159	18,247	18,880	19,180	19,366	19,312	19,118	20,272	20,462
By area									
7 Western Europe[1]	132,849	167,191	164,009	166,349	170,467	165,061	170,423[r]	173,708	169,287
8 Canada	9,482	8,671	9,229	9,260	10,001	9,608	9,121	9,428	7,310
9 Latin America and Caribbean	9,313	21,184	29,415	30,064	31,377	31,911	32,604[r]	33,993	36,057
10 Asia	153,338	138,096	134,310	134,806	134,826	133,082	134,667[r]	137,513	139,610
11 Africa	1,030	1,434	1,259	1,183	1,202	1,558	1,519	1,383	2,091
12 Other countries[6]	6,469	7,955	8,892	8,812	9,010	9,296	9,689	9,982	9,597

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

SOURCE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States and on the 1984 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 Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1987	1988	1989	1990	1991		
				Dec.	Mar.	June	Sept.[r]
1 Banks' own liabilities	55,438	74,980	67,835	70,477	64,929	59,487	63,189
2 Banks' own claims	51,271	68,983	65,127	66,796	66,919	61,619	64,988
3 Deposits	18,861	25,100	20,491	29,672	27,586	27,792	30,230
4 Other claims	32,410	43,884	44,636	37,124	39,333	33,827	34,758
5 Claims of banks' domestic customers[2]	551	364	3,507	6,309	5,569	1,646	2,348

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1989	1990	1991	1991						
				June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[p]
1 **All foreigners**	**736,878**	**759,634**	**753,451**	**729,866**	**726,807**	**733,321**	**735,950**	**750,205**	**758,065**	**753,451**
2 Banks' own liabilities	577,498	577,229	572,848	550,103	548,063	552,670	554,557	565,347	575,503	572,848
3 Demand deposits	22,032	21,723	20,518	18,797	17,929	18,423	19,841	17,637	21,630	20,518
4 Time deposits[2]	168,780	168,017	158,736	148,572	148,667	146,395	149,708	154,552	154,302	158,736
5 Other[3]	67,823	65,822	66,179	65,396	66,823	72,595	67,646	73,223	75,763	66,179
6 Own foreign offices[4]	318,864	321,667	327,415	317,338	314,644	315,257	317,362	319,935	323,808	327,415
7 Banks' custody liabilities[5]	159,380	182,405	180,603	179,763	178,744	180,651	181,393	184,858	182,562	180,603
8 U.S. Treasury bills and certificates[6]	91,100	96,796	110,731	100,876	101,809	105,325	107,019	112,280	110,938	110,731
9 Other negotiable and readily transferable instruments[7]	19,526	17,578	18,656	18,040	17,351	16,508	16,820	17,076	17,225	18,656
10 Other	48,754	68,031	51,216	60,848	59,584	58,818	57,554	55,502	54,399	51,216
11 **Nonmonetary international and regional organizations**[8]	**4,894**	**5,918**	**8,150**	**5,932**	**6,236**	**6,945**	**6,915**	**7,689**	**8,719**	**8,150**
12 Banks' own liabilities	3,279	4,540	5,996	3,878	4,127	4,971	5,410	5,988	6,826	5,996
13 Demand deposits	96	36	43	26	44	28	36	28	24	43
14 Time deposits[2]	927	1,050	2,214	2,025	1,742	1,550	2,307	2,490	2,392	2,214
15 Other[3]	2,255	3,455	3,739	1,827	2,341	3,393	3,067	3,470	4,410	3,739
16 Banks' custody liabilities[5]	1,616	1,378	2,154	2,054	2,109	1,974	1,505	1,701	1,893	2,154
17 U.S. Treasury bills and certificates[6]	197	364	1,730	1,287	1,404	1,269	1,032	1,246	1,530	1,730
18 Other negotiable and readily transferable instruments[7]	1,417	1,014	424	767	705	705	473	455	363	424
19 Other	2	0	0	0	0	0	0	0	0	0
20 **Official institutions**[9]	**113,481**	**119,303**	**130,651**	**125,758**	**129,488**	**135,970**	**128,796**	**135,954**	**135,556**	**130,651**
21 Banks' own liabilities	31,108	34,910	33,974	36,864	38,886	43,156	33,854	37,559	38,860	33,974
22 Demand deposits	2,196	1,924	2,840	1,542	1,396	1,683	1,645	1,307	1,621	2,840
23 Time deposits[2]	10,495	14,359	16,024	14,671	14,970	14,747	13,237	14,544	13,145	16,024
24 Other[3]	18,417	18,628	15,110	20,651	22,520	26,726	18,972	21,708	24,094	15,110
25 Banks' custody liabilities[5]	82,373	84,393	96,677	88,894	90,602	92,814	94,942	98,395	96,696	96,677
26 U.S. Treasury bills and certificates[6]	76,985	79,424	92,692	84,526	86,071	88,596	90,394	94,428	92,855	92,692
27 Other negotiable and readily transferable instruments[7]	5,028	4,766	3,879	4,101	4,324	4,047	4,128	3,832	3,627	3,879
28 Other	361	203	106	267	207	171	420	135	214	106
29 **Banks**[10]	**515,275**	**540,805**	**520,022**	**506,023**	**498,681**	**500,544**	**509,557**	**515,933**	**521,576**	**520,022**
30 Banks' own liabilities	454,273	458,470	457,337	432,258	427,648	429,732	439,924	447,667	455,844	457,337
31 Unaffiliated foreign banks	135,409	136,802	129,922	114,920	113,004	114,475	122,562	127,732	132,036	129,922
32 Demand deposits	10,279	10,053	8,618	8,584	8,423	8,252	8,959	8,164	11,396	8,618
33 Time deposits[2]	90,557	88,541	82,901	69,941	70,185	70,608	74,861	78,038	80,170	82,901
34 Other[3]	34,573	38,208	38,403	36,395	34,396	35,615	38,742	41,530	40,470	38,403
35 Own foreign offices[4]	318,864	321,667	327,415	317,338	314,644	315,257	317,362	319,935	323,808	327,415
36 Banks' custody liabilities[5]	61,002	82,335	62,685	73,765	71,033	70,812	69,633	68,266	65,732	62,685
37 U.S. Treasury bills and certificates[6]	9,367	10,669	7,471	8,664	7,970	8,242	8,161	8,363	7,855	7,471
38 Other negotiable and readily transferable instruments[7]	5,124	5,341	5,808	5,928	5,472	5,316	5,819	6,083	5,948	5,808
39 Other	46,510	66,325	49,406	59,173	57,591	57,254	55,653	53,820	51,929	49,406
40 **Other foreigners**	**103,228**	**93,608**	**94,628**	**92,153**	**92,402**	**89,862**	**90,682**	**90,629**	**92,214**	**94,628**
41 Banks' own liabilities	88,839	79,309	75,541	77,103	77,402	74,811	75,369	74,133	73,973	75,541
42 Demand deposits	9,460	9,711	9,017	8,645	8,066	8,460	9,201	8,138	8,589	9,017
43 Time deposits[2]	66,801	64,067	57,597	61,935	61,770	59,490	59,303	59,480	58,595	57,597
44 Other[3]	12,577	5,530	8,927	6,523	7,566	6,861	6,865	6,515	6,789	8,927
45 Banks' custody liabilities[5]	14,389	14,299	19,087	15,050	15,000	15,051	15,313	16,496	18,241	19,087
46 U.S. Treasury bills and certificates[6]	4,551	6,339	8,838	6,399	6,364	7,218	7,432	8,243	8,698	8,838
47 Other negotiable and readily transferable instruments[7]	7,958	6,457	8,545	7,244	6,850	6,440	6,400	6,706	7,287	8,545
48 Other	1,880	1,503	1,704	1,408	1,786	1,393	1,481	1,547	2,256	1,704
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	7,203	7,073	7,456	8,186	7,073	7,062	7,542	7,596	7,137	7,456

