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Monetary Policy Report to the Congress

Report submitted to the Congress on July 22, 1997, pursuant to the Full Employment and Balanced Growth Act of 1978

MONETARY POLICY AND THE ECONOMIC OUTLOOK

The economy continued to perform exceptionally well in the first half of 1997. Real output grew briskly, while inflation ebbed. Sizable further increases in payrolls pushed the unemployment rate below 5 percent for the first time in nearly twenty-five years. Although growth in real gross domestic product appears to have slowed in the spring, this slackening came on the heels of a dramatic surge in the opening months of the year; all indications are that the expansion remains well intact. The members of the Board of Governors and the Reserve Bank presidents anticipate that the economy will grow at a moderate pace in the second half of this year and in 1998 and that inflation will remain low. Conditions in financial markets are supportive of continued growth: Longer-term interest rates are in the lower portion of the range observed in this decade, the stock market has registered all-time highs, and credit remains readily available to private borrowers.

Since the February report on monetary policy, Federal Reserve policymakers have revised upward their expectations for growth of real activity in 1997 and trimmed their forecasts of inflation. This combination of revisions highlights the extraordinarily positive conditions still prevailing more than six years into the current economic expansion. In part, the recent confluence of higher-than-expected output and lower inflation has reflected the favorable influences on prices of retreating oil prices and a strong dollar. But it may also be attributable to more durable changes in our economy, notably a greater flexibility and competitiveness in labor and product markets and more rapid, technology-driven gains in efficiency. In essence, the economy may be experiencing an upward shift in its longer-range output potential.

NOTE. The charts for the report are available on request from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

To the extent that aggregate supply is expanding more rapidly, monetary policy can accommodate extra growth in demand without fostering increased inflationary pressures. In late March, however, the Federal Open Market Committee (FOMC) concluded that there was a significant risk that aggregate demand would grow faster in the coming quarters than available supply, which, with utilization already at a very high level, would place the economy's resources under increasing strain. If such unsustainable growth persisted, the resulting inflationary imbalances would eventually undermine the health of the expansion—the all too frequent pattern of past business cycles. To protect against the possibility of such an outcome, the Committee tightened policy slightly. With the softening of demand in the spring, the Committee was able to maintain a steady posture in the money market while closely monitoring economic developments. The ongoing objective of monetary policy is to help the nation achieve maximum sustainable economic growth and the highest average living standards. The Federal Reserve recognizes that it can best accomplish this objective by keeping inflation in check, because an environment of price stability is most conducive to sound, long-term planning by households and businesses.

Monetary Policy, Financial Markets, and the Economy over the First Half of 1997

The rapid economic growth observed in the closing months of 1996 continued in the first quarter of this year, with real gross domestic product advancing almost 6 percent at an annual rate. Consumer spending surged, fueled by a significant increase in income, upbeat consumer attitudes, and the effects of the huge run-up in equity prices over the past couple of years on household net worth. Business fixed investment was strong, and companies restocked inventories that had become thin as sales soared. The advance in real output provided support for considerable new hiring; rising pay and greater job availability drew additional people into the workforce, lifting the labor force participation rate to a new high during the first quarter of the year. The underlying trend in consumer price inflation was still subdued. Inflation pressures were held in check by smaller food price increases, declining prices for non-oil imports, the marked expansion of industrial capacity in recent years, and continuing efforts by businesses to boost efficiency.

At their meeting in late March, FOMC members expected that the growth of economic activity would ease in the coming months, but they were uncertain about the likely extent of that slowing. Although the first-quarter burst in production had owed importantly to a number of temporary factors, many of the fundamentals underlying consumer and business demand remained quite positive. The Committee was concerned about the risk that if outsized gains in real output continued, pressures on costs and prices would emerge that could eventually undermine the expansion. Therefore, to help foster more sustainable trends in output and guard against potential inflationary imbalances, the Committee firmed policy slightly by raising the expected federal funds rate from around 5¼ percent to around 5½ percent.

The unsustainably strong pace of economic growth in the first quarter weighed on financial markets. Interest rates rose substantially, even before the System's action, despite favorable news on inflation. Because the policy tightening was widely anticipated, rates were little affected by the announcement, but they moved up a little more in the following weeks as incoming data suggested persistent strength in economic activity. Equity prices rose early in the first quarter and then declined, changing relatively little on net. The trade-weighted value of the dollar in terms of the other G-10 currencies increased about 7 percent in the first quarter, reflecting the unexpectedly strong economic growth in the United States and market uncertainty about economic performance abroad.

As the second quarter progressed, it became increasingly evident that economic activity had indeed decelerated. The expansion of consumer spending eased considerably, while business fixed investment remained strong. Employment continued to climb rapidly, pushing the unemployment rate down below 5 percent on average in the second quarter—the lowest level since the early 1970s. Despite high levels of employment and production through the first half of the year, there were few signs that inflation was deviating significantly from recent trends. Although overall consumer price inflation dipped in the second quarter as energy prices declined, consumer prices excluding food and energy increased at about the same pace in the first half of the year as in 1996.

Continued favorable price movements and the slowing of economic growth suggested to financial market participants that inflation might remain damped without a further tightening of financial conditions, and this belief prompted a substantial drop in interest rates from late April to mid-July, reversing the earlier advance. With resource utilization still at very high levels, and with economic and financial conditions conducive to robust increases in spending, the FOMC at its May meeting continued to view the risks as skewed toward the re-emergence of inflationary pressures. But the moderation in aggregate demand and uncertainty about the relationship between utilization rates and inflation led the Committee to leave reserve conditions unchanged in May and again in July. The drop in market interest rates in the second quarter may also have been encouraged by favorable news about this year's federal budget deficit and by the agreement between the President and the Congress to balance the budget in fiscal year 2002. Spurred by lower rates and greater optimism about the long-term outlook for earnings, the stock market surged in the second quarter and into July. The value of the dollar rose somewhat further in foreign exchange markets, on balance, an increase more than accounted for by an appreciation against continental European currencies.

During the first half of the year, credit remained available on favorable terms to most households and businesses. High delinquency rates for consumer loans encouraged many banks to tighten standards, but consumer loan rates generally stayed fairly low relative to benchmark Treasury rates, and consumer credit continued to grow faster than income and only a little below the pace of 1996. Home mortgage debt advanced at a moderate rate, with home equity loans expanding especially rapidly in the spring. Businesses continued to have access to ample external funding both directly in capital markets and through financial intermediaries. The spreads between yields on corporate bonds and Treasury securities stayed low or fell further, and, relative to market rates, bank business loan rates held near the lower end of the range seen in the current expansion.

Total domestic nonfinancial debt expanded more slowly in the first half of 1997 than in 1996, mainly because of a reduced pace of federal borrowing. Trends in the monetary aggregates during the first half of 1997 were similar to those in 1996, with M2 near the upper end of the range set by the FOMC and M3 somewhat above its range. This outcome was in line with FOMC expectations, because the ranges had been set to be consistent with conditions of price stability, and inflation, while damped, remained above this level. The behavior of M2 in the first part of the year was again reasonably well explained by changes in nominal GDP and interest rates.

Economic Projections for 1997 and 1998

After growing swiftly on balance over the first half of the year, economic activity is expected to expand more moderately in the second half of 1997 and in 1998. For this year, the central tendency of the GDP growth forecasts put forth by members of the Board of Governors and the Reserve Bank presidents is 3 percent to 3¼ percent, measured as the change in real output between the final quarter of 1996 and the final quarter of 1997. For 1998, most of the forecasts anticipate growth of real GDP within a range of 2 percent to 2½ percent. With this pace of continued economic expansion over the next six quarters, the central tendency of forecasts for the civilian unemployment rate remains a little under 5 percent through 1998, about the average for the second quarter of this year.

Economic activity appears to have entered the second half with considerable positive momentum. Households have experienced hefty gains in employment, income, and wealth, and their optimism about the future is quite high. These factors seem likely to outweigh any drag on consumer demand that might be associated with the debt-servicing problems that some households have experienced. Lower mortgage rates are buttressing demand for homes. In the business sector, healthy balance sheets and profits and a moderate cost of external funds, along with a continuing desire to install new technology, are providing support and impetus for investment in equipment. Meanwhile, investment in structures should follow last year's strong performance with further increases, because of declining vacancy rates in some sectors and ready access to financing.

Notwithstanding the economy's positive momentum, growth is expected to be more moderate in the next year and a half than in the first half of 1997. In part, this deceleration is likely to reflect the influence on demand of the substantial buildup of stocks of household durables and business plant and equipment thus far in the expansion. As well, the pace of inventory investment will need to slacken considerably relative to that observed in the first part of this year, lest stock-to-sales ratios become uncomfortably high. In the external sector, the strength of the dollar on exchange markets since last year could damp export sales and encourage U.S. firms and households to purchase foreign-produced goods and services.

Federal Reserve policymakers believe that this year's rise in the CPI will be smaller than that of 1996, mostly because of favorable developments in the food and, especially, energy sectors. After last year's run-up, crude oil prices have dropped back significantly, pulling down the prices of petroleum products. Food price increases also have been subdued this year, as the decline in grain prices that began in the middle of last year has been working its way through to the retail level. Looking ahead to next year, the governors and Reserve Bank presidents expect larger increases in the CPI, with a central tendency from 2½ percent to 3 percent. Food and energy prices are not expected to repeat this year's salutary performance, and non-oil import prices may be less of a restraining influence than in 1997, absent a continued uptrend in the dollar. Moreover, there is a risk that high levels of resource utilization could begin putting upward pressure on business costs.

As noted in past monetary policy reports, the CPI forecasts of Federal Reserve policymakers incorporate the technical improvements that the Bureau of Labor Statistics is making to the CPI in 1997 and 1998. A series of technical changes is estimated to have trimmed reported rates of CPI inflation slightly in recent years, and the additional changes will affect

1. Economic projections for 1997 and 1998

Percent

Indicator	Federal Reserve governors and Reserve Bank presidents: Range	Central tendency
	1997	
Change, fourth quarter to fourth quarter[1]		
Nominal GDP	5–6	5–5½
Real GDP	3–3½	3–3¼
Consumer price index[2]	2–2¾	2¼–2½
Average level in the fourth quarter		
Civilian unemployment rate	4¾–5¼	4¾–5
	1998	
Change, fourth quarter to fourth quarter[1]		
Nominal GDP	4¼–5¾	4½–5
Real GDP	2–3	2–2½
Consumer price index[2]	2½–3	2½–3
Average level in the fourth quarter		
Civilian unemployment rate	4½–5¼	4¾–5

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

2. All urban consumers.

the index this year and next. In light of the challenges of accurately measuring price changes in a complex and dynamic economy, the governors and Reserve Bank presidents will continue placing substantial weight on other price indexes, along with the CPI, in gauging progress toward the long-run goal of price stability.

The Administration has not yet released an update of the economic projections contained in the February *Economic Report of the President*. The earlier Administration forecasts were broadly similar to those in the Federal Reserve's February report, with Administration forecasts for growth and inflation within or near the range anticipated by Federal Reserve policymakers in February. Because of developments in the economy since that time, the central tendency of forecasts for real GDP growth put forth by the members of the Board of Governors and the Reserve Bank presidents has moved higher, while their forecasts for the CPI have moved down.

Money and Debt Ranges for 1997 and 1998

At its meeting earlier this month, the Committee reaffirmed the ranges for 1997 growth of money and debt that it had established in February: 1 percent to 5 percent for M2, 2 percent to 6 percent for M3, and 3 percent to 7 percent for the debt of the domestic nonfinancial sectors. The Committee also set provisional ranges for 1998 at the same levels as for 1997.

In choosing the ranges for M2 and M3, the Committee recognized the continuing uncertainty about the future behavior of the velocities of the two aggregates. For several decades until the 1990s, these aggregates exhibited fairly stable trends relative to nominal spending, and variations in M2 growth around its trend were reasonably closely related to changes in the spread between market rates and yields on the assets in M2. These relationships were disrupted in the first part of this decade. Between 1991 and early 1994, the velocities of M2 and M3 climbed well above the levels that were predicted by past experience, as households shifted substantial amounts out of lower-yielding deposits into higher-yielding stock and bond mutual funds, and as banks and thrift institutions sharply curtailed their lending to focus on rebuilding capital. Since mid-1994, the velocities have been moving more nearly in line with their historical patterns with respect to changes in opportunity costs—albeit at higher levels. This recent period of renewed stability is still brief, however, and has occurred at a time of relatively stable financial and economic conditions, leaving open the important question of whether the stability would be sustained in the future under a wider variety of circumstances.

2. Ranges for growth of monetary and debt aggregates
Percent

Aggregate	1996	1997	Provisional for 1998
M2	1–5	1–5	1–5
M3	2–6	2–6	2–6
Debt	3–7	3–7	3–7

NOTE. Change from average for fourth quarter of preceding year to average for fourth quarter of year indicated.

In light of this uncertainty, the Committee again decided to view the ranges as benchmarks for monetary growth rates that would be consistent with approximate price stability and historical velocity relationships. If velocities change little over the next year and a half, Committee members' expectations of nominal GDP growth in 1997 and 1998 imply that M2 and M3 will likely finish around the upper boundaries of their respective ranges each year. The debt of the domestic nonfinancial sectors is expected to remain near the middle of its range this year and next. The Committee will continue to monitor the behavior of the monetary aggregates and domestic nonfinancial debt—as well as a wide range of other data—for information about economic and financial developments.

ECONOMIC AND FINANCIAL DEVELOPMENTS IN 1997

The economy has continued to perform exceptionally well this year. Real gross domestic product surged almost 6 percent at an annual rate in the first quarter of 1997, and available data point to a healthy, though smaller, increase in the second quarter. Financial conditions remained supportive of spending. Despite a modest tightening of money market conditions by the System, most interest rates were little changed or declined a bit on net during the first half of the year, and equity prices surged ahead. With relatively few exceptions, credit remained readily available from both intermediaries and financial markets on generally favorable terms. The rapid increases in output led to a further tightening of labor markets in the first six months of 1997, and labor costs accelerated a little from the pace of a year earlier. Price inflation has been subdued, held down in part by declines in energy prices, smaller increases in food prices, and lower prices for non-oil imports that have followed in the wake of the appreciation of the dollar. In addition, intense competition, adequate plant capacity, and ongoing efficiency gains have helped to restrain inflation pressures in the face of rising wages.

The Household Sector

Spending, Income, and Saving

After posting a sizable increase in 1996, real personal consumption expenditures jumped 5½ percent at an annual rate in the first quarter of 1997. Although the advance in spending slowed thereafter—partly because of unusually cool weather in late spring—underlying fundamentals for the household sector remain favorable to further solid gains; notably, real incomes have continued to rise, and many consumers have benefited from sizable gains in wealth. With this good news in hand, consumers have become extraordinarily upbeat about the economy's prospects. Indexes of consumer sentiment—such as those compiled by the Survey Research Center at the University of Michigan and the Conference Board—have soared to some of the highest readings since the 1960s. Despite this generally healthy picture, some households still face difficulties meeting debt obligations, and delinquency rates for consumer loans have remained at high levels.

Real outlays for consumer durables surged 18¾ percent (annual rate) in the first quarter of this year but apparently slowed considerably in the second quarter. After changing little, on net, last year, consumer purchases of motor vehicles increased rapidly early in the year, a result of sound fundamentals, a bounceback from the strike-depressed fourth quarter, and enlarged incentives offered by automakers. In the second quarter, sales were once again held down noticeably by strike-related supply constraints, as well as by some payback from the elevated first-quarter pace. Smoothing through the ups and downs, the underlying pace of demand in the first half of the year likely remained reasonably close to the 15 million unit rate that has prevailed since the second half of 1995. Purchases of durable goods other than motor vehicles also took off in the first quarter; computers and other electronic equipment were an area of notable strength, as households took advantage of rapidly falling prices to acquire the latest technology. According to available monthly data, purchases of durables other than motor vehicles and electronic equipment moderated in the second quarter. Although a pause in the growth of spending is not surprising after the strong first quarter, unusually cool spring weather, leading to the postponement of purchases of some seasonal items, may also have contributed to the moderation.

Growth of real spending for nondurables also appears to have slowed considerably from a strong first-quarter pace. Within services, weather conditions held down growth of real outlays for energy services in the first quarter and boosted them in the second. Growth of real outlays for other services—typically the steadiest component of consumption—picked up at the end of 1996 and appears to have stayed ahead of last year's 2½ percent pace in the first half of 1997.

Consumer spending continued to draw support from healthy advances in income this year, as gains in wages and salaries boosted personal disposable income. These gains translated into a 4 percent annual rate advance in real disposable income in the first quarter, after a significant 2¾ percent advance last year. Although month-to-month movements were affected by unevenness in the timing of tax payments, the underlying trend in real disposable income remained strong into the second quarter.

On top of rising incomes, further increases in net worth—primarily related to the soaring stock market—have given many households the financial wherewithal to spend. In light of the very large gains in wealth, the impetus to consumption appears to have been smaller than might have been anticipated on the basis of historical relationships, suggesting that other factors may be offsetting the effect of higher net worth. One such factor could be a greater focus on retirement savings, particularly among the large cohort of the population reaching middle age. Concerns about the adequacy of saving for retirement have likely been heightened by increased public discussion of the financial problems of social security and federal health programs. In addition, debt problems may be restraining the spending of some households.

Residential Investment

The underlying pace of housing activity has remained at a high level this year, even though some indicators suggest that activity has edged off a bit from last year's pace. In the single-family sector, housing starts through June averaged 1.14 million units at an annual rate, a shade below the pace of starts in 1996. Although starts dipped in the second quarter, the decline was from a first-quarter level that, doubtless, was boosted by mild weather. Mortgage rates have zigzagged moderately this year; the average level has differed little from that in 1996. With mortgage rates low and income growth strong, a relatively large proportion of families has been able to afford the monthly cost of purchasing a home. Home sales have remained strong, helping to keep inventories of unsold new units relatively lean—a favorable factor for prospective building activity. Other indicators of demand remain quite positive. According to the latest survey by the National Association of Homebuilders, builders' ratings of new home sales strengthened in recent months to the highest level since last August. Moreover, consumers' assessments of conditions for homebuying, as reported by the Survey Research Center at the University of Michigan, remained very favorable into July. In addition, the volume of applications for mortgages to purchase homes has moved up recently to a high level.

The pace of multifamily starts has been well maintained. These starts averaged close to 320,000 units at an annual rate from January to June, a little above last year's figure for starts. Even so, the pace of multifamily construction remains well below peaks in the 1970s and 1980s, partly because of changes in the nation's demographic composition as the bulge of renters in the 1980s has moved on to home ownership. Another factor that has restrained multifamily construction is the growing popularity of manufactured housing ("mobile homes"), which provides an alternative to rental housing for some households. In particular, the price of a typical manufactured unit is considerably less than that of a new single-family house, making manufactured homes especially attractive to first-time buyers and to people purchasing second houses or retirement homes. Shipments of these homes trended up through last fall and then flattened out at a relatively high level.

Household Finance

Household balance sheets strengthened in the aggregate during the first half of 1997, but debt-payment problems continued at a high level in several market segments. Indebtedness grew less rapidly than it had in 1996, and further gains in equity markets pushed up the ratio of household net worth to disposable personal income to its highest mark in recent decades. Consumer credit increased at a 6¼ percent annual rate between December 1996 and May 1997, compared with 8¼ percent in 1996. The growth of mortgage debt was somewhat slower in the first quarter than in 1996 and, according to available indicators, probably stayed at roughly the same rate during the second quarter.

The estimated ratio of required payments of loan principal and interest to disposable personal income remained high in the first quarter, after climbing rapidly between early 1994 and early 1996 and rising more slowly in the second half of last year. This measure of the debt-service burden of households has nearly returned to the peak reached toward the end of the last business cycle expansion. Adding estimated payments on auto leases to households' scheduled monthly debt payments boosts the ratio a little more than 1 percentage point and places it just above its previous peak.

Indicators of households' ability to service their debt have been mixed. The delinquency rate for mortgage loans past due sixty days or more is at its lowest level in two decades, but delinquency rates for consumer loans are relatively high. According to data from the Report of Condition and Income filed by banks (the Call Report), the delinquency rate for credit card loans was roughly unchanged in the first quarter of 1997, remaining at its highest value since late 1992, when the economy was in the midst of a sluggish recovery and the unemployment rate was more than 2 percentage points higher than today. For auto loans at the finance companies affiliated with the major manufacturers, the delinquency rate rose again in the first quarter, continuing the steady run-up in this measure over the past three years.

Anecdotal evidence suggests that the recent increases in consumer credit delinquency rates had been partly anticipated by lenders, reflecting the normal seasoning of loans as well as banks' efforts to stimulate borrowing by making credit more broadly available and automakers' attempts to stimulate sales using the same approach. During the past several years, lenders have aggressively sought business from people who might not have been granted credit previously, in part because of lenders' confidence in new "credit scoring" models that statistically evaluate an individual's creditworthiness. Despite these new tools, banks evidently have been surprised by the extent of the deterioration of their consumer loans and have tightened lending standards as a result. Nearly half the banks responding to the Federal Reserve's May survey on bank lending practices had imposed more stringent standards for new credit card accounts over the preceding three months, with a smaller fraction reining in other consumer loans. About one-third more of the responding banks expected charge-off rates on consumer loans to increase further over the remainder of the year than expected charge-off rates to decrease; many of those expecting an increase cited consumers' growing willingness to declare bankruptcy. Rising delinquency rates have also put pressure on firms specializing in subprime auto loans, with some reporting reduced profits and acute liquidity problems.

According to the most recently available data, personal bankruptcies surged again in the first quarter of the year after rising 30 percent in 1996. The rapid increases of late are partly related to the same increase in financial stress evident in the delinquency statistics, but they may also be tied to more widespread use of bankruptcy as a means of dealing with such stress. Changes in federal bankruptcy law effective at the start of 1995 increased the value of assets that may be protected from liquidation, and there may also be a secular trend toward less stigma being associated with declaring bankruptcy.

The Business Sector

Investment Expenditures

Following a fifth year of sizable increases in 1996, real business fixed investment rose at an annual rate of 11 percent in the first quarter. The underlying determinants of investment spending remain solid: strong business sales, sizable increases in cash flow, and a favorable cost of capital, especially for high-tech equipment. To be sure, a significant portion of this investment has been required to update and replace depreciated plant and equipment; nevertheless, the current pace of investment implies an appreciable expansion of the capital stock.

Real outlays for producers' durable equipment jumped at an annual rate of 12¾ percent in the first quarter of this year after rising 9¾ percent last year. As in recent years, purchases of computers and other information processing equipment contributed importantly to this gain. The computer sector has been propelled by declining prices of new and more powerful products and by a drive in the business sector to improve efficiency with these latest technological developments. Real purchases of communications equipment also have been robust, boosted by rapidly growing demand for wireless phone services and Internet connections as well as by upgrades to telephone switching and transmission equipment in anticipation of eventual deregulation of local phone markets. In addition, purchases of aircraft by domestic airlines moved higher on net in 1995 and 1996 and—on the basis of orders and production plans of aircraft makers—are expected to rise considerably further this year. For the second quarter, data on orders and shipments of nondefense capital goods in April and May imply that healthy increases in equipment investment have continued.

Real business spending for nonresidential structures posted another sizable increase in the first quarter after advancing a hefty 9 percent in 1996. Although the latest data suggest a slowing of the pace of advance in the second quarter, the economic factors underlying this sector point to continued increases. Vacancy rates have been falling and rents have been improving. Financing for commercial construction reportedly is in abundant supply, especially with substantial amounts of capital flowing to real estate investment trusts (REITs).

Trends in construction continue to differ among sectors. Increases in office construction were especially robust in recent quarters, as vacancy rates fell for both downtown and suburban properties. With office-based employment expanding, this sector has continued to recover from the severe slump of the late 1980s and early 1990s; even so, the level of construction activity is barely more than half that of the mid-1980s. Construction of other commercial buildings has increased steadily during the past five years, and the gain in the first quarter of this year was sizable. Since the current expansion began, the non-office commercial sector has provided a large contribution to overall construction spending. Industrial construction dropped back in the first quarter after jumping at the end of last year; the trend for this sector has been relatively flat on balance in recent years.

During 1996, investment in real nonfarm business inventories was modest compared with the growth of sales, and the year ended with lean inventories in many sectors. In the first quarter of this year, businesses moved to rebuild stocks, and inventory investment picked up substantially. Outside of motor vehicles, stocks rose in the first quarter, with particularly sizable increases coming from a continued ramp-up in production of aircraft and from a restocking of petroleum products during a period when prices eased. Nevertheless, with extraordinarily strong sales, inventory–sales ratios still moved down further in the major sectors. Available monthly data suggest that vigorous inventory investment outside of motor vehicles continued through mid-spring, as firms responded to strength in current and prospective sales. For motor vehicles, inventories moved up some in the first quarter of this year, after strike-related reductions in the fourth quarter. In the second quarter, the monthly pattern of motor vehicles stocks was bounced around somewhat by strikes; cutting through the noise, inventories of light vehicles still appear to be in balance.

Corporate Profits and Business Finance

The continued rapid advance of business investment this year has been financed through both strong cash flow and substantial borrowing at relatively favorable terms. Economic profits (book profits after inventory valuation and capital consumption adjustments) in the first quarter were 7¾ percent higher than a year earlier. For the nonfinancial sector, domestic profits were more than 9 percent higher, reaching their highest share of those firms' domestic output in the current expansion. Despite abundant profits, the financing gap for these companies—the excess of capital expenditures (including inventory investment) over internally generated funds—has widened somewhat since the middle of 1996. To fund that gap, and the ongoing net retirement of equity shares, nonfinancial corporations increased their debt 6½ percent at an annual rate in the first quarter, compared with 5¼ percent during 1996.

External funding has remained readily available to businesses on favorable terms. The spreads between yields on investment-grade bonds and yields on Treasury securities have stayed low since the beginning of the year, while the spreads on high-yield bonds have declined further to historically narrow levels. Price–earnings ratios are high, implying a low cost of equity financing. Further, banks remain accommodative lenders to businesses. According to the Federal Reserve's most recent survey of business lending, the spreads between loan rates and market rates have held about steady for borrowers of all sizes, with rate spreads for large loans near the lower end of the range seen over the past decade. Moreover, surveys by the National Federation of Independent Business indicate that small businesses have not had difficulty obtaining credit.

The plentiful supply of credit probably stems from several factors. Most banks are well positioned to lend: Their profits are strong, rates of return on equity and on assets are high, and capital is ample. In addition, continued substantial inflows into stock and high-yield bond mutual funds suggest that investors may now perceive less risk in these areas or may be more willing to accept risk. In fact, businesses generally are in very good financial condition, with the estimated ratio of operating cash flow to interest expense for the median nonfinancial corporation remaining quite high in the first part of the year. Moreover, delinquency rates for business loans at banks have stayed extremely low, as has the default rate on speculative-grade debt.

The increase in the pace of business borrowing in the first half of 1997 was widespread across sources of finance. Nonfinancial corporations stepped up their borrowing from banks. The outstanding commercial paper of these corporations also increased on net from December through June, after declining a little in 1996. Meanwhile, these businesses' net issuance of long-term bonds in the first half of the year exceeded last year's pace, with speculative-grade offerings accounting for the highest share of gross issuance on record.

At the same time, the pace of gross equity issuance by nonfinancial corporations dropped considerably in the first half of this year. In particular, the market for initial public offerings has been cooler than in 1996, despite some pickup of late; new issues have been priced below the intended range more often than above it, and first-day trading returns have been relatively low. Net equity issuance has been deeply negative again this year, as gross issuance has been more than offset by retirements through share repurchases and mergers. The bulk of merger activity in the 1980s involved share retirements financed by borrowing, but the recent surge—which largely involves friendly intra-industry mergers—has been financed about equally through borrowing and stock swaps. Structuring deals as stock swaps can reduce shareholders' tax liabilities and enable the combined firm to use a more advantageous method of financial accounting. The dollar value of nonfinancial mergers in which the target firm was worth more than a billion dollars set a record in 1996, and merger activity appears to be on a very strong track this year as well.

The Government Sector

Federal

The federal budget deficit has come down considerably in recent years and should register another substantial decline this fiscal year. Over the first eight months of fiscal year 1997—the period October through May—the deficit in the unified budget was $65 billion, down $43 billion from the comparable period of fiscal 1996. The recent reduction in the deficit primarily reflected extremely rapid growth of receipts for the second year in a row, although a continuation of subdued growth in outlays also contributed to the improvement. Given recent developments, the budget deficit as a share of nominal GDP this fiscal year is likely to be at its lowest level since 1974.

Federal receipts were almost 8½ percent higher in the first eight months of fiscal year 1997 than in the year-earlier period and apparently are on track to outpace the growth of nominal GDP for the fifth year in a row. Individual income tax payments have risen sharply this fiscal year—on top of a hefty increase last year—reflecting strong increases in households' taxable labor and capital income; preliminary data from the Daily Treasury Statement indicate that individual income tax revenues remained strong in June. Moreover, corporate tax payments posted another sizable advance through May of this fiscal year.

Federal outlays during the first eight months of the fiscal year rose 3½ percent in nominal terms from the comparable period last year. Although this increase is up from the restrained rate of growth in fiscal 1996—which was held down by the government shutdown—spending growth remained subdued across most categories. Outlays for income security programs rose modestly in the first eight months of the fiscal year, partly as a result of the continued strong economy, and spending on the major health programs grew somewhat more slowly than their average pace in recent years. Although still restrained, outlays for defense have ticked up this fiscal year after trending down for several years.

As for the part of federal spending that is included directly in GDP, real federal expenditures on consumption and gross investment declined 3¼ percent in the first quarter of 1997, a shade more than the average rate of decline in recent years. An increase in real nondefense spending was more than offset by a decline in real defense outlays.

The substantial drop in the unified budget deficit reduced federal borrowing in the first half of 1997 compared with the first half of 1996. The Treasury responded to the smaller-than-expected borrowing need by reducing sales of bills; this traditional strategy of allowing borrowing swings to be absorbed primarily by variation in bill issuance enables the Treasury to have predictable coupon auctions and to issue sufficient quantities of coupon securities to maintain their liquidity. The result this past spring was an unusually large net redemption of bills, which pushed yields on short-term bills down relative to yields on other Treasury securities and on short-term private paper.

The issuance of inflation-indexed securities at several maturities has been a major innovation in federal debt management this year. The Treasury sold indexed ten-year notes in January and April and added five-year notes earlier this month. A small number of agency and other borrowers issued their own inflation-indexed debt immediately after the first Treasury auction, and the Chicago Board of Trade recently introduced futures and options contracts based on inflation-indexed securities. As one would expect at this stage, however, the market for indexed debt has not yet fully matured: Trading volume as a share of the outstanding amount is much smaller than for nominal debt, and a market for stripped securities has yet to emerge.

State and Local

The fiscal condition of state and local governments has remained positive over the past year, as the surplus of receipts over current expenditures has been stable at a relatively high level. Strong growth in sales and incomes has led to robust growth in revenues, despite numerous small tax cuts, and many states have held the line on spending in the past several years. Additionally, the welfare reform legislation passed in August 1996, while presenting long-term challenges to state and local governments, actually has eased fiscal pressures in recent quarters: Block grants to states are based largely on 1992–94 grant levels, but caseloads more recently have been falling. Overall, at the state level, accumulated surpluses—current surpluses plus those from past years—were on track to end fiscal year 1997 at a healthy level, according to a survey by the National Association of State Budget Officers taken shortly before the end of most states' fiscal years.

Real expenditures for consumption and gross investment by state and local governments increased moderately in the first quarter of this year, about the same as the pace of advance in the past two years. For construction, the average level of real outlays during the first five months of the year was a little higher than in the fourth quarter. Hiring by state and local governments over the first half of the year was somewhat above last year's pace, with most of the increase at the local level.