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1989	1990	1991	1991 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 **Total**	**736,878**	**759,634**	**753,451**	**729,866**	**726,807**	**733,321**	**735,950**	**750,205[r]**	**758,065**	**753,451**
2 **Foreign countries**	**731,984**	**753,716**	**745,301**	**723,934**	**720,571**	**726,376**	**729,035**	**742,516[r]**	**749,346**	**745,301**
3 Europe	237,501	254,452	249,112	236,543	228,782	235,018	237,000	246,806[r]	251,266	249,112
4 Austria	1,233	1,229	1,205	1,067	1,234	961	1,109	1,232	1,313	1,205
5 Belgium-Luxembourg	10,648	12,382	13,241	11,849	12,292	11,168	13,912	13,495	14,471	13,241
6 Denmark	1,415	1,399	937	1,370	1,197	1,065	1,038	912	1,143	937
7 Finland	570	602	1,341	732	1,222	1,170	618	938	1,080	1,341
8 France	26,903	30,946	31,817	26,382	26,747	26,580	27,476	30,500[r]	31,104	31,817
9 Germany	7,578	7,485	8,638	7,822	7,056	7,037	7,500	7,891[r]	8,032	8,638
10 Greece	1,028	934	763	791	817	851	944	840	890	763
11 Italy	16,169	17,735	13,543	14,347	13,883	12,507	12,507	12,274	13,288	13,543
12 Netherlands	6,613	5,350	7,132	6,100	6,069	5,651	6,310	6,546	6,124	7,132
13 Norway	2,401	2,357	1,888	1,926	1,653	1,279	1,444	1,192	1,489	1,888
14 Portugal	2,418	2,958	2,183	2,392	2,279	2,313	2,391	2,431	2,223	2,183
15 Spain	4,364	7,544	11,390	9,392	10,496	10,396	10,834	12,280[r]	11,148	11,390
16 Sweden	1,491	1,837	2,222	745	858	1,424	1,435	1,217[r]	1,105	2,222
17 Switzerland	34,496	36,690	37,286	36,089	34,808	35,967	38,341	36,733	36,711	37,286
18 Turkey	1,818	1,169	1,598	1,806	1,720	1,780	1,538	1,493	1,845	1,598
19 United Kingdom	102,362	109,555	100,622	98,311	90,059	95,359	95,628	99,472[r]	99,841	100,622
20 Yugoslavia	1,474	928	622	925	1,016	955	854	807	544	622
21 Other Western Europe[11]	13,563	11,689	8,974	11,393	12,423	15,176	9,640	12,964[r]	15,257	8,974
22 U.S.S.R	350	119	241	178	75	136	117	178	236	241
23 Other Eastern Europe[12]	608	1,545	3,469	2,925	2,878	3,243	3,364	3,411	3,422	3,469
24 Canada	18,865	20,349	21,696	23,900	22,519	23,919	24,038	24,685	23,131	21,696
25 Latin America and Caribbean	311,028	332,997	343,653	334,668	339,202	337,729	340,519	340,561[r]	345,163	343,653
26 Argentina	7,304	7,365	7,758	7,504	7,097	6,978	6,858	7,190	7,452	7,758
27 Bahamas	99,341	107,386	99,713	96,900	98,011	93,977	96,577	99,858[r]	100,339	99,713
28 Bermuda	2,884	2,822	3,178	2,919	3,087	3,520	3,120	3,191	3,295	3,178
29 Brazil	6,351	5,834	5,924	5,747	5,837	6,074	6,068	5,998[r]	5,811	5,924
30 British West Indies	138,309	147,321	162,428	157,229	161,253	162,590	163,040	160,555[r]	163,459	162,428
31 Chile	3,212	3,145	3,284	3,229	3,305	3,162	3,092	3,348	3,388	3,284
32 Colombia	4,653	4,492	4,662	4,446	4,419	4,735	4,641	4,823	4,797	4,662
33 Cuba	10	11	2	7	2	9	8	4	12	2
34 Ecuador	1,391	1,379	1,232	1,286	1,267	1,236	1,226	1,237	1,236	1,232
35 Guatemala	1,312	1,541	1,593	1,663	1,641	1,613	1,585	1,541	1,589	1,593
36 Jamaica	209	257	231	273	219	235	213	202	201	231
37 Mexico	15,423	16,650	19,927	19,552	20,008	20,357	20,937	19,979	20,515	19,927
38 Netherlands Antilles	6,310	7,357	5,593	5,934	5,828	5,732	5,565	5,499[r]	5,924	5,593
39 Panama	4,362	4,574	4,694	4,670	4,435	4,748	4,374	4,450	4,563	4,694
40 Peru	1,984	1,294	1,249	1,340	1,333	1,287	1,305	1,234[r]	1,240	1,249
41 Uruguay	2,284	2,520	2,111	2,571	2,450	2,439	2,507	2,442[r]	2,373	2,111
42 Venezuela	9,482	12,271	13,151	12,581	12,170	12,249	12,348	12,237	12,171	13,151
43 Other	6,206	6,779	6,923	6,816	6,840	6,788	7,055	6,773[r]	6,798	6,923
44 Asia	156,201	136,844	120,471	120,750	122,194	121,689	118,830	120,443[r]	120,039	120,471
China										
45 Mainland	1,773	2,421	2,599	2,412	2,408	2,247	2,198	2,494	2,783	2,599
46 Taiwan	19,588	11,246	11,514	9,878	11,220	11,579	9,425	12,443[r]	11,675	11,514
47 Hong Kong	12,416	12,754	14,373	14,581	14,719	14,206	14,468	13,943[r]	13,812	14,373
48 India	780	1,233	2,418	1,959	2,122	2,373	2,474	2,504[r]	2,613	2,418
49 Indonesia	1,281	1,238	1,464	1,612	1,191	1,232	1,065	1,230	1,414	1,464
50 Israel	1,243	2,767	2,014	2,355	2,376	2,697	2,848	2,115	2,108	2,014
51 Japan	81,184	67,076	47,112	51,449	50,144	48,875	48,089	47,068[r]	46,004	47,112
52 Korea	3,215	2,287	2,538	2,211	2,444	2,272	2,107	2,169[r]	2,555	2,538
53 Philippines	1,766	1,585	2,449	1,587	1,537	1,465	1,647	1,926	2,139	2,449
54 Thailand	2,093	1,443	2,252	2,386	2,368	2,650	3,348	3,113[r]	3,581	2,252
55 Middle-East oil-exporting countries[13]	13,370	15,829	15,731	13,371	15,750	14,835	15,310	15,534[r]	16,302	15,731
56 Other	17,491	16,965	16,007	16,949	15,915	17,258	15,851	15,904	15,053	16,007
57 Africa	3,824	4,630	5,141	4,188	3,929	4,017	4,483	4,558	4,465	5,141
58 Egypt	686	1,425	1,619	1,017	999	957	1,125	1,241	1,060	1,619
59 Morocco	78	104	79	122	81	91	82	78	93	79
60 South Africa	206	228	228	241	221	137	242	207	173	228
61 Zaire	86	53	31	45	24	58	37	42	32	31
62 Oil-exporting countries[14]	1,121	1,110	1,082	1,105	960	992	1,145	1,182	1,280	1,082
63 Other	1,648	1,710	2,102	1,658	1,644	1,782	1,852	1,808	1,827	2,102
64 Other countries	4,564	4,444	5,228	3,885	3,945	4,004	4,165	5,463	5,282	5,228
65 Australia	3,867	3,807	4,464	3,103	3,173	3,149	3,231	4,445	4,116	4,464
66 All other	697	637	764	781	772	855	934	1,018	1,166	764
67 Nonmonetary international and regional organizations	4,894	5,918	8,150	5,932	6,236	6,945	6,915	7,689[r]	8,719	8,150
68 International[15]	3,947	4,390	5,658	4,040	4,356	4,371	4,877	5,435[r]	6,178	5,658
69 Latin American regional	684	1,048	1,177	1,410	1,273	1,531	1,094	1,242[r]	1,366	1,177
70 Other regional[16]	263	479	1,315	482	607	1,043	944	1,012	1,175	1,315

11. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
12. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Excludes "holdings of dollars" of the International Monetary Fund.
16. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1989	1990	1991	1991						
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
1 **Total**	**534,492**	**511,543**	**511,917**	**505,424**	**497,814**	**502,559**	**498,985**	**511,091[r]**	**513,540**	**511,917**
2 **Foreign countries**	**530,630**	**506,750**	**506,153**	**501,195**	**495,415**	**500,079**	**496,416**	**509,310[r]**	**510,250**	**506,153**
3 Europe	119,025	113,093	114,225	99,037	97,767	98,575	103,395	103,756[r]	107,780	114,225
4 Austria	415	362	327	303	269	185	297	374	325	327
5 Belgium–Luxembourg	6,478	5,473	6,157	6,736	5,924	6,534	7,175	7,677[r]	6,962	6,157
6 Denmark	582	497	686	896	898	945	670	609[r]	656	686
7 Finland	1,027	1,047	1,912	668	642	771	908	1,195[r]	1,378	1,912
8 France	16,146	14,468	15,091	14,302	14,300	13,827	14,504	13,080	14,813	15,091
9 Germany	2,865	3,343	3,369	2,751	2,682	3,106	2,672	2,107[r]	2,869	3,369
10 Greece	788	727	553	654	619	495	473	487	555	553
11 Italy	6,662	6,052	8,242	6,339	5,911	5,931	6,541	6,370	6,362	8,242
12 Netherlands	1,904	1,761	2,508	2,132	2,234	2,101	1,955	2,139[r]	2,190	2,508
13 Norway	609	782	669	701	661	599	679	682	776	669
14 Portugal	376	292	344	378	260	308	266	301	358	344
15 Spain	1,930	2,668	1,844	2,056	2,582	1,995	2,333	2,410[r]	2,480	1,844
16 Sweden	1,773	2,094	2,315	1,993	1,858	1,633	1,896	1,842	2,347	2,315
17 Switzerland	6,141	4,202	4,495	2,969	3,627	3,609	4,048	4,195[r]	4,469	4,495
18 Turkey	1,071	1,405	1,053	1,593	1,458	1,407	1,382	1,192	1,147	1,053
19 United Kingdom	65,527	65,151	60,522	51,369	50,775	51,625	54,305	55,490[r]	55,967	60,522
20 Yugoslavia	1,329	1,142	824	932	877	820	802	803	848	824
21 Other Western Europe[2]	1,302	597	787	734	832	1,024	773	714	1,001	787
22 U.S.S.R.	1,179	530	1,930	911	772	1,015	1,157	1,358	1,669	1,930
23 Other Eastern Europe[3]	921	499	597	617	586	645	559	731	608	597
24 Canada	15,451	16,091	15,207	17,446	16,719	14,495	14,734	16,076[r]	15,796	15,207
25 Latin America and Caribbean	230,438	231,506	244,280	248,841	246,051	249,305	250,313	255,080[r]	251,745	244,280
26 Argentina	9,270	6,967	5,877	6,127	5,944	5,749	5,749	5,735[r]	5,778	5,877
27 Bahamas	77,921	76,525	87,094	78,023	81,294	78,414	80,217	85,940[r]	87,145	87,094
28 Bermuda	1,315	4,056	2,188	3,893	5,804	11,773	6,847	4,298[r]	4,095	2,188
29 Brazil	23,749	17,995	11,845	15,248	12,350	12,332	11,880	11,499[r]	11,897	11,845
30 British West Indies	68,749	88,565	106,016	115,284	110,628	111,119	112,589	116,401[r]	110,735	106,016
31 Chile	4,353	3,271	2,802	2,917	2,832	2,779	2,732	2,721	2,831	2,802
32 Colombia	2,784	2,587	2,424	2,349	2,202	2,368	2,431	2,541	2,571	2,424
33 Cuba	1	0	0	0	0	0	0	0	0	0
34 Ecuador	1,688	1,387	1,053	1,344	1,263	1,238	1,115	1,095	1,090	1,053
35 Guatemala	197	191	222	203	190	182	185	191	191	222
36 Jamaica	297	238	158	187	144	150	150	162	161	158
37 Mexico	23,376	14,851	16,662	15,408	15,447	15,279	16,427	16,871[r]	17,400	16,662
38 Netherlands Antilles	1,921	7,998	1,286	1,639	1,563	1,540	3,606	1,247[r]	1,122	1,286
39 Panama	1,740	1,471	1,554	1,429	1,501	1,490	1,489	1,558	1,652	1,554
40 Peru	771	663	739	726	712	728	712	722	724	739
41 Uruguay	929	786	599	590	577	571	577	555	550	599
42 Venezuela	9,652	2,571	2,514	2,222	2,405	2,394	2,443	2,406[r]	2,634	2,514
43 Other	1,726	1,384	1,247	1,252	1,195	1,199	1,164	1,138[r]	1,169	1,247
44 Asia	157,474	138,722	125,220	128,210	127,560	130,220	120,353	127,019[r]	127,214	125,220
China										
45 Mainland	634	620	747	992	659	575	621	597	698	747
46 Taiwan	2,776	1,952	2,088	2,019	1,696	1,522	1,460	1,577	1,583	2,088
47 Hong Kong	11,128	10,648	9,698	9,312	9,051	9,154	9,467	10,203	10,171	9,698
48 India	621	655	440	432	409	425	449	481	449	440
49 Indonesia	651	933	952	891	874	858	852	841[r]	872	952
50 Israel	813	774	853	851	818	919	945	994[r]	907	853
51 Japan	111,300	90,699	84,782	85,708	88,183	90,604	80,498	84,839[r]	85,559	84,782
52 Korea	5,323	5,766	6,025	5,924	5,597	5,383	5,140	5,340[r]	5,773	6,025
53 Philippines	1,344	1,247	1,910	1,506	1,647	1,682	1,633	1,916	1,971	1,910
54 Thailand	1,140	1,573	1,625	1,977	1,975	1,870	1,934	1,826	1,798	1,625
55 Middle East oil-exporting countries[4]	10,149	10,749	8,284	10,468	9,771	9,741	10,439	9,973	9,957	8,284
56 Other	11,594	13,106	7,816	8,131	6,880	7,487	6,915	8,432	7,476	7,816
57 Africa	5,890	5,445	4,919	5,429	5,417	5,344	5,272	5,264	5,234	4,919
58 Egypt	502	380	286	315	324	315	312	294	343	286
59 Morocco	559	513	575	590	597	576	579	589	583	575
60 South Africa	1,628	1,525	1,231	1,626	1,627	1,610	1,498	1,494	1,493	1,231
61 Zaire	16	16	4	12	9	9	8	9	7	4
62 Oil-exporting countries[5]	1,648	1,486	1,298	1,336	1,285	1,273	1,270	1,260	1,320	1,298
63 Other	1,537	1,525	1,525	1,550	1,575	1,561	1,605	1,618	1,488	1,525
64 Other countries	2,354	1,892	2,302	2,233	1,901	2,140	2,349	2,115[r]	2,481	2,302
65 Australia	1,781	1,413	1,665	1,621	1,384	1,464	1,526	1,503	1,718	1,665
66 All other	573	479	637	611	517	676	823	612[r]	763	637
67 Nonmonetary international and regional organizations[6]	3,862	4,793	5,764	4,229	2,399	2,480	2,569	1,781	3,290	5,764