The pace of gross issuance of state and local debt was roughly the same in the first half of the year as in 1996. Net issuance turned up noticeably, however, as retirements of debt that had been pre-refunded in the early 1990s waned.

The External Sector

Trade and the Current Account

The nominal deficit on trade in goods and services was $116 billion at an annual rate in the first quarter, somewhat larger than the $105 billion in the fourth quarter of last year. The current account deficit of $164 billion (annual rate) in the first quarter exceeded the $148 billion deficit for 1996 as a whole because of the widening of the trade deficit and further declines in net investment income. In April and May, the trade deficit was slightly narrower than in the first quarter.

The quantity of U.S. imports of goods and services surged in the first quarter at an annual rate of about 20 percent. Continued strength in the pace of U.S. economic activity largely accounted for the rapid growth, but a rebound in automotive imports from Canada from their strike-depressed fourth-quarter level boosted imports as well. Preliminary data for April and May suggest that strong real import growth continued. Non-oil import prices fell through the second quarter, extending the generally downward trend that began in mid-1995.

The quantity of U.S. exports of goods and services expanded at an annual rate a bit above 10 percent in the first quarter, about the same rapid pace as during the second half of last year. Growth of output in our major trading partners, particularly the industrial countries, helped to sustain the growth of exports, as did increased deliveries of civilian aircraft. Exports to western Europe and to Canada grew strongly, while those to the Asian developing countries declined somewhat. Preliminary data for April and May suggest that real exports rose moderately.

Capital Flows

Large gross capital inflows and outflows continued during the first quarter of 1997, reflecting the continued trend toward globalization of financial and product markets. Both foreign direct investment in the United States and U.S. direct investment abroad were very strong, swelled by mergers and acquisitions.

Private foreign net purchases of U.S. securities amounted to $85 billion in the first quarter, down somewhat from the very high figure in the previous quarter but still above the record pace for 1996 as a whole. Net purchases of U.S. Treasury securities were particularly robust. Private foreigners also showed increased interest in the U.S. stock market in the first quarter of 1997. U.S. net purchases of foreign securities amounted to $15 billion in the first quarter, down from the strong pace of 1996. Private foreigners continued to add to their holdings of U.S. paper currency in the first quarter, but at a rate substantially below earlier peaks.

Foreign official assets in the United States, which rose a record $122 billion in 1996, increased another $28 billion in the first quarter of 1997. Apart from the oil-producing countries, which benefited from high oil prices, significant increases in holdings were associated with efforts by some emerging-market countries to temper the impact of large private capital inflows on their economies. Information for April and May suggests that official inflows have abated.

Foreign Economies

Economic activity in the major foreign industrial countries has generally strengthened so far this year from the pace in the second half of last year. In Japan, real GDP accelerated to a 6½ percent annual growth rate in the first quarter, boosted by extremely strong growth of consumer spending ahead of an increase in the consumption tax on April 1. Activity appears to have fallen in the second quarter, but continued improvement in business sentiment suggests that the current weakness is only temporary. In Canada, growth of real output increased to 3½ percent at an annual rate in the first quarter. Final domestic demand more than accounted for this expansion, as business investment, consumption, and residential construction all provided significant contributions. Indicators suggest that output growth remained healthy in the second quarter.

Economic activity has remained vigorous so far this year in the United Kingdom and appears to have strengthened in Germany and France. In the first quarter, U.K. real GDP grew at an annual rate of 3½ percent as domestic demand, particularly investment, accelerated from its already strong pace in the fourth quarter. Strong household consumption spending supported demand in the second quarter. Weak demand for exports, associated with the appreciation of the pound since mid-1996, and some tightening of monetary conditions should moderate growth in the current quarter. In Germany, economic expansion revived in the first quarter and appears to have firmed in the second quarter. After growing very little in the fourth quarter of last year, German real GDP rose at an annual rate of 1¾ percent in the first quarter, led by government consumption, equipment investment, and exports. Manufacturing orders and indicators of business sentiment suggest additional gains in the second quarter. French real GDP grew only three-quarters percent at an annual rate in the first quarter, as declines in investment offset strong export growth, but data on manufacturing output and consumption suggest a pickup in activity during the second quarter.

In most major Latin American countries, real output growth remained vigorous. In Mexico, real economic expansion slowed some in the first quarter from its very rapid pace in the second half of last year but remained robust. The industrial sector continued to be the source of strength, while the service sector lagged. A pickup in import growth has resulted in a narrowing of the trade surplus; through May, the trade balance of $1¾ billion was about half the size it was in the same period last year. In Argentina, continued healthy economic growth in the first quarter has brought real GDP back to its level before the recession induced by the Mexican crisis of 1995. In Brazil, real output declined in the first quarter after three quarters of strong expansion.

Economic growth in our major Asian trading partners other than Japan slowed a bit on average in the first quarter but appears to have rebounded in the second quarter. Nationwide labor strikes in Korea affected many of the country's key export industries and were partly responsible for weakness in first-quarter output and a ballooning of the current account deficit. Data for April and May show recovery in industrial production, and the trade balance improved in the second quarter. Real output growth in Taiwan remains strong so far this year, though not quite so vigorous as during the second half of 1996. In China, real GDP continues to expand at an annual rate of nearly 10 percent, about the same brisk pace as last year.

Despite the pickup in growth, considerable excess capacity remains in the major foreign industrial countries. As a consequence, inflation has generally remained quiescent. The increase in the Japanese consumption tax lifted the twelve-month change in the consumer price index to about 1½ percent, but elevation of the inflation rate should be temporary. CPI inflation remains less than 2 percent in Germany, France, Canada, and Italy. Only in the United Kingdom, where output growth has resulted in tight labor markets and consumer prices are rising at an annual rate of more than 2½ percent, are inflation pressures currently a concern.

In most major countries in Latin America, inflation either is falling or is already low. Mexican inflation continues to improve: The monthly inflation rate was below 1 percent in May and June, the lowest monthly rates since the 1994 devaluation. In Argentina, consumer prices were essentially flat through the second quarter after almost no increase last year. Brazilian inflation has declined to historically low rates. In contrast, Venezuelan inflation, though it has come down from its 1996 rate of more than 100 percent per year, remains near 50 percent. Consumer price inflation remains generally low in Asia, including in China, where it fell to less than 3 percent in the twelve months through May.

The Labor Market

Payroll employment continued to expand solidly during the first half of 1997. The growth in nonfarm payrolls averaged about 230,000 per month; this figure may overstate slightly the underlying rate of employment growth in the first half because technical factors boosted payroll figures in April. The strength in labor demand drew additional people into the job market, raising the labor force participation rate to historical highs during the first half. Nevertheless, the civilian unemployment rate moved down to 4.9 percent, on average, in the second quarter.

Employment gains in the private service-producing sector, in which nearly two-thirds of all nonfarm workers are employed, accounted for much of the expansion in payrolls through June of this year. Within this sector, higher employment in services, transportation, and retail trade contributed importantly to the gain. After advancing substantially for several years, payrolls in the personnel supply industry—a category that includes temporary help agencies—actually turned down in the second quarter; anecdotal reports suggest that some temporary help firms are having difficulty finding workers, especially for highly skilled and technical positions.

Employment gains were also posted in the goods-producing sector. In the construction industry, payrolls increased substantially between December and June. Factory employment moved somewhat higher in the first part of the year after declining a little during 1996, and manufacturing overtime hours remained at a high level. Producers of durable goods increased employment further between December and June, while makers of nondurable goods continued to reduce payrolls. Since the end of 1994, factory employment and total hours worked in manufacturing have changed little. Even so, manufacturers have boosted output considerably over this period, primarily through ongoing improvements in worker productivity.

Although productivity for the broader nonfarm business sector rose substantially in the first quarter, it was just 1 percent above its value a year earlier. Moreover, output per hour changed little from the end of 1992 to the last quarter of 1995. The average rate of measured productivity growth in the 1990s is still somewhat below that of the 1980s and is even further below the average gains realized in the twenty-five years after World War II. The slower reported productivity growth during this expansion could partly reflect measurement problems. Productivity is the ratio of real output to hours worked, and official productivity indexes rely on a measure of real output based on expenditures. In theory, a matching measure of real output should be derivable by summing labor and capital inputs on the "income side" of the national accounts. However, the income-side measure of real output has increased considerably faster than the expenditure-side measure in recent years, raising the possibility that productivity growth has been somewhat better than reported in the official indexes.

Measurement difficulties may also affect estimates of the longer-term trajectory of productivity growth. In particular, if inflation were overstated by official measures—as a considerable amount of recent research suggests it is—then real output growth would be understated. This understatement would arise because too much inflation would be removed from nominal output growth in the calculation of real output growth. Indeed, productivity growth for nonfinancial corporations—a sector for which output growth arguably is measured more accurately than in broader sectors—has been more rapid than for nonfarm business overall. In particular, productivity for nonfinancial corporations increased at an average annual pace of about 1½ percent between 1990 and 1996, while productivity in the nonfarm business sector rose a little less than 1 percent per year over the same period. This difference—which implies very weak measured productivity growth outside of the nonfinancial corporate sector—raises the possibility that overall productivity growth is stronger than indicated by official indexes for nonfarm business.[1] Of course, a critical—and still unanswered—question is the extent to which any understatement of productivity growth has become larger over time. If productivity growth were more rapid than indicated by official statistics, then the economy's capacity to produce goods and services would be increasing faster than indicated by current official statistics. But if the amount of mismeasurement has not increased over time, then the economy's productive capacity also increased more rapidly in earlier years than shown by published measures. In this case, the official statistics on productivity growth—though perhaps understated—would not give a misleading impression about changes in productivity trends.

After changing little, on net, since the late 1980s, the labor force participation rate turned up early last year; it reached a record high 67.3 percent in March of this year and remained at an elevated 67.1 percent in the second quarter. Better employment opportunities have drawn additional people into the workforce. Although the recent welfare reform legislation probably has not yet had a large effect on aggregate labor force dynamics, it may generate an additional, albeit small, boost to labor force participation rates over the next few years. Since the beginning of 1996, the increases in the labor force associated with a higher participation rate have eased pressures on labor markets, as additional workers have stepped in to satisfy continuing strong demand for labor. Nevertheless, hiring was sufficiently brisk during the first half of this year to pull the unemployment rate down about one-quarter percentage point between December and June.

Just as the low unemployment rate points to tightness in labor markets, anecdotal reports from many regions and industries mention the difficulties firms are having hiring workers, especially workers with specialized skills. With this tightness, labor compensation costs have accelerated slightly. Although hourly labor costs, as measured by the employment cost index (ECI), increased only 2.5 percent at an annual rate during the first three months of this year, they were up 3.0 percent over the twelve months ending in March, compared with 2.7 percent over the preceding twelve months. These increases are smaller than might have been expected on the basis of historical relationships, perhaps partly reflecting persistent worker concerns about job security. In addition, modest increases in employer-paid benefits have partly offset faster increases in wages and salaries in the past couple of years. With smaller increases in health care costs than earlier in the decade, shifts of employees into managed care plans, and requirements that employees assume a greater share of health care costs, employer costs for health-related benefits have been well contained. However, growth in employer health care costs may be in the process of bottoming out, as reports of rising premiums for health insurance have become more common. Moreover, the wages and salaries component of the ECI has continued to accelerate, rising 3.4 percent during the twelve

1. More detail is provided in a paper by Lawrence Slifman and Carol Corrado, "Decomposition of Productivity and Unit Costs," Board of Governors of the Federal Reserve System, November 18, 1996.

months ending in March 1997, about one-quarter percentage point faster than during the previous twelve months and roughly half a percentage point faster than in 1994 and 1995.

Prices

The underlying trend of price inflation has remained favorable this year. In particular, the CPI excluding food and energy—often referred to as the "core" CPI—increased at an annual rate of 2½ percent over the first two quarters of the year, about the same pace as in 1996. The overall CPI registered a smaller increase than the core CPI during the first half of this year. Both the overall CPI and the core CPI have been affected by a series of technical changes implemented by the Bureau of Labor Statistics over the past two and one-half years to obtain a more accurate measure of price changes. If not for these changes, increases in the CPI since 1994 would be marginally larger.

Other measures of prices also suggest that favorable inflation trends continued into 1997. Measured from the first quarter of last year to the first quarter of this year, the chain price index for personal consumption expenditures excluding food and energy rose 2 percent, the same as in the four-quarter period a year earlier.[2] Similarly, the chain price index for overall GDP—which covers prices of all goods and services produced in the United States—and the chain measure for gross domestic purchases—which covers prices of all goods purchased in the United States—increased the same amount over the year ending in the first quarter of 1997 as during the previous four quarters.

All of these price measures indicate that inflation remains muted, despite high levels of resource utilization. Several factors have contributed to the recent favorable performance of price inflation. Energy prices have declined this year. Non-oil import prices also have fallen significantly, reducing input costs for some domestic companies and likely restraining the prices charged by domestic businesses that compete with foreign producers. Besides being restrained by some price competition from imported materials and supplies, prices of manufactured goods at earlier stages of processing have been held in check by an expansion of industrial capacity that has been rapid enough to restrain increases in utilization rates over the past year. Also, to the extent that firms have succeeded in their efforts to realize large efficiency gains and reduce unit costs, upward pressure on prices may be reduced. Finally, an extended period of relatively low and steady inflation has reinforced a belief among households and businesses that the trend of inflation should remain muted, and consequently helped to hold down inflation expectations.

Developments in the food and energy sectors were favorable to consumers in the first half of 1997. Consumer energy prices declined in the first half of the year as the price of crude oil dropped back following last year's run-up. In 1996, the price of crude oil was boosted by refinery disruptions, uncertainty about the timing of Iraqi oil sales, and unusual weather patterns that increased energy demand for heating and cooling. As these factors receded this year, crude oil prices fell. Although the downward trend was interrupted by some transitory spikes in prices—as in May when tensions in the Middle East flared up—the price of crude is now roughly back to the range that prevailed before last year's run-up. Since December, gasoline prices have tumbled more than 16 percent at an annual rate, and heating oil prices have fallen significantly. Natural gas prices also fell as stocks, which had dwindled over the winter, were replenished. Reflecting the declines in fuel prices, the CPI for energy fell about 9 percent at an annual rate between December 1996 and June 1997.

Consumer food prices increased at an annual rate of only about 1 percent in the first half of the year. Although coffee prices jumped, the prices of many other food items were flat or edged lower. Most notably, declines in grain prices that began in mid-1996 have been working their way to the retail level

2. The price measure for personal consumption expenditures (PCE) is closely related to the CPI because components of the CPI are key inputs in the construction of the PCE price measure. Nevertheless, the PCE price measure has the advantage that by using chain weighting rather than fixed weights it avoids some of the substitution bias that affects the CPI.

3. Alternative measures of price change

Percent

Price measure	1995:Q1 to 1996:Q1	1996:Q1 to 1997:Q1
Fixed-weight		
Consumer price index	2.7	2.9
Excluding food and energy	2.9	2.5
Chain-type		
Personal consumption expenditures	2.0	2.5
Excluding food and energy	2.0	2.0
Gross domestic purchases	2.2	2.2
Gross domestic product	2.2	2.2
Deflator		
Gross domestic product	2.1	1.8

NOTE. Changes are based on quarterly averages.

and have held down prices for a variety of grain-dependent foods, such as beef, poultry, and dairy products. Prices of foods that depend more heavily on labor costs have been rising modestly this year.

Consumer prices for goods other than food and energy rose a restrained three-quarters percent at an annual rate between December and June of this year, a touch below last year's pace. Declining prices for non-oil imports helped contain prices of goods in the CPI in the first half of the year, in part by constraining U.S. businesses in competition with importers. For example, prices of new and used passenger cars declined in the first six months of the year, and prices of light trucks were essentially flat. Also, prices of house furnishings were about unchanged, on balance, in the first half of the year, although apparel prices moved up after declining in recent years.

The CPI for non-energy services rose about 3 percent at an annual rate between December and June, a touch below last year's pace. After rising markedly last year, airfares declined, on net, in the first half of this year. Fares fell substantially early in the year when the excise tax on tickets expired, and even with the reimposition of the tax in March, ticket prices were still lower in June than in December. Increases in prices of medical services also continued to slow somewhat this year.[3] In addition, the CPI for auto finance fell in May and June as automakers sweetened incentives. In contrast, price increases in the first half of the year picked up in some other areas; shelter prices rose a bit more rapidly than last year, as did tuition and prices for personal care services.

3. In January 1997, the Bureau of Labor Statistics introduced a new measure of the prices of hospital services—which account for roughly one-third of the CPI for medical services—and this new measure should, over time, provide a more accurate gauge of price movements in this area.

Credit and the Monetary Aggregates

Credit and Depository Intermediation

The total debt of domestic nonfinancial sectors increased at an annual rate of about 4¾ percent from the fourth quarter of 1996 through May of this year, placing the aggregate near the middle of the range for 1997 established by the FOMC. This pace is more than half a percentage point below that for 1996, reflecting significantly slower growth of borrowing by the federal government. The total debt of the other sectors has risen at a roughly constant pace over the past few years, even though the growth rate of nominal output has been increasing.

Credit on the books of depository institutions rose more rapidly than total debt in the first half of 1997, indicating that their share of total debt outstanding increased. Credit growth at thrift institutions eased late last year and early this year after increasing moderately in the first three quarters of 1996. However, commercial bank credit grew at a brisk pace in the first half of the year, with both securities and loans increasing more rapidly than they did last year. Real estate lending at banks rose about 9 percent at an annual rate between the fourth quarter of 1996 and

4. Growth of money and debt

Percent

Period	M1	M2	M3	Domestic nonfinancial debt
Annual[1]				
1987	6.3	4.2	5.8	10.0
1988	4.3	5.7	6.3	9.0
1989	.5	5.2	4.0	7.9
1990	4.1	4.1	1.8	6.9
1991	7.9	3.1	1.2	4.6
1992	14.4	1.8	.6	4.7
1993	10.6	1.3	1.1	5.2
1994	2.5	.6	1.7	5.2
1995	−1.6	4.0	6.2	5.5
1996	−4.6	4.7	6.8	5.4
Quarterly (annual rate)[2]				
1997:1	−.7	6.1	8.2	4.5
2	−5.4	4.3	6.8	n.a.
Year-to-date[3]				
1997	−2.6	4.9	7.1	4.8

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.
2. From average for preceding quarter to average for quarter indicated.
3. From average for fourth quarter of 1996 to average for June (May in the case of domestic nonfinancial debt).
n.a. Not available.

June of this year, compared with 4 percent in 1996. In contrast, outstanding home mortgages at thrift institutions grew little in the first part of the year after a large run-up in 1996. Home equity credit lines from banks expanded especially rapidly in the spring, as some banks promoted these loans as a substitute for consumer loans. The growth of consumer loans at banks (including loans that were securitized as well as loans still on banks' books) fell from about 11 percent in 1996 to 3¼ percent at an annual rate between the fourth quarter of 1996 and June of this year.

The Monetary Aggregates

Growth of the monetary aggregates during the first half of 1997 was similar to growth in 1996. Between the fourth quarter of last year and June, M2 expanded at an annual rate of almost 5 percent; as the Committee had anticipated, the aggregate was running close to the upper bound of its growth cone, which had been chosen to be consistent with price stability. The behavior of M2 over this period can be reasonably well explained by changes in nominal GDP and interest rates, using historical velocity relationships. In the first quarter, the velocity of M2 (defined as the ratio of nominal GDP to M2) increased a little more than might have been anticipated from its recent relationship to the opportunity cost of holding M2—the interest earnings forgone by owning M2 assets rather than market instruments such as Treasury bills. M2 may have been held down a bit by savers' preferences for equity market funds, for which inflows were quite strong. Growth of M2 was much slower in the second quarter than in the first quarter (4¼ percent compared with 6 percent at an annual rate), consistent with the slowing of the economy and almost unchanged M2 opportunity cost. The monthly pattern of M2 growth in the second quarter was heavily influenced by unusually high individual nonwithheld tax payments. M2 surged in April, as households apparently accumulated additional liquid balances in order to make the larger tax payments, and was about unchanged on a seasonally adjusted basis in May as payments cleared and balances returned to normal.

The correspondence between changes in M2 velocity and in opportunity cost during recent years may represent a return to the roughly stable relationship observed for several decades until 1990—albeit at a higher level of velocity. The relationship was disturbed in the early 1990s by households' apparent decisions to shift funds out of lower-yielding deposits into higher-yielding stock and bond mutual funds. On one hand, the "credit crunch" at banks and the resolution of troubled thrifts curbed the eagerness of these institutions to attract retail deposits, holding down the rates of return offered on brokered deposits and similar accounts relative to the average deposit rates used in constructing measures of opportunity cost. At the same time, the appeal of longer-term assets was enhanced temporarily by the steeply sloped yield curve and more permanently by the greater variety and lower cost of mutual fund products available to investors. More recently, robust inflows into stock funds apparently have substituted to only a limited extent for holdings of M2 assets, and M2 velocity and opportunity cost have again been moving roughly together since mid-1994, although velocity has continued to drift up slightly. However, the period of renewed stability in the behavior of M2—three years—is still fairly short, and whether the stability will persist is unclear. Variations in opportunity cost and income growth during this period have been rather small, leaving considerable doubt about how M2 would respond to more significant changes in the financial and economic environment.

M3 rose about 7 percent at an annual rate between the fourth quarter of 1996 and June of this year. This pace is a little faster than last year's and again left M3 above the upper end of its growth cone, which, like the growth cone for M2, was set to be consistent with price stability. Large time deposits, which are not included in M2, continued to increase much more rapidly than other deposits. Banks have been funding their asset growth disproportionately through wholesale deposits, leaving interest rates on retail deposits further below market rates than they have been historically. Growth of institution-only money market funds eased just a little from last year's torrid pace, as the role of these funds in corporate cash management continued to increase.

M1 contracted at a 2½ percent annual rate between the fourth quarter of 1996 and June of this year. Growth of this aggregate was again depressed by the spread of so-called sweep programs, whereby balances in transactions accounts, which are subject to reserve requirements, are "swept" into savings accounts, which are not. Sweep programs benefit depositories by reducing their required holdings of reserves, which earn no interest. At the same time, they do not restrict depositors' access to their funds for transactions purposes, because the funds are swept back into transactions accounts when needed. Until late last year, most retail sweep programs were limited to NOW accounts, but demand-deposit sweeps have expanded markedly since then. Adjusted for the estimated total of balances swept owing to the introduction of new sweep programs, M1 expanded at a 4¾ percent annual rate between the fourth quarter of 1996 and June 1997, a little below its sweep-adjusted growth rate in 1996.

The drop in the amount of deposits held in transactions accounts in the first half of 1997 caused required reserves to fall about 10 percent at an annual rate, close to the rate of decline last year. Nonetheless, the monetary base has expanded at a moderate pace so far in 1997, because the runoff in required reserves has been more than offset—as it was also last year—by an increase in the demand for currency. Currency growth has been a little higher this year than last, as the effects of strong domestic spending more than offset a slight drop in net shipments of U.S. currency abroad in the first four months of the year.

Further reductions in required reserves have the potential to diminish the Federal Reserve's ability to control the federal funds rate closely on a day-to-day basis. Traditionally, the daily demand for balances at the Federal Reserve largely reflected banks' needs for required reserves, which are fairly predictable. As a result, the Federal Reserve has generally been able to supply the quantity of balances that satisfies this demand at the intended funds rate. Moreover, reserve requirements are specified in terms of an average level of balances over a two-week period, so if the funds rate on a particular day moves above the level expected to prevail on ensuing days, banks can trim their balances and thereby relieve some of the upward pressure on the funds rate. If required reserves were to fall quite low, the demand for balances would become more linked to banks' desire to avoid overnight overdrafts when conducting transactions through their accounts at Reserve Banks. Demand from this source is more variable than is requirement-related demand, and it also cannot be substituted across days; both factors would tend, all else equal, to increase the volatility of the federal funds rate.

The decline in required reserves over the past several years has not created serious problems in the federal funds market, but funds-rate volatility has risen a little, and the risk of much greater volatility would increase if required reserves were to fall substantially further. One factor mitigating an increase in funds-rate volatility has been an increase in required clearing balances. These balances, which banks can precommit to hold on a two-week average basis, earn credits that banks use to pay for Federal Reserve priced services. Like required reserve balances, required clearing balances are predictable by the Federal Reserve and can be substituted across days within the two-week maintenance period. Funds-rate volatility has also been damped by banks' improved management of their balances at Reserve Banks, which in part reflects the improved real-time access to account information now provided by the Federal Reserve. Whether these factors could continue to restrain funds-rate volatility if required reserve balances were to become much smaller is as yet unclear. Also unclear is whether a moderate increase in funds-rate volatility would have any serious adverse consequences for interest rates farther out on the yield curve or for the macroeconomy. The Federal Reserve continues to monitor the situation closely.

Interest Rates, Equity Prices, and Exchange Rates

Interest Rates

Interest rates on Treasury securities were little changed or declined a bit, on balance, between the end of 1996 and mid-July. Yields rose substantially in the first quarter as evidence mounted that the robust economic activity observed in the closing months of 1996 had continued into 1997. By the time of the March FOMC meeting, most participants in financial markets were anticipating some tightening of monetary policy, and rates moved little when the increase in the intended federal funds rate was announced. Beginning in late April, key data pointed to continued low inflation and a slowing of economic growth in the second quarter, and interest rates retraced their earlier advance.

The yield on the inflation-indexed ten-year Treasury note was little changed between mid-April and mid-July, suggesting that at least part of the roughly 60-basis-point drop in the nominal ten-year yield over that period reflected a reduction in expected inflation or in uncertainty about future inflation, or both. Yet, relative movements in these two yields should be interpreted carefully, as the market's experience in trading indexed debt is relatively brief, making its prices potentially vulnerable to small shifts in market sentiment. Moreover, the Treasury announced this spring a reduction in the frequency of nominal ten-year note auctions, perhaps putting downward pressure on their nominal yields, and some investors may have paid renewed attention to upcoming technical adjustments to the CPI, which will reduce measured inflation. Survey-based measures of expected inflation showed little change in the second quarter.

The interest rate on the three-month Treasury bill was held down in recent months by the reduced supply of bills associated with the smaller federal deficit. Between mid-March and mid-July, the spread between the federal funds rate and the three-month yield averaged about 15 basis points above the average spread in 1996. Interest rates on private short-term instruments increased a little in the second quarter after the small System tightening in March.

Equity Prices

Equity markets have advanced dramatically again this year. Through mid-July, most broad measures of U.S. stock prices had climbed between 20 percent and 25 percent since year-end. Stocks began the year strongly, with the major indexes reaching then-record levels in late January or February. Significant selloffs ensued, partly occasioned by the backup in interest rates, and by early April the NASDAQ index was well below its year-end mark and the S&P 500 composite index was barely above its. Equity prices began rebounding in late April, however, soon pushing these indexes to new highs. Stock prices have been somewhat more volatile this year than last.

The run-up in stock prices in the spring was bolstered by unexpectedly strong corporate profits for the first quarter. Still, the ratio of prices in the S&P 500 to consensus estimates of earnings over the coming twelve months has risen further from levels that were already unusually high. Changes in this ratio have often been inversely related to changes in long-term Treasury yields, but this year's stock price gains were not matched by a significant net decline in interest rates. As a result, the yield on ten-year Treasury notes now exceeds the ratio of twelve-month-ahead earnings to prices by the largest amount since 1991, when earnings were depressed by the economic slowdown. One important factor behind the increase in stock prices this year appears to be a further rise in analysts' reported expectations of earnings growth over the next three to five years. The average of these expectations has risen fairly steadily since early 1995 and currently stands at a level not seen since the steep recession of the early 1980s, when earnings were expected to bounce back from levels that were quite low.

Exchange Rates

The weighted average foreign exchange value of the dollar in terms of the other G-10 currencies rose sharply in the first quarter from its level in December and has moved up somewhat further since then. On balance, the nominal dollar is more than 10 percent above its level at the end of December. A broader measure of the dollar that includes currencies from additional U.S. trading partners and adjusts for changes in relative consumer prices shows appreciation of about 7 percent. After rising nearly 10 percent in terms of the Japanese yen to a recent peak in late April, the dollar retreated; it is currently about unchanged from its value in terms of yen at the end of December. In contrast, the dollar has risen about 17 percent in terms of the German mark since the end of last year.

Early in the year, data showing continued strengthening of U.S. economic activity surprised market participants, raised their expectations of some tightening of U.S. monetary policy, and contributed to upward pressure on the dollar. In light of the FOMC action in late March and the tendency for subsequent economic indicators to suggest a slowing of the growth of U.S. real output, pressure for dollar appreciation abated. While robust economic activity in the United States generated a rise in U.S. long-term interest rates through April, market uncertainty about the strength of output growth in several foreign industrial countries led to little change, on balance, in average long-term (ten-year) rates in other G-10 countries. Since then, U.S. rates have returned to near year-end levels, while rates abroad have moved down. Accordingly, the long-term interest differential, on balance, has shifted further in favor of dollar assets since December, consistent with the net appreciation of the dollar this year.

Despite indications of further recovery of output in Japan, the dollar rose against the yen early in the year as planned fiscal policy in Japan appeared to be more restrictive than had been expected, and Japanese long-term interest rates declined in response. Statements by G-7 officials at their meeting in Berlin in February and on subsequent occasions suggested some concern that the dollar's strength and the yen's weakness not become excessive. The dollar moved back down in terms of the yen in May and has since fluctuated narrowly. The yen has been supported by data showing a widening of Japanese external surpluses and by a partial retracing by Japanese long-term rates of their earlier decline, as indicators have suggested that the fiscal measures may not be as contractionary as previously expected.

The dollar also rose sharply early in the year in terms of the German mark and other continental European currencies. Market participants have been disappointed that the pace of economic activity has not strengthened further in continental European countries. In addition, uncertainties about the prospects for European Monetary Union, including the possibility of delay and the question of which countries will be in the first group proceeding to Stage Three, have resulted in fluctuations in the mark and, on balance, appear to have strengthened the dollar. German long-term interest rates have declined somewhat on balance this year.

Short-term market interest rates in most of the major foreign industrial countries have changed little on average since the end of last year. Rates in the United Kingdom have risen somewhat as the new government increased the official lending rate one-quarter percentage point in May and the Bank of England raised it by the same amount in June and again in July. Short-term rates in Italy and Switzerland have eased. Stock prices have risen sharply so far this year in the major foreign industrial countries, particularly in continental Europe.

The dollar has changed little on balance in terms of the Mexican peso since December, as improved investor sentiment toward Mexico, reflected in narrowing yield spreads between Mexican and U.S. dollar-denominated bonds, has supported the peso. The trend in Mexican inflation has declined this year; nevertheless, the excess of Mexican inflation over U.S. inflation implies about a 7 percent real appreciation of the peso since December.