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
3. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
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 Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1989	1990	1991	1991 June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[p]
1 **Total**	**593,087**	**579,044[r]**	....	**572,720**	....	....	**566,324**	....	....	....
2 Banks' own claims on foreigners	534,492	511,543	511,917	505,424	497,814	502,559	498,985	511,091	513,540	511,917
3 Foreign public borrowers	60,511	41,900	35,988	39,460	35,174	35,423	35,076	34,878	35,908	35,988
4 Own foreign offices[2]	296,011	304,315	316,917	306,089	305,470	301,649	303,948	313,052	312,764	316,917
5 Unaffiliated foreign banks	134,885	117,272	116,529	115,018	115,041	116,553	113,853	119,847	120,234	116,529
6 Deposits	78,185	65,253	69,227	69,130	69,302	70,730	68,369	72,493	71,578	69,227
7 Other	56,700	52,019	47,302	45,889	45,739	45,823	45,484	47,354	48,656	47,302
8 All other foreigners	43,085	48,056	42,483	44,857	42,129	48,934	46,108	43,314	44,634	42,483
9 Claims of banks' domestic customers[3]	58,594	67,501[r]	....	67,296	....	....	67,339	....	....	....
10 Deposits	13,019	14,375	....	19,390	....	....	19,512	....	....	....
11 Negotiable and readily transferable instruments[4]	30,983	41,333	....	35,147	....	....	35,054	....	....	....
12 Outstanding collections and other claims	14,592	11,792[r]	....	12,758	....	....	12,773	....	....	....
13 MEMO: Customer liability on acceptances	12,899	13,628	....	10,420	....	....	8,665	....	....	....
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	45,744	44,554	n.a.	36,026	40,425	41,717	37,856	39,761	40,509	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area	1987	1988	1989	1990 Dec.	1991 Mar.	June	Sept.[r]
1 **Total**	**235,130**	**233,184**	**238,123**	**206,903**	**199,254**	**199,085**	**194,820**
By borrower							
2 Maturity of one year or less[2]	163,997	172,634	178,346	165,985	158,220	159,465	159,385
3 Foreign public borrowers	25,889	26,562	23,916	19,305	21,216	18,596	17,088
4 All other foreigners	138,108	146,071	154,430	146,680	137,004	140,869	142,297
5 Maturity of more than one year[2]	71,133	60,550	59,776	40,918	41,034	39,620	35,435
6 Foreign public borrowers	38,625	35,291	36,014	22,269	22,498	20,624	17,791
7 All other foreigners	32,507	25,259	23,762	18,649	18,536	18,996	17,644
By area							
Maturity of one year or less[2]							
8 Europe	59,027	55,909	53,913	49,184	49,641	49,917	51,104
9 Canada	5,680	6,282	5,910	5,450	5,938	7,290	5,671
10 Latin America and Caribbean	56,535	57,991	53,003	49,782	42,660	41,121	47,260
11 Asia	35,919	46,224	57,755	53,258	54,042	53,177	49,291
12 Africa	2,833	3,337	3,225	3,040	3,008	2,945	2,815
13 All other[3]	4,003	2,891	4,541	5,272	2,931	5,016	3,244
Maturity of more than one year[2]							
14 Europe	6,696	4,666	4,121	3,859	4,329	4,285	3,819
15 Canada	2,661	1,922	2,353	3,290	3,387	3,820	3,673
16 Latin America and Caribbean	53,817	47,547	45,816	25,774	24,961	23,219	19,241
17 Asia	3,830	3,613	4,172	5,165	5,414	5,645	6,095
18 Africa	1,747	2,301	2,630	2,374	2,426	2,456	2,385
19 All other[3]	2,381	501	684	456	517	195	222

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Remaining time to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1]

Billions of dollars, end of period

Area or country	1987	1988	1989		1990				1991		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.
1 ***Total***	**382.4**	**346.3**	**346.5**	**338.8**	**333.9**	**321.7**	**331.5**	**317.8**	**325.3[r]**	**320.2**	**335.8[r]**
2 G-10 countries and Switzerland	159.7	152.7	146.4	152.9	146.6	139.3	143.6	132.1	129.9[r]	130.1	134.7
3 Belgium-Luxembourg	10.0	9.0	6.9	6.3	6.7	6.2	6.5	5.9	6.2	6.1	5.8
4 France	13.7	10.5	11.1	11.7	10.4	10.2	11.1	10.4	9.7	10.5	11.1
5 Germany	12.6	10.3	10.4	10.5	11.2	11.2	11.1	10.6	8.8	8.3	9.7
6 Italy	7.5	6.8	6.8	7.4	5.9	5.4	4.4	5.0	4.0	3.6	4.5
7 Netherlands	4.1	2.7	2.4	3.1	3.1	2.7	3.8	3.0	3.3	3.3	3.0
8 Sweden	2.1	1.8	2.0	2.0	2.1	2.3	2.3	2.2	2.0	2.5	2.1
9 Switzerland	5.6	5.4	6.1	7.1	6.2	6.3	5.6	4.4	3.7	3.3	3.9
10 United Kingdom	68.8	66.2	63.7	67.2	64.0	59.9	62.6	60.8	62.3[r]	59.8	65.6
11 Canada	5.5	5.0	5.9	5.4	4.8	5.1	5.0	5.9	6.8	8.2	5.8
12 Japan	29.8	34.9	31.0	32.2	32.2	30.1	31.3	23.9	23.2	24.6	23.2
13 Other developed countries	26.4	21.0	21.0	20.7	23.0	22.4	23.0	22.6	23.1	21.1	21.7
14 Austria	1.9	1.5	1.5	1.5	1.5	1.5	1.6	1.4	1.4	1.1	1.0
15 Denmark	1.7	1.1	1.1	1.1	1.2	1.1	1.1	1.1	.9	1.2	.9
16 Finland	1.2	1.1	1.1	1.0	1.1	.9	.8	.7	1.0	.8	.7
17 Greece	2.0	1.8	2.4	2.5	2.6	2.7	2.8	2.7	2.5	2.4	2.3
18 Norway	2.2	1.8	1.4	1.4	1.7	1.4	1.6	1.6	1.5	1.5	1.4
19 Portugal	.6	.4	.4	.4	.4	.8	.6	.6	.6	.6	.5
20 Spain	8.0	6.2	6.9	7.1	8.2	7.8	8.4	8.3	9.0	7.0	8.3
21 Turkey	2.0	1.5	1.2	1.2	1.3	1.4	1.6	1.7	1.7	1.9	1.6
22 Other Western Europe	1.6	1.3	1.0	.7	1.0	1.1	.7	.9	.8	.9	1.0
23 South Africa	2.9	2.4	2.1	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.6
24 Australia	2.4	1.8	2.1	1.6	2.1	1.8	2.0	1.8	1.9	2.0	2.4
25 OPEC countries[2]	17.4	16.6	16.2	17.1	15.5	15.3	14.2	12.8	17.1	14.0	15.6
26 Ecuador	1.9	1.7	1.5	1.3	1.2	1.1	1.1	1.0	.9	.9	.8
27 Venezuela	8.1	7.9	7.4	7.0	6.1	6.0	6.0	5.0	5.1	5.3	5.6
28 Indonesia	1.9	1.7	2.0	2.0	2.1	2.0	2.3	2.7	2.8	2.6	2.8
29 Middle East countries	3.6	3.4	3.5	5.0	4.3	4.4	3.1	2.5	6.6	3.7	5.0
30 African countries	1.9	1.9	1.9	1.7	1.8	1.8	1.7	1.7	1.6	1.5	1.5
31 Non-OPEC developing countries	97.8	85.3	81.2	77.5	68.8	66.7	67.1	65.4	66.3	64.9[r]	65.2
Latin America											
32 Argentina	9.5	9.0	7.6	6.3	5.6	5.2	5.0	5.0	4.7	4.6	4.7
33 Brazil	24.7	22.4	20.9	19.0	17.5	16.7	15.4	14.4	13.9	11.6	10.5
34 Chile	6.9	5.6	4.9	4.6	4.3	3.7	3.6	3.5	3.6	3.6	3.7
35 Colombia	2.0	2.1	1.6	1.8	1.8	1.7	1.8	1.8	1.7	1.6	1.6
36 Mexico	23.5	18.8	17.2	17.7	12.8	12.6	12.8	13.0	13.7	14.3	16.1
37 Peru	1.1	.8	.6	.6	.5	.5	.5	.5	.5	.5	.4
38 Other Latin America	2.8	2.6	2.9	2.8	2.8	2.3	2.4	2.3	2.2	2.0	1.9
Asia											
China											
39 Mainland	.3	.3	.3	.3	.3	.2	.2	.2	.4	.6	.4
40 Taiwan	8.2	3.7	5.0	4.5	3.8	3.6	4.0	3.5	3.6	4.1	4.1
41 India	1.9	2.1	2.7	3.1	3.5	3.6	3.6	3.3	3.5	3.0	2.8
42 Israel	1.0	1.2	.7	.7	.6	.7	.6	.5	.5	.5	.5
43 Korea (South)	5.0	6.1	6.5	5.9	5.3	5.6	6.2	6.2	6.8	6.9	6.5[r]
44 Malaysia	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.9	2.0	2.1	2.3
45 Philippines	5.2	4.5	4.0	4.1	3.7	3.9	3.9	3.8	3.7	3.7	3.6
46 Thailand	.7	1.1	1.3	1.3	1.1	1.3	1.5	1.5	1.6	1.7	1.9
47 Other Asia[3]	.7	.9	1.0	1.0	1.2	1.1	1.6	1.7	2.1	2.3	2.3[r]
Africa											
48 Egypt	.6	.4	.5	.4	.4	.5	.4	.4	.4	.4	.4
49 Morocco	.9	.9	.8	.9	.9	.9	.9	.8	.8	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.3	1.1	1.0	1.0	.9	.8	.8	1.0	.8	.8	.8
52 Eastern Europe	3.2	3.6	3.5	3.5	3.3	2.9	2.7	2.3	2.1	2.1	1.8
53 U.S.S.R.	.3	.7	.8	.7	.8	.4	.4	.2	.3	.4	.4
54 Yugoslavia	1.8	1.8	1.7	1.6	1.4	1.4	1.3	1.2	1.0	1.0	.8
55 Other	1.1	1.1	1.1	1.3	1.2	1.1	1.1	.9	.8	.7	.7
56 Offshore banking centers	54.5	44.2	49.2	36.6	43.1	40.3	42.6	42.5	49.9[r]	48.2	51.9
57 Bahamas	17.3	11.0	11.4	5.5	9.2	8.5	8.9	2.8	8.1	6.5	6.1
58 Bermuda	.6	.9	1.3	1.7	1.2	2.5	4.5	4.4	4.4	4.2	7.1
59 Cayman Islands and other British West Indies	13.5	12.9	15.3	9.0	10.9	8.5	9.3	11.5	14.2[r]	15.1	14.0
60 Netherlands Antilles	1.2	1.0	1.1	2.3	2.6	2.3	2.2	7.9	1.1	1.4	3.5
61 Panama[4]	3.7	2.5	1.5	1.4	1.3	1.4	1.5	1.4	1.4	1.3	1.3
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.2	9.6	10.7	9.7	9.8	10.0	8.7	7.7	11.6[r]	12.4	12.1[r]
64 Singapore	7.0	6.1	7.8	7.0	8.0	7.0	7.5	6.6	8.9	7.2	7.7
65 Others[5]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[6]	23.2	22.6	28.7	30.3	33.3	34.5	38.1	39.8	36.5[r]	39.6	44.6