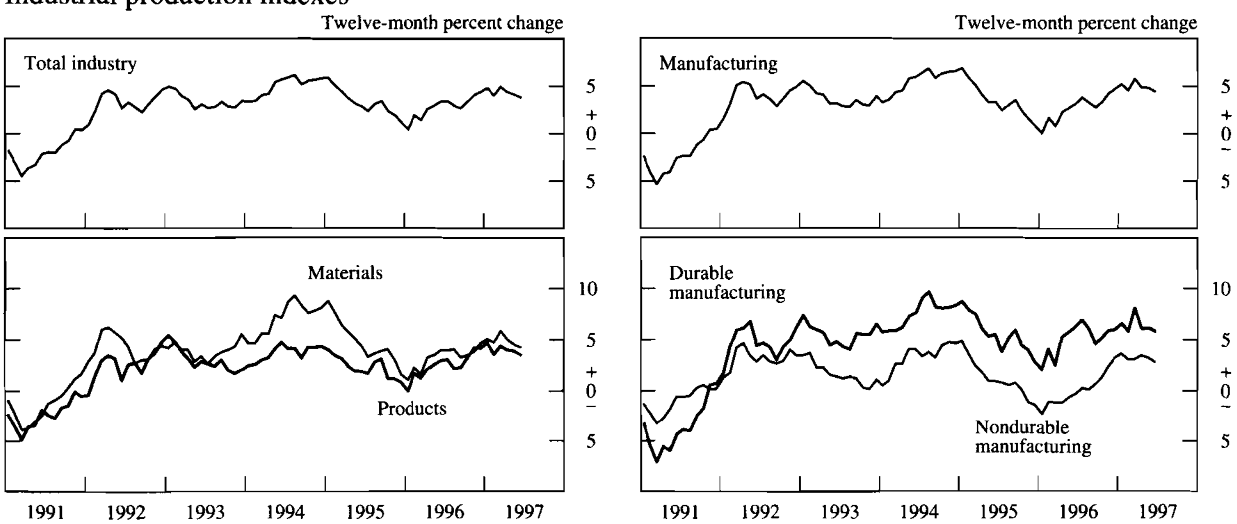
Since mid-May, financial pressures in Thailand, which caused authorities there to raise interest rates and have led to depreciation of the currency, have spilled over to influence financial markets in some of our Asian trading partners, particularly the Philippines and Malaysia. Interest rates in both of these countries rose sharply. Philippine officials relaxed their informal peg of the peso in terms of the dollar, and the currency declined significantly; the Malaysian ringgit and Indonesian rupiah have also depreciated. □

Industrial Production and Capacity Utilization for June 1997

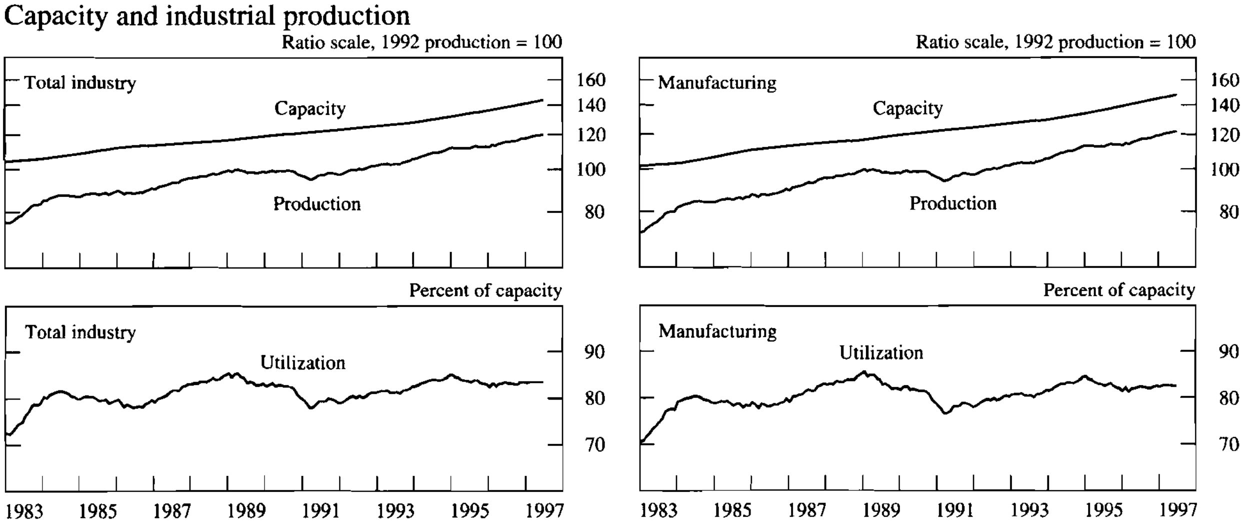
Released for publication July 15

Industrial production increased 0.3 percent in June, about the same pace as in the previous three months. The production of motor vehicles rebounded sharply in June from the strike-reduced levels of April and May. Continued strength in commercial aircraft and the high-technology sector again contributed importantly to the growth of output. As more seasonal weather returned, the output at utilities increased 0.4 percent; the output at mines was unchanged. For the second quarter as a whole, industrial production grew 4.3 percent at an annual rate, about the same as in the previous two quarters. At 119.9 percent of its 1992 average, industrial production in June was 3.8 percent higher than it was in June 1996—more

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, June 1997

Category	Industrial production, index, 1992=100								
	1997				Percentage change				
					1997[1]				June 1996 to June 1997
	Mar.r	Apr.r	Mayr	Junep	Mar.r	Apr.r	Mayr	Junep	
Total	**118.8**	**119.3**	**119.5**	**119.9**	**.4**	**.4**	**.2**	**.3**	**3.8**
Previous estimate	118.8	119.2	119.7	...	.4	.3	.4	...	...
Major market groups									
Products, total[2]	115.3	115.4	115.7	116.2	.4	.1	.3	.4	3.5
Consumer goods	112.1	112.1	112.2	112.6	.4	.0	.1	.3	1.7
Business equipment	134.3	135.4	135.9	137.0	.4	.8	.4	.8	8.2
Construction supplies	121.8	120.0	120.9	120.3	1.5	−1.5	.7	−.4	1.7
Materials	124.5	125.4	125.6	125.7	.3	.8	.1	.1	4.3
Major industry groups									
Manufacturing	120.6	120.9	121.3	121.7	.4	.3	.3	.3	4.5
Durable	131.7	132.2	132.9	133.7	.7	.4	.5	.6	5.8
Nondurable	108.7	108.8	109.0	108.9	.1	.1	.1	.0	2.9
Mining	107.5	106.1	108.2	108.1	1.1	−1.3	1.9	.0	3.6
Utilities	109.9	113.3	110.3	110.7	−.2	3.0	−2.7	.4	−2.9
	Capacity utilization, percent								MEMO Capacity, percentage change, June 1996 to June 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996	1997				
				June	Mar.r	Apr.r	Mayr	Junep	
Total	**82.1**	**71.1**	**85.3**	**83.5**	**83.6**	**83.6**	**83.5**	**83.5**	**3.8**
Previous estimate	...	...	...	...	83.6	83.6	83.7	...	...
Manufacturing	81.2	69.0	85.7	82.3	82.7	82.6	82.6	82.5	4.2
Advanced processing	80.6	70.4	84.2	80.5	80.7	80.6	80.5	80.5	5.1
Primary processing	82.3	66.2	88.9	86.5	87.3	87.1	87.4	87.0	2.3
Mining	87.5	80.3	86.8	91.8	94.3	93.0	94.6	94.5	.6
Utilities	87.2	75.9	92.6	91.4	86.8	89.3	86.9	87.1	1.9

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

than half of this increase reflects gains in computers, semiconductors, and commercial aircraft and parts. The rate of industrial capacity utilization was unchanged, at 83.5 percent.

MARKET GROUPS

Paced by another sharp increase in the production of durable consumer goods, the overall output of consumer goods rose 0.3 percent; the production of nondurable consumer goods was unchanged. Among durables, the output of consumer motor vehicles rose 4.0 percent to near its pre-strike (March) level. The production of appliances and home computing equipment also posted strong increases. The production of nondurable consumer goods other than energy products was flat and little changed from its level in March; gains in clothing and in paper products were offset by declines in foods and tobacco and in consumer chemical products. The output of consumer energy products was also little changed, with a small gain in residential electricity sales largely offset by a small loss in fuels.

The output of business equipment rose 0.8 percent, and that of defense and space equipment also posted a strong gain. The growth in business equipment was led by the rebound in business vehicles and by further strong increases in the output of information processing equipment and of commercial aircraft. However, the production of industrial equipment and of other equipment, both of which had declined noticeably in May, slipped again in June; even so, the output indexes for both sectors remained above March levels.

The output of construction supplies fell 0.4 percent, reversing part of the May increase; as a result, the June index for this market group is now more than 1 percent below its peak in March, but it is still above its average level for the fourth quarter of last year. The production of materials edged up 0.1 percent, led by another gain in the output of durable goods materials. Among the components of durable materials, the output of equipment parts, particularly semiconductors, rose sharply, and the production of parts for consumer durables, mainly for motor vehicles, also increased. Energy materials fell 0.3 percent, with a large decrease in coal production more than offsetting increases in electricity generation and sales. The output of nondurable goods materials slipped 0.2 percent.

Industry Groups

Manufacturing output increased 0.3 percent after identical increases in April and May. Excluding motor vehicles and parts, the output in manufacturing rose 0.2 percent, or about half the rate recorded during the previous two months. As in the past few months, much of the strength in manufacturing reflects the increased output of durable goods; the production of nondurables remains little changed from the end of last year. Gains were widespread within the durable goods sector, with only the furniture and primary metals industries declining appreciably. Increases were especially strong in electrical machinery and transportation equipment. The production of nondurables was flat—gains in the apparel, printing, and petroleum products industries were offset by declines in the rest of the sector, especially tobacco, paper, and leather and products.

Mining output was flat, with another big gain in oil and gas well drilling offset by a large drop in coal mining; utility output increased.

The factory operating rate edged down 0.1 percentage point, to 82.5 percent, the same level as in December 1996. The utilization rate for advanced-processing industries remained at 80.5 percent, which is slightly below its long-term average. The rate for primary-processing industries, which had risen 0.3 percentage point in May, fell 0.4 percentage point, to 87.0 percent, well below its recent high of 89.6 percent in December 1994; the operating rates for all primary-processing industries fell. The operating rate at mines decreased 0.1 percentage point, to 94.5 percent, while the rate at utilities increased 0.2 percentage point, to 87.1 percent.

Note: This release contains revised estimates of capacity for selected industries for March through December 1997. The revision increased the estimated growth of aggregate capacity 0.2 percentage point between December 1996 and December 1997. □

Announcements

NOMINATIONS SOUGHT FOR APPOINTMENTS TO THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board on June 13, 1997, announced that it is seeking nominations for thirteen appointments to its Consumer Advisory Council.

The council, which consists of thirty members, advises the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks advice. The group meets in Washington, D.C., three times a year.

The thirteen new members will be appointed to serve three-year terms beginning in January 1998.

Nominations should include the following information about nominees:

- Past and present positions held
- Knowledge, interests, or experience related to community reinvestment, consumer credit, or other consumer financial services
- Complete address with telephone and fax numbers.

Letters of nomination must be received by August 15, 1997, and should be mailed (not faxed) to Dolores S. Smith, Associate Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

The Board announced on June 20, 1997, that the Consumer Advisory Council would meet on Thursday, July 17 in a meeting open to the public.

REGULATIONS D AND I: AMENDMENTS

The Federal Reserve Board announced on June 25, 1997, amendments to Regulation D (Reserve Requirements of Depository Institutions) and Regulation I (Issue and Cancellation of Capital Stock of Federal Reserve Banks) to define the location of a depository institution to facilitate interstate branching. The final amendments are effective October 1, 1997.

The amendments clarify the Federal Reserve District where a depository institution is eligible for Federal Reserve membership and the location of a depository institution's reserve account.

PROPOSED ACTION

The Federal Reserve Board on June 13, 1997, requested comment on a proposal for the Federal Reserve Banks to offer an enhanced net settlement service to depository institutions. The proposed service would combine and improve selected features from the Reserve Banks' existing net settlement services. Comments were requested by August 11, 1997.

PUBLICATION OF THE JUNE 1997 UPDATE OF THE *BANK HOLDING COMPANY SUPERVISION MANUAL*

The June 1997 update of the *Bank Holding Company Supervision Manual*, Supplement No. 12, is now available. The *Manual* comprises the Federal Reserve System's bank holding company inspection procedures and supervisory guidance. This information includes the following:

Supervisory Policy and Issues

- Revisions to Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks); supervisory guidance on required absences from sensitive positions; information on tax payments by bank holding companies and associated deferred tax assets and liabilities and Subchapter S elections; risk-focused, safety-and-soundness inspections; and inspection guidance for evaluating the management of interest rate risk.

Nonbanking Activities

- Modifications of the section 20 company inspection procedures (involving fewer Board commitments), Board decisions from September 1996 through January 1997 (involving certain earnings treatment, an increase in the bank-ineligible revenue limit from 10 percent to 25 percent, and the elimination of the alternative indexed-revenue test [further detailed in the March 1997 FR Y-20 report instructions]).

• Summaries of new nonbanking activities adopted by Board order; a revised section on holdings of debt previously contracted (DPC) shares; real estate and other assets; revisions to the accounting standards for the mortgage banking inspection procedures; modification of the prudential limitations for riskless principal and private placement activities; and new sections involving Board decisions with respect to EDP services.

Financial Analysis

• Inspection guidance on the use of certain cumulative preferred stock instruments in tier 1 capital, the Board's adoption of the CAMELS Rating System to include market risk (the new "S" component), and the disclosure of the rating components (along with the composite rating).

The revision supplement includes a more detailed list of changes to the *Manual*. The *Manual* and updates, including pricing information, are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551 (or by fax at 202-728-5886). □

Legal Developments

FINAL RULE—AMENDMENTS TO REGULATIONS D AND I

The Board of Governors is amending 12 C.F.R. Parts 204 and 209, its Regulations D and I (Reserve Requirements of Depository Institutions and Issue and Cancellation of Capital Stock of Federal Reserve Banks), to define the location of a depository institution for purposes of Federal Reserve membership and reserve account maintenance. These amendments will facilitate interstate banking.

Effective October 1, 1997, 12 C.F.R. Parts 204 and 209 are amended as follows:

Part 204—Reserve Requirements of Depository Institutions (Regulation D)

1. The authority citation for Part 204 continues to read as follows:

Authority: 12 U.S.C. 248(a), 248(c), 371a, 461, 601, 611, and 3105.

2. In section 204.3, paragraph (b) is revised to read as follows:

* * * * *

(b) *Form and location of reserves.* (1) A depository institution, a U.S. branch or agency of a foreign bank, and an Edge or agreement corporation shall hold reserves in the form of vault cash, a balance maintained directly with the Federal Reserve Bank in the Federal Reserve District in which it is located, or a pass-through account. Reserves held in the form of a pass-through account shall be considered to be a balance maintained with a Federal Reserve Bank.

(2) (i) For purposes of this section, a depository institution is located in the Federal Reserve District that contains the location specified in the institution's charter or organizing certificate, or, if no such location is specified, the location of its head office, unless otherwise determined by the Board under paragraph (b)(2)(ii) of this section.

(ii) If the location specified in paragraph (b)(2)(i) of this section, in the Board's judgment, is ambiguous, would impede the ability of the Board or the Federal Reserve Banks to perform their functions under the Federal Reserve Act, or would impede the ability of the institution to operate efficiently, the Board will determine the Federal Reserve District in which the institution is located, after consultation with the institution and the relevant Federal Reserve Banks. The relevant Federal Reserve Banks are the Federal Reserve Bank whose District contains the location specified in paragraph (b)(2)(i) of this section and the Federal Reserve Bank in whose District the institution is proposed to be located. In making this determination, the Board will consider any applicable laws, the business needs of the institution, the location of the institution's head office, the locations where the institution performs its business, and the locations that would allow the institution, the Board, and the Federal Reserve Banks to perform their functions efficiently and effectively.

* * * * *

Part 209—Issue and Cancellation of Capital Stock of Federal Reserve Banks (Regulation I)

1. The authority citation for Part 209 continues to read as follows:

Authority: 12 U.S.C. 248, 321–338, 486, 1814, 1816.

2. A new section 209.15 is added to read as follows:

Section 209.1—Location of bank.

(a) *General rule.* For purposes of this part, a national bank or a state bank is located in the Federal Reserve District that contains the location specified in the bank's charter or organizing certificate, or, if no such location is specified, the location of its head office, unless otherwise determined by the Board under paragraph (b) of this section.

(b) *Board determination.* If the location of a bank as specified in paragraph (a) of this section, in the Board's judgment, is ambiguous, would impede the ability of the Board or the Federal Reserve Banks to perform their functions under the Federal Reserve Act, or would impede the ability of the bank to operate efficiently, the Board will determine the Federal Reserve District in which the bank is located, after consultation with the bank and the relevant Federal Reserve Banks. The relevant Federal Reserve Banks are the Federal Reserve Bank whose District contains the location specified in the paragraph (a) of this section and the Federal Reserve Bank in whose District the bank is proposed to be located. In making this determination, the Board will consider any applicable laws, the business needs of the bank, the location of the bank's head office, the locations where the bank performs its business, and the locations that would allow the bank, the Board, and the Federal Reserve Banks to perform their functions efficiently and effectively.

FINAL RULE—AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to allow the Secretary of the Board to determine the Federal Reserve District in which an institution is located for purposes of Federal Reserve membership and reserve account maintenance. This amendment should provide for more expeditious handling of location determinations.

Effective October 1, 1997, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

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

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

2. Section 265.5 is amended by adding a new paragraph (f) to read as follows:

Section 265.5—Functions delegated to Secretary of the Board.

* * * * *

(f) *Location of institution.* To determine the Federal Reserve District in which an institution is located pursuant to section 204.3(b)(2)(ii) of Regulation D (12 C.F.R. Part 204) or section 209.15(b) of Regulation I (12 C.F.R. Part 209) if:

(1) The relevant Federal Reserve Banks and the institution agree on the specific Reserve Bank in which the institution should hold stock or with which the institution should maintain reserve balances; and

(2) The agreed-upon location does not raise any significant policy issues.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

AMCORE Financial, Inc.
Rockford, Illinois

Order Approving the Acquisition of Bank Holding Companies

AMCORE Financial, Inc., Rockford, Illinois ("AMCORE"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Country Bancshares Corporation, Mount Horeb, and its wholly owned subsidiary, Belleville Bancshares Corporation, Belleville (collectively "Country"), and thereby acquire their subsidiary banks: State Bank of Mount Horeb, Mount Horeb; Montello State Bank, Montello; State Bank of Argyle, Argyle; Citizens State Bank, Clinton; and Belleville State Bank, Belleville, all in Wisconsin.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 14,910 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

AMCORE is the tenth largest commercial banking organization in Illinois, controlling deposits of $1.9 billion, representing approximately 1.2 percent of total deposits in commercial banking organizations in the state, and is the 25th largest commercial banking organization in Wisconsin, controlling approximately $192.6 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Country is the 18th largest commercial banking organization in Wisconsin, controlling approximately $233.5 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state. On consummation of this proposal, AMCORE would become the tenth largest commercial banking organization in Wisconsin, controlling approximately $425.1 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in Wisconsin.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[2] For purposes of the BHC Act, AMCORE's home state is Illinois, and AMCORE would acquire a bank in Wisconsin. The conditions for an interstate acquisition under section 3(d) are met in this case,[3] and the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

1. State deposit data are as of December 31, 1996, and reflect AMCORE's acquisition of First National Bancorp, Monroe, Wisconsin, which was consummated on April 18, 1997. Market deposit data are as of June 30, 1996.

2. Pub. L. No. 103–328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

3. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). AMCORE is adequately capitalized and adequately managed. On consummation of the proposal, AMCORE and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Wisconsin. The subsidiary banks of Country have been in existence and continuously operated for at least the minimum period required under Wisconsin law. In addition, all other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

Competitive Considerations

AMCORE and Country compete directly in the Madison, Wisconsin, banking market.[4] AMCORE operates the 18th largest banking or thrift organization ("depository institution") in the Madison banking market, controlling deposits of approximately $48.8 million, representing approximately 1.1 percent of total deposits in depository institutions in the market ("market deposits").[5] Country operates the ninth largest depository institution in the market, controlling deposits of approximately $118.9 million, representing approximately 2.6 percent of market deposits. On consummation of the proposal, AMCORE would become the sixth largest depository institution in the Madison banking market, controlling deposits of $167.7 million, representing approximately 3.7 percent of market deposits. The market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"), and the HHI would increase 6 points to 1247 as a result of the acquisition.[6] Numerous competitors also would remain in the banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition or on the concentration of banking resources in the Madison banking market or any other relevant banking market.

Other Factors Under the BHC Act

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

A. Financial, Managerial, and other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of AMCORE, Country, and their respective subsidiary banks, and other supervisory factors in light of all the facts of record. The facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by AMCORE. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, are consistent with approval of the proposal.

B. Convenience and Needs Factor

The Board has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. In reviewing the convenience and needs considerations in the proposal, the Board notes that AMCORE provides a full range of financial services through its banking subsidiaries, including a broad range of mortgage, consumer, agricultural, and small business loan products. AMCORE has stated that after consummation of the proposal, it would offer these services, some of which are not available through Country, in communities currently served by Country. AMCORE also has stated that it would review Country's credit products and retain the products that are unique to the local market, including the development and expansion of programs that serve rural and farm areas.

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

4. The Madison, Wisconsin, banking market ("Madison banking market") is approximated by Dane County except for the townships of York, Medina, Deerfield, Christiana, and Albion; and Dekorra, Lowville, Otsego, Fountain, Prairie, Columbus, Hampden, Leeds, Arlington, Lodi, and West Point townships in Columbia County, all in Wisconsin. The Wisconsin Rural Development Center, Inc. ("Commenter") maintains that the proposal would increase market concentration and adversely affect competition for loans in a four county area in southwestern Wisconsin. Commenter presents no facts to support lending as the relevant product market or the four county area in southwestern Wisconsin as the relevant geographic market. The appropriate product market for evaluating the competitive effects of acquisitions of depository institutions is the cluster of products and services offered by such institutions. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1997). The Board and the courts also have concluded that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives. *Id.* The Board has considered Commenter's contentions in light of all the facts of record, and concludes that the appropriate geographic market is the Madison banking market as defined above. The Board bases this conclusion on an analysis of employment, commuting data, shopping patterns, newspaper circulation, advertising by financial institutions, loan and deposit data, traffic patterns, and other facts of record.

5. Market data are as of June 30, 1995. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered 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 increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

CRA Performance Examinations. As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of an institution's overall record of performance under the CRA by its primary federal supervisor.[7]

All AMCORE subsidiary banks received "outstanding" or "satisfactory" ratings for CRA performance in the most recent evaluations by their primary federal supervisor. AMCORE's lead subsidiary bank, AMCORE Bank, N.A., Rockford, Rockford, Illinois, which controls a majority of the deposits in the AMCORE subsidiary banks, received an "outstanding" rating in its most recent CRA performance examination from the Office of the Comptroller of the Currency ("OCC"), as of August 1995 (the "Rockford Examination"). The six remaining AMCORE subsidiary banks received "satisfactory" ratings for CRA performance in their most recent evaluations. In addition, all of the subsidiary banks of Country received either "outstanding" or "satisfactory" ratings for CRA performance in their most recent evaluations by their primary federal supervisor.

The Rockford Examination concluded that the bank's lending activities and loan originations reflected excellent responsiveness to meeting community credit needs and that the bank was a leader in a number of federal loan programs. Examiners also concluded that the bank's distribution of credit products was reasonable and significantly penetrated all segments of the delineated community, including low- and moderate-income ("LMI") neighborhoods. The Rockford Examination also noted that the bank was active in community development activities, including providing assistance to several community development organizations located in LMI areas.

Comments on the Proposal. Commenter contends that AMCORE will close branches in Wisconsin, specifically in the Belleville community, as a result of this proposal and requests the Board to prohibit any branch closings in Wisconsin as a condition of approving the proposed acquisition.[8]

Federal banking law addresses branch closing by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch.[9] The statute, however, does not authorize the federal regulators to prevent the closing of any branch, and the BHC Act does not make approval of a proposal contingent on an applicant maintaining all branch offices of an acquired institution open. The most recent CRA performance examinations of AMCORE's subsidiary banks, moreover, found that AMCORE has a branch closing policy that satisfactorily addresses the steps to be followed in case of a branch closing, and that the policy considers the impact a branch closing would have on a delineated community.

Conclusion Regarding Convenience and Needs Factor. The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act, including all the information provided by the Commenters. Based on all the facts of record, and for the reasons discussed above and in the Board's previous orders involving AMCORE and Country, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the institutions involved, are consistent with approval of the application.[10]

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

8. Commenter also contends that efforts by AMCORE and Country to assess and to serve the banking needs of LMI borrowers and communities in rural and farming areas in Wisconsin are inadequate. The Board recently has considered almost identical contentions by Commenter in connection with AMCORE's application to acquire First National Bancorp, Inc., Monroe, Wisconsin, and Country's application to acquire Belleville Bancshares Corporation, Belleville, Wisconsin, and concluded that the CRA performance records of AMCORE and Country were consistent with approval of those applications under the convenience and needs factor. *See Amcore Financial, Inc.*, 83 *Federal Reserve Bulletin* 429 (1997), and *Country Bank Shares Corporation*, 83 *Federal Reserve Bulletin* 112 (1997) ("Country/Belleville Order"). Commenter reiterates contentions that unfair and discriminatory lending practices occur at Country's lead subsidiary bank, State Bank of Mount Horeb, Mount Horeb, Wisconsin ("Mt. Horeb Bank"). After sampling accepted and rejected loan applications in connection with Mt. Horeb Bank's most recent examination for CRA performance, examiners concluded that loan denials appeared to be reasonable and supported. The examination found no violations of substantive provisions of anti-discrimination laws and regulations. The Country/Belleville Order also noted that the bank's primary supervisor, the Federal Deposit Insurance Corporation ("FDIC"), was considering Commenter's allegations of unfair practices, particularly in connection with agricultural lending. The FDIC concluded that the bank did not engage in improper practices.

9. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1) ("section 42"), as implemented by the Joint Policy Statement Regarding Branch Closing (58 *Federal Register* 49,083 (1993)) ("Joint Policy Statement"), requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closing.

10. Commenter has requested that the Board postpone action on this proposal until Commenter has had the opportunity to arrange a meeting between Commenter and AMCORE. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. Neither the CRA nor the Agency CRA Statement however, require an insured depository institution to meet with community representatives. In reviewing an application under the BHC Act, the CRA and the Agency CRA Statement instead require the Board to focus on the established record of performance of the institutions involved and the programs and policies that the institutions have in place to assist in meeting the credit needs of their entire communities. In this case, the facts discussed above and the other facts of record indicate that the relevant institutions have programs to

Conclusion

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

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

By order of the Board of Governors, effective June 16, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Phillips and Meyer. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

help serve the credit needs of their communities, and that denial or delay of the application is not warranted.

Bank SinoPac
Taipei, Taiwan

SinoPac Bancorp
Los Angeles, California

Order Approving the Formation of Bank Holding Companies

Bank SinoPac, Taipei, Taiwan ("SinoPac"), and its wholly owned subsidiary, SinoPac Bancorp, Los Angeles, California ("Bancorp"), have requested the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842(a)) ("BHC Act") to become bank holding companies by acquiring all the voting shares of Far East National Bank, Los Angeles, California ("Far East Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 69,096 (1996)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 3 of the BHC Act.

1. Far East Bank would become a wholly owned subsidiary of Bancorp. In connection with the proposal, Bancorp would establish an interim national bank subsidiary that would be merged with and into Far East Bank. Approval of this proposal is conditioned on SinoPac receiving all required regulatory approvals.

SinoPac, with total assets equivalent to approximately \$4.4 billion,[2] is the 26th largest banking organization in Taiwan. SinoPac does not currently operate in the United States. Far East Bank is the 71st largest depository institution in California, controlling approximately \$447 million in deposits, representing less than 1 percent of total deposits in depository institutions in the state.[3]

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served. SinoPac and Far East Bank do not compete directly in any banking market. Accordingly, the Board has determined that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

Certain Supervisory Considerations

Under section 3 of the BHC Act, as amended by the Foreign Bank Supervision Enhancement Act of 1991,[4] the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[5] The Board previously has determined, in applications under the International Banking Act (12 U.S.C. § 3101 *et seq.*) ("IBA"), that certain Taiwan commercial banks were subject to comprehensive consolidated supervision by their home country authorities.[6] In this case, the Board has determined that SinoPac is supervised on substantially the same terms and conditions as other Taiwan commercial banks. Based on all the facts of record, the Board concludes that SinoPac

2. Asset data are as of December 31, 1996, and use exchange rates then in effect.

3. Deposit data are as of June 30, 1996. In this context, depository institutions include banks, savings and loan associations, and savings banks.

4. Pub. L. No. 102–242, § 201 *et seq.*, 105 Stat. 2286 (1991).

5. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K (International Banking Operations). 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationship of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).

6. *See, e.g., First Commercial Bank*, 83 *Federal Reserve Bulletin* 315 (1997); *Taiwan Business Bank*, 81 *Federal Reserve Bulletin* 746 (1995); *Bank of Taiwan*, 79 *Federal Reserve Bulletin* 541 (1993).

is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that the applicant has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. The Board has reviewed the restrictions on disclosure in jurisdictions where SinoPac has material operations and has communicated with the relevant authorities concerning access to information. SinoPac has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of SinoPac and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. SinoPac also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable SinoPac to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that SinoPac has provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors the Board is required to consider under section 3(a)(3) of the BHC Act are consistent with approval.

Financial, Managerial, and Convenience and Needs Considerations

In considering the financial and managerial factors in this case, the Board notes that SinoPac's capital exceeds the minimum levels that would be required under the Basle Capital Accord, and is considered equivalent to the capital that would be required of a U.S. banking organization. The Board also has considered other aspects of SinoPac's financial condition, as well as the capital position and other aspects of the financial condition of Far East Bank and the other institutions involved in the transaction.

The proposed transaction is not expected to have a significantly adverse effect on the financial resources of the institutions involved. Far East Bank is well-capitalized and all the institutions involved are expected to remain so after consummation of this proposal. The Board also has considered the size of the acquisition relative to the assets of SinoPac, and the effect of this proposal on the liquidity positions of the institutions. The Board also has considered the managerial resources of the institutions involved in the proposal in light of all the facts of record, including assessments of their managerial resources by United States and Taiwan banking authorities.

Based on the foregoing and all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of SinoPac, Bancorp and Far East Bank are consistent with approval of the proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.[7] The Board also has concluded that considerations relating to the convenience and needs of the community to be served are consistent with approval of this proposal.

Based on the foregoing and all the other facts of record, the Board has determined that these applications should be, and hereby are, approved. Should any restrictions on access to information on the operations or activities of SinoPac or any affiliates of SinoPac subsequently interfere with the Board's ability to determine the compliance by SinoPac or any affiliates of SinoPac with applicable federal statutes, the Board may require termination by SinoPac or by any affiliates of SinoPac of their direct or indirect activities in the United States. The Board's approval of this proposal is expressly conditioned on SinoPac's compliance with all the commitments made in connection with these applications and with the conditions in this order. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 11, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

7. Several shareholders of Far East Bank have submitted comments objecting to the transaction fee paid to an officer of the bank in connection with the proposal, past compensation and benefits paid to the bank's officers, and the amount paid for their shares in bank. The Board notes that the transaction fee discussed in these comments was disclosed in the shareholder proxy materials, and that shareholders owning more than 80 percent of Far East Bank's stock voted in favor of the proposal. In addition, there is no indication in the supervisory information from the bank's primary federal supervisor, the OCC, that the compensation paid to bank's management was excessive. Commenters also present no facts to substantiate that the compensation to be paid for their shares is inadequate, and Commenters may exercise dissenting shareholder rights under the National Bank Act if they believe the consideration they have been offered is unreasonable. 12 U.S.C. § 215 and 215a. The Board notes, moreover, that the limited jurisdiction to review applications under the specific statutory factors in the BHC Act does not authorize the Board to consider matters relating to stock pricing, exchange ratios, and similar matters. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10 Cir. 1973).