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. This group comprises the Organization of Petroleum Exporting Countries shown individually, *other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait,* Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

6. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type and area or country	1987	1988	1989	1990			1991		
				June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**28,302**	**32,952**	**38,776**	**39,831**	**45,165**	**42,928**	**40,753**	**39,311**	**40,459**
2 Payable in dollars	22,785	27,335	33,985	35,351	40,034	38,529	36,635	35,291	36,057
3 Payable in foreign currencies	5,517	5,617	4,791	4,480	5,131	4,399	4,119	4,019	4,402
By type									
4 Financial liabilities	12,424	14,507	17,891	19,025	19,898	17,979	17,104	16,767	17,603
5 Payable in dollars	8,643	10,608	14,047	15,663	16,059	14,731	14,182	13,872	14,673
6 Payable in foreign currencies	3,781	3,900	3,844	3,363	3,839	3,247	2,922	2,895	2,930
7 Commercial liabilities	15,878	18,445	20,885	20,806	25,267	24,949	23,650	22,544	22,856
8 Trade payables	7,305	6,505	8,070	7,256	10,960	10,494	8,865	8,697	9,067
9 Advance receipts and other liabilities	8,573	11,940	12,815	13,550	14,306	14,456	14,784	13,846	13,789
10 Payable in dollars	14,142	16,727	19,938	19,688	23,974	23,798	22,453	21,420	21,384
11 Payable in foreign currencies	1,737	1,717	947	1,117	1,292	1,152	1,197	1,124	1,472
By area or country									
Financial liabilities									
12 Europe	8,320	9,962	11,672	11,802	11,251	9,813	9,187	9,244	9,739
13 Belgium-Luxembourg	213	289	340	332	350	344	285	297	347
14 France	382	359	258	165	463	695	627	535	354
15 Germany	551	699	464	547	606	622	561	664	654
16 Netherlands	866	880	941	928	942	990	945	917	943
17 Switzerland	558	1,033	541	552	628	576	577	535	510
18 United Kingdom	5,557	6,533	8,830	8,832	7,632	5,976	5,551	5,706	6,370
19 Canada	360	388	610	306	309	223	272	287	305
20 Latin America and Caribbean	1,189	839	1,357	2,774	3,560	3,400	3,636	3,308	3,518
21 Bahamas	318	184	157	312	395	371	392	375	337
22 Bermuda	0	0	17	0	0	0	0	12	0
23 Brazil	25	0	0	0	0	0	0	0	1
24 British West Indies	778	645	724	1,920	2,548	2,407	2,674	2,319	2,578
25 Mexico	13	1	6	4	4	5	6	6	6
26 Venezuela	0	0	0	0	0	4	4	4	4
27 Asia	2,451	3,312	4,151	4,085	4,296	4,132	4,005	3,918	4,037
28 Japan	2,042	2,563	3,299	2,883	3,161	2,930	2,932	2,865	2,802
29 Middle East oil-exporting countries[2]	8	3	2	5	4	5	1	4	226
30 Africa	4	2	2	3	2	2	2	9	3
31 Oil-exporting countries[3]	1	0	0	1	0	0	0	7	2
32 All other[4]	100	4	100	55	479	409	2	2	1
Commercial liabilities									
33 Europe	5,516	7,319	9,071	8,652	10,039	10,310	9,877	8,848	9,280
34 Belgium-Luxembourg	132	158	175	291	245	275	263	254	196
35 France	426	455	877	1,049	1,270	1,218	1,216	1,246	999
36 Germany	909	1,699	1,392	990	1,051	1,270	1,389	1,044	913
37 Netherlands	423	587	710	606	699	844	731	750	792
38 Switzerland	559	417	693	665	746	775	661	586	560
39 United Kingdom	1,599	2,079	2,620	2,450	2,839	2,792	2,852	2,336	3,296
40 Canada	1,301	1,217	1,124	1,179	1,263	1,251	1,231	1,186	1,018
41 Latin America and Caribbean	864	1,090	1,224	1,321	1,690	1,671	1,621	1,631	1,512
42 Bahamas	18	49	41	22	18	12	14	6	14
43 Bermuda	168	286	308	412	371	538	495	505	450
44 Brazil	46	95	100	109	129	145	218	180	209
45 British West Indies	19	34	27	29	42	30	36	50	46
46 Mexico	189	217	323	315	592	475	346	364	290
47 Venezuela	162	114	164	129	165	130	126	121	101
48 Asia	6,565	6,915	7,550	7,365	9,533	9,471	8,669	8,847	8,943
49 Japan	2,578	3,094	2,914	3,197	3,356	3,639	3,413	3,383	3,359
50 Middle East oil-exporting countries[2,5]	1,964	1,385	1,632	1,285	2,728	2,016	1,569	1,699	1,812
51 Africa	574	576	886	900	1,334	841	655	594	835
52 Oil-exporting countries[3]	135	202	339	287	610	422	225	224	356
53 All other[4]	1,057	1,328	1,030	1,390	1,408	1,406	1,596	1,436	1,268