Exchange Bankshares Corporation of Kansas
Atchison, Kansas

Order Approving the Acquisition of a Bank

Exchange Bankshares Corporation of Kansas, Atchison ("Exchange"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire The Farmers and Merchants State Bank, Effingham ("Farmers Bank"), both in Kansas.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 16,579 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Exchange is the 25th largest commercial banking organization in Kansas, controlling deposits of $153.8 million, representing less than 1 percent of total deposits in commercial banks in Kansas.[1] Farmers Bank is the 240th largest commercial banking institution in Kansas, controlling deposits of $20.5 million, representing less than 1 percent of total deposits in commercial banks in Kansas. On consummation of the proposal, Exchange would become the 22nd largest commercial banking organization in Kansas, controlling deposits of $178.8 million, representing less than 1 percent of total deposits in commercial banks in the state.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[2]

Exchange's lead subsidiary bank, Exchange National Bank and Trust Company, Atchison, Kansas ("Atchison Bank"), and Farmers Bank compete directly in the Atchison County, Kansas, banking market.[3] Atchison Bank is the largest depository institution in the banking market, controlling approximately 31.5 percent of total deposits in depository institutions in the market ("market deposits").[4] Farmers Bank is the fifth largest depository institution in the market, controlling approximately 7.3 percent of market deposits. On consummation of the proposal, Atchison Bank would remain the largest depository institution in the market, controlling approximately 38.8 percent of market deposits. Concentration in the Atchison County banking market, as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"), would increase by 462 points to 2098.[5]

A number of factors indicate that the market concentration as measured by the HHI tends to overstate the competitive effects of the proposal. The Atchison County banking market is a relatively small rural banking market in the northeast corner of Kansas, and nine depository institution competitors would remain in the banking market after consummation of the proposal. Six of the competitors, not including Atchison Bank, would each have market shares of more than 5 percent, and two of them, which are subsidiary banks of large multistate bank holding companies, would each have market shares of more than 10 percent. The Board also notes that Atchison Bank engages in a substantial amount of deposit-taking from, and lending to, military personnel located outside the Atchison County banking market.

As in other cases, the Board has sought comments from the United States Department of Justice ("Justice Department') and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of the proposal. The Justice Department has advised the Board that consummation of the proposal would not be likely to have any significantly adverse competitive effects in the Atchison County banking market or in any other relevant banking markets. The FDIC did not object to consummation of the proposal or indicate it would have any significantly adverse competitive effects in the Atchison County banking market or any relevant banking market.

Based on all the facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal would not have a significantly

1. State deposit data are as of June 30, 1996.

2. 12 U.S.C. § 1842(c).

3. The Atchison County, Kansas, banking market is approximated by Atchison County and the towns of Everest, Horton, Nortonville, and Whiting, all in Kansas, and Rushville, Missouri.

4. Market data are as of June 30, 1996. The data for Atchison Bank have been adjusted to exclude a $4.6 million real estate tax deposit account from the Atchison County Treasurer. This account is redeposited annually in a different local bank and is no longer on deposit with Atchison bank. Market deposits include deposits at commercial banks and savings and loan institutions. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

adverse effect on competition or on the concentration of banking resources in any relevant banking market.

Other Considerations

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in the proposal, the convenience and needs of the community to be served, and certain supervisory factors. Based on all the facts of record, the Board concludes that the financial and managerial resources and the future prospects of Exchange, Farmer's Bank, and Exchange's subsidiaries are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. In addition, considerations relating to the convenience and needs of the communities to be served are consistent with approval of the application.

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

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

By order of the Board of Governors, effective June 30, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Marshall & Ilsley Corporation
Milwaukee, Wisconsin

Marshall & Ilsley Bank
Milwaukee, Wisconsin

Order Approving Merger of Bank Holding Companies and Banks and Establishment of Branches

Marshall & Ilsley Corporation, Milwaukee, Wisconsin ("M&I"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Security Capital Corporation ("SCC") and thereby acquire SCC's state chartered savings bank, Security Bank SSB ("SSB"), both of Milwaukee, Wisconsin. M&I's lead bank, Marshall & Ilsley Bank, Milwaukee, Wisconsin ("M&I Bank"), also has requested the Board's approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the Bank Merger Act) to merge with SSB, and under section 9 of the Federal Reserve Act (12 U.S.C. § 322) (the FRA) to establish branches at certain offices of SSB in Milwaukee.[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 17,622 (1997)). The time for filing comments has expired, and the Board has considered the proposals and all comments received in light of the factors set forth in section 3 of the BHC Act, the Bank Merger Act and the FRA.

M&I, with total consolidated assets of $14.8 billion, operates 28 subsidiary banks and one thrift in Wisconsin, and one subsidiary bank in Arizona.[2] M&I is the largest depository institution in Wisconsin, controlling approximately $9.8 billion in deposits, representing 15.6 percent of total deposits in depository institutions in Wisconsin.[3] SCC is the sixth largest depository institution in Wisconsin, controlling approximately $2.3 billion in deposits, representing 3.6 percent of total deposits in depository institutions in the state. On consummation of the proposal, M&I would remain the largest depository institution in Wisconsin, controlling approximately $12.1 billion in deposits, representing 19.2 percent of total deposits in depository institutions in Wisconsin.

M&I and SSB compete directly in 13 banking markets in Wisconsin.[4] The Board has carefully reviewed the competitive effects of the proposal in these markets in light of all the facts of record, including the number of competitors that would remain in the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"), as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice merger Guidelines ("DOJ Guidelines"),[5]

1. The branches are described in Appendix A. Other subsidiary banks of M&I also have requested the Board's approval under the Bank Merger Act and the FRA to acquire SSB offices from M&I Bank after consummation of the merger, and to establish branches at those offices. The M&I subsidiary banks and branches to be acquired, are also described in Appendix A.

2. All banking data are as of June 30, 1996.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

4. The banking markets and the effects of the proposal in those markets are discussed in Appendix B.

5. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated, and a market in which the post-merger HHI exceeds 1800 is considered highly concen-

and commitments made by M&I to divest branches in certain markets to address potential anticompetitive effects.[6] In light of the divestiture commitments, consummation of the proposal would not exceed the DOJ Guidelines in any relevant banking market, and numerous competitors would remain in each banking market.[7] Based on these and all the facts of record, the Board concludes that consummation of the proposal is not likely to have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Other Factors

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

A. Financial, Managerial, and other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of M&I, SCC, and their respective subsidiaries, and other supervisory factors in light of all the facts of record. The facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by M&I. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including the financial and managerial resources and future prospects of M&I, SCC, and their respective subsidiaries are consistent with approval of the proposal.

B. Convenience and Needs Factor

The Board has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. In reviewing the convenience and needs considerations in the proposal, the Board notes that M&I provides a range of financial services through its banking subsidiaries, including mortgage, consumer, agricultural, and small business loans. M&I indicates that the combined organization could develop new products and services, and implement products and services shown to be feasible, more efficiently. After consummation of the proposal, customers of both organizations would have greater access to products and services through an expanded network of branch offices, ATMs and electronic banking services.

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

CRA Performance Examinations. As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisors. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of an institution's overall record of performance under the CRA by its primary federal supervisor.[8]

M&I's lead bank, M&I Bank, received an "outstanding" rating from the Federal Reserve Bank of Chicago at

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trated. 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 institutions.

6. The Board has reviewed comments contending that consummation of the proposal would reduce competition for loans and community redevelopment in the City of Milwaukee. The comments present no facts to support lending or community redevelopment as the relevant product market, or the City of Milwaukee as the relevant geographic market. The appropriate product market for evaluating the competitive effects of acquisitions of depository institutions is the cluster of products and services offered by such institutions. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1997). The Board and the courts also have concluded that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives. *Id.* The Board has considered the comments in light of all the facts of record, and concludes that the appropriate geographic market is the Milwaukee banking market which is defined in Appendix B to include the Milwaukee RMA plus portions of four counties. The Board bases this conclusion on an analysis of commuting patterns, population density, and other data that indicate a high degree of economic integration in the area in which competitive dynamics are readily transmitted and in which customers can practicably turn to alternate providers of banking services.

7. With respect to each market in which M&I has committed to divest offices to mitigate the anticompetitive effects of the proposal, M&I has committed to execute sales agreements with a competitively suitable purchaser prior to consummation of the acquisition of SCC and to complete the divestitures within 180 days of consummation of the acquisition. M&I also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, M&I will transfer the unsold branch(es) to an independent trustee acceptable to the Board. The trustee will be instructed to sell the branches promptly to competitively suitable purchasers. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991).

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

its most recent CRA performance examination, as of January 22, 1996 ("1996 Examination"). All of M&I's remaining insured depository institution subsidiaries have been examined for CRA performance and received satisfactory or better ratings from their primary federal supervisor at their most recent examinations for CRA performance.[9] Overall, insured depository institution subsidiaries of M&I that control approximately 72.8 percent of the organization's consolidated assets currently have "outstanding" CRA performance evaluations. SSB also received an "outstanding" rating at its most recent CRA examination from its primary federal supervisor, the Federal Deposit Insurance Corporation, as of October 1, 1993.

CRA Performance Record of M&I Bank. The 1996 Examination concluded that M&I Bank's efforts in ascertaining credit needs and marketing of products and services were strong. Examiners also favorably noted the bank's geographic distribution of applications and originations throughout its service community. The 1996 Examination found no evidence of illegal discrimination or practices intended to discourage applications for the types of credit described in the bank's CRA Statement.

M&I Bank's business strategy focused on commercial lending and commercial loans represented approximately 46 percent of its loan portfolio. The bank was an active participant in federal and local government-sponsored loan programs, including programs offered by the Small Business Administration ("SBA") and the Milwaukee Economic Development Corporation. During the period covered by the 1996 Examination, M&I Bank originated 30 SBA loans totalling $3.7 million. The bank also participated as a lender in the Lincoln Fund which was a small business lending program operated by the Lincoln Neighborhood Redevelopment Corporation.

Examiners also noted that M&I Bank engaged in housing-related lending through government-sponsored loan programs directly and through its corporate affiliate, M&I Mortgage Corporation ("M&I Mortgage"). M&I Bank was a significant participant in a loan program sponsored by the Wisconsin Housing and Economic Development Agency ("WHEDA"). Examiners stated that the bank made 226 WHEDA loans during the period covered by the 1996 Examination.[10] In addition, M&I Mortgage originated 120 loans under a Federal Housing Administration program totalling $7.9 million in 1995.

Comments on the Proposal. The Board has carefully reviewed comments contending that the proposal would result in a decrease in lending in Milwaukee's inner city and to low- and moderate-income ("LMI") residents of Milwaukee.[11] The Board notes that M&I has taken steps to assist in meeting the credit needs of LMI residents in Milwaukee. In Milwaukee, for example, M&I Bank and M&I Mortgage made 128 WHEDA housing-related loans in 1995 and 81 WHEDA housing-related loans in 1996.[12] Thirty-four percent of the loans in 1995, and 32 percent of the loans in 1996, were made in Milwaukee's inner city area. M&I Bank also provided financial support to the area through a program started in 1993 with the Milwaukee Innercity Congregation Allied for Hope (MICAH) called "Partners for Progress." As of year-end 1995, the bank had originated $55 million in housing-related, small business, and community development loans in Milwaukee's inner city area through the program.

Conclusion Regarding Convenience and Needs Factor

The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act. Based on all the facts of record, including information provided by commenters, the responses of M&I, and the relevant reports of examination, the Board concludes that considerations relating to convenience and needs, including the CRA performance records of the relevant institutions, are consistent with approval.

C. FRA Factors

M&I Bank and other subsidiary banks of M&I also have applied under section 9 of the FRA to establish branches at the offices of SSB listed in Appendix A. The Board has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to the FRA and, for the reasons discussed in this order, finds those factors to be consistent with approval.

Conclusion

Based on the foregoing and all other facts of record, the Board has determined that the proposals should be, and hereby are, approved.[13] The Board's approval is expressly

9. Sixteen of M&I's remaining insured depository institutions received "outstanding" ratings, and 13 received "satisfactory" ratings, at their most recent examinations for CRA performance.

10. As noted in the 1996 Examination, the total dollar amount of the loans was unavailable.

11. One commenter expressed concern that M&I would not honor the terms of SSB's agreement with the commenter on CRA-related activities. The Board previously has stated that, while communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community, neither the CRA nor the Agency CRA Statement requires depository institutions to enter into agreements with particular organizations. Accordingly, in reviewing the proposal, the Board has focused on the programs and policies that M&I has in place to serve the credit needs of its entire community.

12. These loans represented 11 percent of the total number of WHEDA loans made in 1995 and 9 percent of the total number of WHEDA loans made in 1996.

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

Under its rules, the Board also may, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues conditioned on compliance by M&I with all the commitments made in connection with the proposal. For purposes of this action, the commitments relied on by the Board in reaching this decision are deemed to be conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

This proposal shall not be consummated before the fifteenth calendar day 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 Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 30, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

A. Branches to be established by M&I Bank, all in Wisconsin:

Milwaukee
— 184 West Wisconsin Avenue
— 7100 West Center Street
— 6645 West Oklahoma Avenue
— 7600 West Layton Avenue
— 9049 North 76th Street
— 2701 West National Avenue
— 4534 West North Avenue
— 5555 North Port Washington Road
West Allis
— 2555 South 108th Street
— 5812 West Burnham Street
Wauwatosa
— 9210 West North Avenue
Brookfield
— 2225 North Calhoun Road
Cudahy
— 4677 South Packard Avenue

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

B. Branches to be established by other subsidiary banks of M&I where bank is located, unless otherwise indicated, all in Wisconsin:

M&I Lake Country Bank, Harland
— 326 East Wisconsin Avenue, Oconomowoc
M&I Bank Northeast, Green Bay
— 802 George Street, DePere
— 1334 Ellis Street, Kewaunee
— 2506 Roosevelt Road, Marinette
M&I Bank of Racine, Racine
— 4100 Durand Avenue
M&I Bank Fox Valley, Appleton
— 2009 East Calumet Street

C. Branches to be acquired by subsidiary banks of M&I where bank is located, unless otherwise indicated, all in Wisconsin:

M&I Central State Bank, Oshkosh
— 347 North Sawyer Street
M&I Bank of Eagle River, Eagle River
— 633 North Railroad Street
— 624 Anderson Street, Three Lakes
M&I Bank of Racine, Racine
— 468 College Avenue
— 3215 Douglas Avenue
— 5100 Washington Avenue
M&I Bank Fox Valley, Appleton
— 2829 North Meade Street
M&I Bank Northeast, Green Bay
— 1530 West Mason Street
— 1684 Main Street
— 1087 Velp Avenue
— 234 South Adams Street
— 2120 South Ridge Road, Ashwaubenon
M&I Bank of Menomonee Falls, Menomonee Falls
— N85 W16058 Appleton Avenue
M&I Bank of Shawano, Shawano
— 401 East Green Bay Street
M&I Merchants Bank, Rhinelander
— 4 South Brown Street
M&I First American Bank, Wausau
— 400 4th Street
— 2001 Stewart Avenue and drive-through
— 1134 Grand Avenue, Rothschild
M&I Bank South Central, Watertown
— 808 East Main Street