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1987	1988	1989	1990			1991		
				June	Sept.	Dec.	Mar.	June	Sept.[p]
1 **Total**	**30,964**	**33,805**	**33,080**	**33,098**	**32,239**	**34,780**	**35,272**	**36,946**	**38,361**
2 Payable in dollars	28,502	31,425	30,742	30,765	29,836	32,354	33,068	34,948	36,154
3 Payable in foreign currencies	2,462	2,381	2,338	2,333	2,402	2,426	2,204	1,997	2,207
By type									
4 Financial claims	20,363	21,640	19,235	19,438	17,758	19,444	19,392	20,687	22,392
5 Deposits	14,894	15,643	12,336	11,615	11,810	13,331	12,835	12,300	15,522
6 Payable in dollars	13,765	14,544	11,409	10,533	10,616	12,318	11,893	11,595	14,712
7 Payable in foreign currencies	1,128	1,099	927	1,082	1,193	1,012	942	705	810
8 Other financial claims	5,470	5,997	6,899	7,823	5,949	6,114	6,557	8,387	6,870
9 Payable in dollars	4,656	5,220	6,145	7,090	5,296	5,247	5,861	7,699	6,260
10 Payable in foreign currencies	814	777	754	733	652	866	696	688	610
11 Commercial claims	10,600	12,166	13,845	13,660	14,480	15,336	15,879	16,259	15,969
12 Trade receivables	9,535	11,091	12,221	11,951	12,702	13,458	13,691	13,963	13,345
13 Advance payments and other claims	1,065	1,075	1,624	1,708	1,778	1,878	2,189	2,296	2,624
14 Payable in dollars	10,081	11,660	13,188	13,142	13,924	14,788	15,314	15,654	15,182
15 Payable in foreign currencies	519	505	657	518	556	548	565	605	787
By area or country									
Financial claims									
16 Europe	9,531	10,278	8,401	10,780	8,924	9,363	10,524	11,756	12,928
17 Belgium-Luxembourg	7	18	28	126	27	76	85	74	75
18 France	332	203	153	126	145	358	193	255	257
19 Germany	102	120	87	76	79	302	249	233	438
20 Netherlands	350	348	303	339	327	330	443	494	492
21 Switzerland	65	217	91	131	163	293	358	367	527
22 United Kingdom	8,467	9,039	7,496	9,757	7,956	7,760	8,981	10,184	10,886
23 Canada	2,844	2,325	1,904	2,036	1,989	2,887	1,850	1,986	2,066
24 Latin America and Caribbean	7,012	8,160	8,020	5,998	6,107	6,091	6,119	5,849	5,969
25 Bahamas	1,994	1,846	1,890	1,499	1,443	1,594	1,847	1,031	1,356
26 Bermuda	7	19	7	3	4	3	6	4	19
27 Brazil	63	47	224	84	70	68	68	127	124
28 British West Indies	4,433	5,763	5,486	4,003	4,191	4,021	3,769	4,307	4,100
29 Mexico	172	151	94	164	158	177	179	161	173
30 Venezuela	19	21	20	20	23	25	28	29	32
31 Asia	879	623	590	534	531	860	568	757	1,069
32 Japan	605	354	213	185	207	523	246	409	721
33 Middle East oil-exporting countries[2]	8	5	8	6	9	8	11	4	3
34 Africa	65	106	140	62	49	37	62	64	61
35 Oil-exporting countries[3]	7	10	12	8	7	0	3	1	1
36 All other[4]	33	148	180	28	158	206	268	275	299
Commercial claims									
37 Europe	4,180	5,181	6,207	6,076	6,495	7,032	7,181	7,545	6,973
38 Belgium-Luxembourg	178	189	242	209	188	212	226	220	186
39 France	650	672	963	924	1,206	1,240	1,292	1,408	1,328
40 Germany	562	669	696	670	641	805	873	957	855
41 Netherlands	133	212	479	480	491	552	604	756	651
42 Switzerland	185	344	313	234	300	301	392	296	259
43 United Kingdom	1,073	1,324	1,575	1,582	1,673	1,774	1,669	1,822	1,867
44 Canada	936	983	1,087	1,150	1,148	1,070	1,212	1,240	1,232
45 Latin America and Caribbean	1,930	2,241	2,176	2,207	2,402	2,333	2,314	2,433	2,575
46 Bahamas	19	36	58	17	25	14	15	16	8
47 Bermuda	170	230	323	284	340	246	231	245	338
48 Brazil	226	299	293	233	251	320	309	297	391
49 British West Indies	26	22	36	47	35	40	49	43	37
50 Mexico	368	461	507	576	650	656	653	711	739
51 Venezuela	283	227	147	223	224	189	181	195	196
52 Asia	2,915	2,993	3,561	3,473	3,631	4,049	4,306	4,159	4,216
53 Japan	1,158	946	1,197	1,097	1,221	1,396	1,778	1,604	1,752
54 Middle East oil-exporting countries[2]	450	453	518	418	407	459	507	510	497
55 Africa	401	435	422	387	371	488	394	428	518
56 Oil-exporting countries[3]	144	122	108	97	72	67	68	59	79
57 All other[4]	238	333	392	366	433	364	471	453	455

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction and area or country	1990	1991	1991 Jan.–Dec.	1991 June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[p]
				U.S. corporate securities						
Stocks										
1 Foreign purchases	173,293	210,694	210,694	17,356	16,462	17,934	12,919	17,201	20,515	14,713
2 Foreign sales	188,419	199,598	199,598	16,122	15,304	16,192	13,659	16,791	19,594	17,446
3 **Net purchases, or sales (−)**	**−15,126**	**11,095**	**11,095**	**1,234**	**1,158**	**1,742**	**−740**	**410**	**921**	**−2,733**
4 **Foreign countries**	**−15,197**	**10,527**	**10,527**	**1,190**	**1,135**	**1,606**	**−850**	**365**	**884**	**−2,716**
5 Europe	−8,479	94	94	710	5	753	−567	−452	−310	−1,899
6 France	−1,234	18	18	170	−41	39	−95	−21	−50	−125
7 Germany	−367	−63	−63	45	−8	21	62	12	22	44
8 Netherlands	−397	−228	−228	60	47	−209	38	6	−42	−52
9 Switzerland	−2,866	−139	−139	346	42	96	−48	−93	−508	−7
10 United Kingdom	−2,980	−310	−310	−148	−130	831	−501	−216	182	−1,653
11 Canada	886	3,809	3,809	383	159	439	16	385	694	131
12 Latin America and Caribbean	−1,330	2,177	2,177	287	160	315	25	366	−197	−280
13 Middle East[1]	−2,435	−126	−126	−460	272	67	−402	−6	39	−35
14 Other Asia	−3,477	4,263	4,263	96	110	−33	210	267	735	−665
15 Japan	−2,891	1,181	1,181	74	−15	−96	135	156	158	−429
16 Africa	−63	153	153	9	6	4	−7	20	14	7
17 Other countries	−298	158	158	165	423	61	−125	−215	−91	25
18 **Nonmonetary international and regional organizations**	**71**	**568**	**568**	**44**	**23**	**136**	**110**	**45**	**37**	**−17**
Bonds[2]										
19 Foreign purchases	118,764	152,507	152,507	12,427	9,994	14,989	14,492	12,844	15,842	14,977
20 Foreign sales	102,047	125,001	125,001	8,754	7,681	10,812	12,315	10,558	13,059	12,351
21 **Net purchases, or sales (−)**	**16,717**	**27,506**	**27,506**	**3,673**	**2,313**	**4,177**	**2,177**	**2,286**	**2,783**	**2,626**
22 **Foreign countries**	**17,187**	**27,637**	**27,637**	**3,735**	**2,340**	**4,274**	**2,216**	**2,349**	**2,682**	**2,583**
23 Europe	10,079	13,498	13,498	2,167	921	1,727	−111	1,873	1,091	968
24 France	373	854	854	2	15	−26	93	−25	110	75
25 Germany	−377	1,577	1,577	−120	−1	106	156	213	274	113
26 Netherlands	172	482	482	130	−1	47	−18	44	91	13
27 Switzerland	284	661	661	327	9	116	−52	−64	−449	162
28 United Kingdom	10,383	9,301	9,301	1,744	629	1,405	384	2,029	714	90
29 Canada	1,906	1,340	1,340	68	34	−40	−155	86	51	114
30 Latin America and Caribbean	4,291	2,449	2,449	538	378	172	130	−365	110	627
31 Middle East[1]	76	2,185	2,185	160	430	449	350	182	313	253
32 Other Asia	1,083	8,237	8,237	898	558	2,015	2,027	526	1,164	543
33 Japan	727	5,730	5,730	685	285	1,818	1,149	237	874	149
34 Africa	96	56	56	−1	−1	4	−2	12	13	11
35 Other countries	−344	−128	−128	−96	20	−53	−23	35	−60	67
36 **Nonmonetary international and regional organizations**	**−471**	**−131**	**−131**	**−62**	**−27**	**−97**	**−39**	**−63**	**101**	**43**
				Foreign securities						
37 Stocks, net purchases, or sales (−)[3]	−9,205	−34,912	−34,912	−3,590	−3,155	−3,521	−2,159	−2,370[r]	−1,538	−5,686
38 Foreign purchases	122,641	119,646	119,646	10,053	10,174	9,586	9,913	11,292	13,121	10,941
39 Foreign sales[3]	131,846	154,558	154,558	13,643	13,329	13,107	12,072	13,662[r]	14,659	16,627
40 Bonds, net purchases, or sales (−)	−22,412	−15,842	−15,842	−1,945	−807	−2,168	−1,138	−4,750[r]	787	−1,769
41 Foreign purchases	314,645	324,642	324,642	19,918	22,041	22,186	23,442	33,201	29,925	26,296
42 Foreign sales	337,057	340,484	340,484	21,863	22,848	24,354	24,580	37,951[r]	29,138	28,065
43 **Net purchases, or sales (−), of stocks and bonds**	**−31,617**	**−50,754**	**−50,754**	**−5,536**	**−3,962**	**−5,689**	**−3,297**	**−7,120**[r]	**−751**	**−7,455**
44 **Foreign countries**	**−28,943**	**−50,466**	**−50,466**	**−5,816**	**−4,476**	**−5,794**	**−3,477**	**−6,753**[r]	**−1,186**	**−7,825**
45 Europe	−8,443	−38,064	−38,064	−3,428	−5,035	−4,769	−2,666	−5,691[r]	−4,546	−8,334
46 Canada	−7,502	−7,608	−7,608	−1,011	278	−1,009	−352	−1,619	675	36
47 Latin America and Caribbean	−8,854	993	993	−26	130	108	454	549	1,136	−470
48 Asia	−3,828	−7,043	−7,043	−1,172	105	−305	−1,153	−197	1,502	388
49 Africa	−137	−8	−8	−198	8	−7	2	1	−41	159
50 Other countries	−180	1,265	1,265	19	38	188	238	204	88	396
51 **Nonmonetary international and regional organizations**	**−2,673**	**−288**	**−288**	**280**	**514**	**105**	**180**	**−367**	**435**	**370**

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. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1990	1991	1991 Jan.– Dec.	1991 June	1991 July	1991 Aug.	1991 Sept.	1991 Oct.	1991 Nov.	1991 Dec.[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total[2]**	**18,927**	**22,546**	**22,546**	**–5,740**	**725**	**1,356**	**–3,862**	**414**	**5,449[r]**	**4,671**
2 Foreign countries[2]	18,764	22,318	22,318	–5,271	407	722	–2,804	–171	5,355	3,912
3 Europe[2]	18,455	9,654	9,654	–4,184	–1,082	1,554	464	228	5,033	2,900
4 Belgium–Luxembourg	10	568	568	–104	–109	71	–190	1	183	42
5 Germany[2]	5,880	–4,725	–4,725	–1,458	684	–360	195	326	707	–139
6 Netherlands	1,077	–3,735	–3,735	–727	–997	–372	–426	549	–25	–888
7 Sweden	1,152	–662	–662	31	–299	–239	3	46	–74	582
8 Switzerland[2]	112	1,005	1,005	207	–218	292	–184	195	1,105[r]	–778
9 United Kingdom	–1,260	5,649	5,649	–1,249	–398	388	–32	–311	212	2,351
10 Other Western Europe	11,463	11,540	11,540	–886	258	1,774	1,090	–578	2,938[r]	1,720
11 Eastern Europe	13	13	13	3	–3	0	8	0	–13	10
12 Canada	–4,627	–2,745	–2,745	–114	395	–118	78	–838	–441	–1,840
13 Latin America and Caribbean	14,734	11,552	11,552	161	1,669	1,436	–1,076	–2,086	–3,840	1,086
14 Venezuela	33	10	10	20	7	–20	–2	20	7	122
15 Other Latin America and Caribbean	3,943	5,329	5,329	–233	242	–2,010	–1,883	–14	–523	–1,054
16 Netherlands Antilles	10,757	6,213	6,213	374	1,420	3,466	809	–2,092	–3,324	2,018
17 Asia	–10,952	3,467	3,467	–879	–491	–2,115	–2,067	3,467	3,700	869
18 Japan	–14,785	–4,054	–4,054	1,422	45	–364	–3,625	4,111	503	–1,352
19 Africa	313	689	689	104	7	27	10	39	–26	318
20 All other	842	–299	–299	–358	–91	–62	–213	–981	929	579
21 Nonmonetary international and regional organizations	163	228	228	–469	318	634	–1,058	585	94[r]	759
22 International	287	–308	–308	3	168	654	–1,211	287	95[r]	836
23 Latin American regional	–2	–72	–72	–9	150	–146	152	72	–133	–156
MEMO										
24 Foreign countries[2]	18,764	22,318	22,318	–5,271	407	722	–2,804	–171	5,355	3,912
25 Official institutions	23,218	5,496	5,496	–5,832	–704	–289	830	512	7,197[r]	2,629
26 Other foreign[2]	–4,453	16,822	16,822	560	1,111	1,011	–3,634	–683	–1,842[r]	1,283
Oil-exporting countries										
27 Middle East[3]	–387	–6,822	–6,822	–505	–643	–3,731	–795	313	96	–163
28 Africa[4]	0	239	239	0	0	0	0	0	0	219

1. Estimated 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. Includes U.S. Treasury notes, denominated in foreign currencies, publicly issued to private foreign residents.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Feb. 29, 1992		Country	Rate on Feb. 29, 1992		Country	Rate on Feb. 29, 1992	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	8.0	Dec. 1991	Germany, Fed. Rep. of	8.0	Dec. 1991	Norway	10.50	July 1990
Belgium	8.5	Dec. 1991	Italy	12.0	Nov. 1991	Switzerland	7.0	Aug. 1991
Canada	7.50	Feb. 1992	Japan	4.5	Dec. 1991	United Kingdom[2]	....	....
Denmark	9.5	Dec. 1991	Netherlands	8.5	Dec. 1991			
France[1]	9.6	Dec. 1991						

1. Since Feb. 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.
2. Minimum lending rate suspended as of *Aug. 20, 1981*.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper 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 the* central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Averages of daily figures, percent per year

Type or country	1989	1990	1991	1991					1992	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Eurodollars	9.16	8.16	5.86	5.65	5.50	5.34	4.96	4.48	4.06	4.05
2 United Kingdom	13.87	14.73	11.47	10.85	10.24	10.38	10.44	10.73	10.60	10.33
3 Canada	12.20	13.00	9.07	8.73	8.59	8.29	7.75	7.50	7.23	7.42
4 Germany	7.04	8.41	9.15	9.23	9.16	9.28	9.33	9.48	9.45	9.51
5 Switzerland	6.83	8.71	8.01	7.80	7.90	8.09	7.89	7.99	7.55	7.28
6 Netherlands	7.28	8.57	9.19	9.27	9.21	9.27	9.32	9.59	9.45	9.52
7 France	9.27	10.20	9.49	9.46	9.30	9.20	9.41	9.97	9.86	9.93
8 Italy	12.44	12.11	12.04	11.86	11.63	11.44	11.66	12.46	12.00	12.17
9 Belgium	8.65	9.70	9.30	9.25	9.01	9.22	9.39	9.61	9.41	9.50
10 Japan	5.39	7.75	7.33	7.31	6.70	6.41	6.22	6.02	5.18	5.19

NOTE. 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

Country/currency	1989	1990	1991	1991				1992	
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Australia/dollar[2]	79.186	78.069	77.872	79.369	79.251	78.660	77.122	74.756	75.178
2 Austria/schilling	13.236	11.331	11.686	11.910	11.887	11.408	11.003	11.108	11.391
3 Belgium/franc	39.409	33.424	34.195	34.878	34.787	33.391	32.198	32.501	33.307
4 Canada/dollar	1.1842	1.1668	1.1460	1.1370	1.1279	1.1302	1.1467	1.1571	1.1825
5 China, P.R./yuan	3.7673	4.7921	5.3337	5.3869	5.3917	5.3994	5.4232	5.4618	5.4776
6 Denmark/krone	7.3210	6.1899	6.4038	6.5367	6.5246	6.2947	6.0831	6.1257	6.2763
7 Finland/markka	4.2963	3.8300	4.0521	4.1241	4.1155	4.1953	4.2447	4.2971	4.4230
8 France/franc	6.3802	5.4467	5.6468	5.7621	5.7583	5.5391	5.3406	5.3858	5.5088
9 Germany/deutsche mark	1.8808	1.6166	1.6610	1.6933	1.6893	1.6208	1.5630	1.5788	1.6186
10 Greece/drachma	162.60	158.59	182.63	188.07	188.50	183.68	179.52	182.42	187.13
11 Hong Kong/dollar	7.8008	7.7899	7.7712	7.7524	7.7542	7.7591	7.7738	7.7612	7.7582
12 India/rupee	16.213	17.492	22.712	25.834	25.797	25.802	25.818	25.863	25.992
13 Ireland/pound[2]	141.80	165.76	158.26	157.87	158.21	164.75	170.46	168.73	164.87
14 Italy/lira	1,372.28	1,198.27	1,241.28	1,266.25	1,263.20	1,221.04	1,182.21	1,189.76	1,215.92
15 Japan/yen	138.07	145.00	134.59	134.30	130.77	129.63	128.04	125.46	127.70
16 Malaysia/ringgit	2.7079	2.7057	2.7503	2.7577	2.7469	2.7412	2.7417	2.6891	2.6012
17 Netherlands/guilder	2.1219	1.8215	1.8720	1.9084	1.9039	1.8269	1.7618	1.7780	1.8218
18 New Zealand/dollar[2]	59.561	59.619	57.832	57.989	56.306	56.352	55.256	54.194	54.177
19 Norway/krone	6.9131	6.2541	6.4912	6.6266	6.6136	6.3643	6.1558	6.2044	6.3472
20 Portugal/escudo	157.53	142.70	144.77	145.64	145.41	141.43	138.90	136.92	139.47
21 Singapore/dollar	1.9511	1.8134	1.7283	1.7002	1.6940	1.6709	1.6453	1.6337	1.6361
22 South Africa/rand	2.6214	2.5885	2.7633	2.8316	2.8314	2.7916	2.7665	2.7831	2.8156
23 South Korea/won	674.29	710.64	736.73	744.18	753.54	757.44	761.68	767.09	769.93
24 Spain/peseta	118.44	101.96	104.01	106.28	106.54	102.56	99.70	100.05	101.73
25 Sri Lanka/rupee	35.947	40.078	41.200	41.935	42.179	42.374	42.523	42.665	42.879
26 Sweden/krona	6.4559	5.9231	6.0521	6.1652	6.1552	5.9246	5.7158	5.7461	5.8764
27 Switzerland/franc	1.6369	1.3901	1.4356	1.4803	1.4781	1.4348	1.3855	1.4039	1.4561
28 Taiwan/dollar	26.407	26.918	26.759	26.559	26.406	25.975	25.759	25.150	25.049
29 Thailand/baht	25.725	25.609	25.528	25.617	25.397	25.497	25.431	25.328	25.463
30 United Kingdom/pound[2]	163.82	178.41	176.74	172.65	172.31	177.96	182.72	180.90	177.78
MEMO									
31 United States/dollar[3]	98.60	89.09	89.84	91.18	90.69	87.98	85.65	86.09	88.04

1. *Averages of certified noon buying rates in New York for cable transfers.* Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

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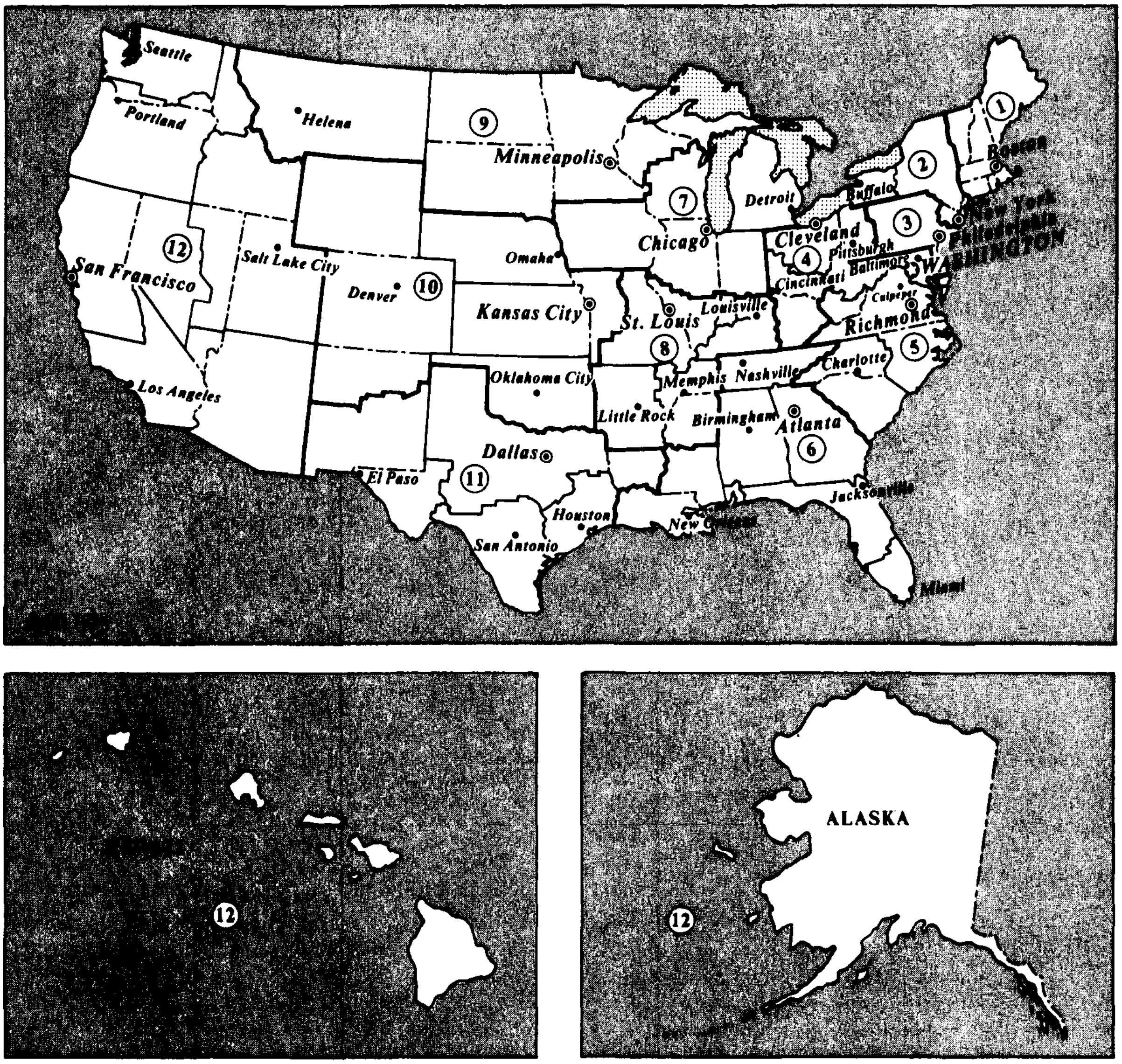

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