Appendix B

A. Wisconsin banking markets in which consummation of the proposal would not exceed the DOJ Guidelines:

(1) *Appleton:* The Appleton banking market is approximated by Outagamie County except for Oneida township; Winchester, Clayton, Neenah, and Menasha townships in Winnebago County; and Harrison, Woodville, Britton, and Rantoul townships in Calumet County, all in Wisconsin. After consummation of the proposal, M&I would control 22.8 percent of the market deposits and

would remain the largest depository institution in the market. The HHI would increase by 636 points to 1207.
(2) *Green Bay Banking Market:* The Green Bay banking market is approximated by Brown County; Morgan, Abrams, Pensaukee, Chase and Little Suamico townships in Oconto County; Angelica and Maple Grove townships in Manitowoc County; and Red River, Luxemburg, and Montpelier townships in Kewaunee County, all in Wisconsin. After consummation of the proposal, M&I would remain the second largest depository institution in the market. The HHI would increase by 117 points to 1591.
(3) *Kenosha/Racine Banking Market:* The Kenosha/Racine Banking Market is approximated by Kenosha County, Wisconsin, as well as the Racine RMA which consists of Caledonia, Month Pleasant, Yorkville, Dover and Rochester townships in Racine County, Wisconsin. After consummation of the proposal, M&I would become the fourth largest depository institution in the market. The HHI would increase by 13 points to 1408.
(4) *Marinette-Menomonee Banking Market:* The Marinette-Menomonee banking market is approximated by Marinette County, Wisconsin, excluding Niagara, Pembine, Beecher, Dunbar, and Goodman townships, plus Menomonee County, Michigan, excluding Harris, Spaulding, and Meyer townships. After consummation of the proposal, M&I would become the seventh largest depository institution in the market. The HHI would increase by 5 points to 1054.
(5) *Milwaukee Banking Market:* The Milwaukee banking market is approximated by the Milwaukee RMA, plus portions of Jefferson, Racine, Walworth, and Washington Counties, all in Wisconsin. After consummation of the proposal, M&I would become the largest depository institution in the market. The HHI would increase by 294 points to 1424.
(6) *Oshkosh Banking Market:* The Oshkosh banking market is approximated by Winnebago County, Wisconsin, excluding Winchester, Clayton, Menasha, and Neenah townships. After consummation of the proposal, M&I would remain the second largest depository institution in the market. The HHI would increase by 61 points to 1779.
(7) *Waupaca Banking Market:* The Waupaca banking market is approximated by Waupaca County, Wisconsin, excluding Iola and Scandinavia townships. After consummation of the proposal, M&I would become the second largest depository institution in the market. The HHI would increase by 502 points to 1240.
(8) *Wausau Banking Market:* The Wausau banking market is approximated by the southern three-fifths of Lincoln County, plus Marathon County, excluding Holton, Hull, Brighton, Spencer, McMillan and Day townships, all in Wisconsin. After consummation of the proposal, M&I would remain the largest depository institution in the market. The HHI would increase by 360 points to 1703.
(9) *Watertown Banking Market:* The Watertown banking market is approximated by the southern two tiers of townships in Dodge County; plus the northern two teirs of townships in Jefferson County, Wisconsin, excluding Ixonia township. After consummation of the proposal, M&I would remain the largest depository institution in the market. The HHI would increase by 136 points to 1310.

B. Wisconsin banking markets in which consummation of the proposal would not exceed the DOJ Guidelines with divestitures:
(1) *Algoma Banking Market:* The Algoma banking market is approximated by Kewaunee County, excluding the townships of Red River, Luxemburg, and Montpelier; plus Union, Brussels, Forestville, and Claybanks townships in Door County, all in Wisconsin. After divestiture of one branch and consummation of the proposal, M&I would become the second largest depository institution in the market. The HHI would increase 109 points to 2265.
(2) *Langlade Banking Market:* The Langlade banking market is approximated by Langlade County, Wisconsin. After divestiture of one branch and consummation of the proposal, M&I would remain the second largest depository institution in the market. The HHI would not increase.
(3) *Rhinelander Banking Market:* The Rhinelander banking market is approximated by Vilas and Oneida Counties; Forest County, excluding the townships of Alvin and Popple River; and the northern two-fifths of Lincoln County, all in Wisconsin. After divestiture of three branches and consummation of the proposal, M&I would remain the largest depository institution in the market. The HHI would increase by 177 points to 1914.
(4) *Shawano Banking Market:* The Shawano banking market is approximated by Menomonee County; plus Shawano County, excluding the townships of Angelica and Maple Grove, all in Wisconsin. After divestiture of one branch and consummation of the proposal, M&I would remain the largest depository institution in the market. The HHI would increase by 185 points to 2223.

National Canton Bancshares, Inc.
Canton, Illinois

Order Approving the Acquisition of a Bank Holding Company

National Canton Bancshares, Inc., Canton, Illinois ("National Canton"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Sturm Investment, Inc., Denver, Colorado ("Sturm"), and thereby indirectly acquire 99.4 percent of the voting shares of The Union National Bank of Macomb, Macomb, Illinois ("Macomb Bank").

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 14,145 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

National Canton is the 212th largest depository organization in Illinois, controlling deposits of $125.2 million, representing less than 1 percent of the total deposits in depository institutions in that state ("state deposits").[1] Sturm is the 302d largest depository organization in Illinois, controlling deposits of $85.5 million, representing less than 1 percent of state deposits. On consummation of this proposal, National Canton would become the 125th largest depository organization in Illinois, controlling deposits of $210.7 million, representing less than 1 percent of state deposits.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly, or if the proposal would substantially lessen competition in any relevant market, unless such anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

National Canton and Sturm compete directly in the Canton, Illinois, banking market.[2] National Canton is the largest depository organization in the market, controlling deposits of $125.2 million, representing 35.6 percent of the total deposits in depository institutions in the market ("market deposits").[3] Sturm is the smallest depository organization in the market, controlling deposits of approximately $9.6 million, representing 2.7 percent of market deposits. On consummation of the proposal, National Canton would remain the largest depository organization in the Canton banking market, controlling deposits of approximately $134.8 million, representing 38.3 percent of market deposits. Market concentration, as measured by the Herfindahl–Hirschman Index ("HHI"), would increase by 194 points to 2265 and would not exceed the Department of Justice Merger Guidelines ("DOJ Guidelines").[4]

Seven depository institutions would remain in the market after consummation of the proposal. Four of the remaining competitors, not including National Canton, each control 11 percent or more of market deposits. As it has previously, the Board also has considered the competitive effect of the presence in the market of one of the state's largest credit unions.[5]

The Board has sought comments from the United States Department of Justice ("Justice Department"), the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") on the competitive effects of this proposal. The Justice Department has advised the Board that consummation of the proposal would not be likely to have any significantly adverse effect on competition in any relevant market. The OCC and the FDIC have not objected to consummation of the proposal or indicated it would have any significantly adverse competitive effects in the Canton banking market or any relevant banking market.

Based on the foregoing and all the other facts of record, including the increase in market concentration as measured by the HHI and the number of competitors that would remain in the market, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

Other Considerations

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, the convenience and needs of the community to be served, and certain other supervisory factors. Based on all the facts of record, the Board has concluded that the financial and managerial resources and future prospects of National Canton, Sturm, and their respective subsidiaries, are consistent with approval of the proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by National Canton with all the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on by the Board in reaching its

1. State deposit data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

2. The Canton, Illinois, banking market is approximated by the northeastern portion of Fulton County, Illinois, including the townships of Fairview, Farmington, Joshua, Canton, Orion, Putman, Buckheart, Banner, Lewistown, Liverpool, and Waterford.

3. Market data are as of June 30, 1996. Market concentration calculations include deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

4. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is over 1800 is considered highly concentrated. The 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 threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose lenders and other non-depository financial entities.

5. *See Norwest Corporation*, 82 *Federal Reserve Bulletin* 156 (1996).

decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 11, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Commerzbank AG
Frankfurt am Main, Federal Republic of Germany

Order Approving Notice to Engage in Nonbanking Activities

Commerzbank AG, Frankfurt, Federal Republic of Germany ("Commerzbank"), a foreign banking organization subject to the provisions of the Bank Holding Company Act ("BHC Act"),[1] has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24(a) of the Board's Regulation Y (12 C.F.R. 225.24(a)) to acquire through its wholly owned subsidiary, CAM Acquisition, LLC, Wilmington, Delaware ("Company"), substantially all the assets of Montgomery Asset Management, L.P. ("Partnership"), including a membership interest in Montgomery Services, LLC ("Services LLC"), both in San Francisco, California.[2] Commerzbank would thereby engage in the following activities:

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

(2) Providing securities brokerage and private placement services, pursuant to section 225.28(b)(7)(i) and (iii) of Regulation Y (12 C.F.R. 225.28(b)(7)(i) and (iii)); and

(3) Providing administrative services for open-end investment companies or mutual funds.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 23,244 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Commerzbank, with total consolidated assets of approximately $289 billion, is the fourth largest banking organization in the Federal Republic of Germany, and the 24th largest banking organization in the world.[3] In the United States, Commerzbank operates branches in New York, New York; Chicago, Illinois; and Los Angeles, California; and an agency in Atlanta, Georgia. Commerzbank also engages in a number of nonbanking activities in the United States.[4] Company would be an investment advisor registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1 *et seq.*) ("Advisers Act"), subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Advisers Act and the SEC. In addition, Services LLC would be a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), and would be subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 and the SEC.[5]

The Board previously has determined by regulation that the investment advisory, securities brokerage, and private placement services that Commerzbank proposes to conduct through Company are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act. Except as discussed below, the Board also previously has determined that the administrative services Commerzbank proposes to provide through Company are closely related to banking within the meaning of section 4(c)(8) of the BHC Act, and Commerzbank has committed that it will conduct the proposed activities subject to the prudential and other limitations established by the Board in *Mellon*.[6]

1. As a foreign banking organization operating branches and an agency in the United States, Commerzbank is subject to certain provisions of the BHC Act by operation of section 8(a) of the International Banking Act of 1978 ("IBA") (12 U.S.C. § 3106(a)).

2. After consummation of the proposal, Commerzbank would hold a majority ownership interest in Company and senior employees of Company would hold a minority interest.

3. Asset data are as of December 31, 1996. Foreign ranking data are as of December 31, 1995.

4. Commerzbank also owns a finance company, Commerzbank U.S. Finance, Inc., Wilmington, Delaware, and, pursuant to the grandfather provisions of section 8(c) of the IBA (12 U.S.C. § 3106(c)), engages in investment banking and securities brokerage activities through Commerzbank Capital Markets Corporation, New York, New York ("CCMC"). Commerzbank has committed that there will be no business transactions or relationships between CCMC and Company or Services LLC.

5. Services LLC also would provide transfer agency services to mutual funds advised by Company (the "Funds").

6. *See Mellon Bank Corporation* 79 *Federal Reserve Bulletin* 626 (1993) ("*Mellon*"), and *The Governor and Company of the Bank of Ireland*, 82 *Federal Reserve Bulletin* 1129 (1996) ("*BOI*"). The administrative services that Company would provide to mutual funds include computing the fund's financial data, maintaining and preserving the records of the fund, accounting and recordkeeping, providing office facilities and clerical support for the fund, and preparing and filing tax returns and regulatory reports for the fund. A complete list of the proposed administrative services is included in the Appendix. Commerzbank also would provide telephone services to shareholders

Glass–Steagall Act

Under the Glass–Steagall Act, a company that owns a member bank may not control "through stock ownership or in any other manner" a company that engages principally in distributing, underwriting or issuing securities.[7] The Board has found that this provision prohibits affiliates of banks from sponsoring, organizing, or controlling a mutual fund. The Board previously has determined, however, that the Glass–Steagall Act does not prohibit a bank holding company from providing advisory and administrative services to a mutual fund.[8]

Commerzbank proposes to provide marketing support to the Funds by directly contacting broker-dealers, 401(k) plan providers, financial planners, insurance companies, and other financial intermediaries to recommend the Funds and to be primarily responsible for the development of marketing plans and the preparation of advertising and sales literature materials for the Funds.[9] Although the Board has authorized bank holding companies to provide many different types of services to mutual funds including assisting the distributor of mutual funds in preparing advertising and marketing materials, the Board has not considered whether a bank holding company may provide the degree of promotional or marketing services proposed by Commerzbank.

The Board does not believe that these promotional and marketing activities would cause Commerzbank to control the Funds or be involved in underwriting or distribution of the Funds' securities to the public. The proposed promotional activities involve contact only with financial intermediaries and are similar to activities that previously have been approved by the Board.[10]

Distribution and sales activities of the Funds would be the responsibility of an independent distributor. Commerzbank has committed that no U.S. affiliate of Commerzbank, including Company, will be obligated by any agreement to engage in any sales activities with regard to shares of the Funds or will enter into any distribution agreement with the Funds without the prior approval of the Board. An independent distributor would enter into an agreement with the Funds under which the distributor would serve as "principal underwriter" of the Funds.[11] The independent distributor also would enter into the sales agreements with financial intermediaries to sell shares of the Funds on behalf of the Funds.[12] Accordingly, actual sales activities would be conducted solely by the distributor or an independent broker-dealer for the Funds.

Commerzbank does not propose to solicit retail customers to purchase shares in particular Funds, or accept orders for the purchase of shares, or to engage in any retail sales activities. In addition, neither the Company nor any employee of Company would receive transaction-based income or commissions in connection with Company's promotional or marketing activities.

Furthermore, while Company would have primary responsibility for preparing the advertising and marketing materials, the independent distributor would be responsible for placing all advertisements. The independent distributor also would have legal responsibility under the rules of the National Association of Securities Dealers, Inc. ("NASD") for the form and use of all advertising and sales literature prepared by Company, and would be responsible for filing these materials with the NASD or the Securities and Exchange Commission.[13]

For these reasons, the Board believes that the promotional and marketing activities proposed by Commerzbank would not involve Commerzbank in the underwriting or distribution of shares of the Funds for purposes of the Glass–Steagall Act.

Commerzbank also proposes that the chief executive officer of company serve as chairman of the four-member board of trustees for the Funds and that no more than three officers or employees of Company serve as junior-level officers of the funds.[14] The Board previously has authorized a bank holding company to have director and officer interlocks with mutual funds that the bank holding company advises and administers.[15] In this case, the Board does not believe that the proposed interlocks between Company and the Funds would compromise the independence of the boards of trustees of the Funds, or the indepen-

through a toll-free 800 number. Commerzbank has committed that telephone service operators will not solicit callers to purchase shares in particular mutual funds and will refer to the independent distributor orders for the sale of shares.

7. 12 U.S.C. §§ 221a and 377.

8. *See* 12 C.F.R. 225.28(b)(6); 12 C.F.R. 225.125; and *Mellon*.

9. The Funds would be distributed through an independent distributor, and would not be "proprietary mutual funds" (funds sold primarily to customers of Commerzbank). *See Barclays PLC*, 82 *Federal Reserve Bulletin* 158 at n. 7 (1996) ("*Barclays*").

10. The Board has permitted bank holding companies to present information about the operations of mutual funds advised and administered by the bank holding company at meetings or seminars for brokers of mutual funds. *See Mellon* at n.15. In addition, the Office of the Comptroller of the Currency has authorized subsidiaries of national banks, in connection with their brokerage and advisory services, to provide marketing and advertising support to mutual funds.

11. As defined under the Investment Company Act of 1940 ("1940 Act"), a principal underwriter is any underwriter who, as principal, purchases from a mutual fund any security for distribution, or who as agent for such fund sells or has the right to sell the fund's securities to a dealer and/or to the public. 15 U.S.C. § 80a-2(a)(29).

12. The Funds also may enter into distribution agreements with intermediaries, but in no event will Company enter into such agreements.

13. *See Barclays* at n. 8.

14. These employees would serve as assistant secretary, assistant treasurer or assistant vice president of the Funds, and would be supervised by the board of trustees or senior-level officers. These employees would have no policy-making authority at the Funds and would not be responsible for, or involved in, making recommendations regarding policy decisions. No employee or officer of Company would serve as a senior-level officer of the Funds.

Commerzbank also may acquire up to 5 percent of the shares of mutual funds for which it provides administrative or advisory services, but any such ownership may not be used in any way in marketing or selling the shares of the investment company. *See Mellon* at n. 21.

15. *See BOI*.

dent distribution of the Funds, or result in control of the Funds by Commerzbank.[16]

Based on the foregoing, the Board concludes that control of the Funds would rest with the independent members of the boards of trustees of the Funds, and that the proposed interlocks between Company and the Funds would not compromise the independence of the boards of the Funds or permit Commerzbank to control the Funds. Thus, the Board concludes that this proposal is consistent with the Glass–Steagall Act.

Proper Incident to Banking Test

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

The Board expects that the activities in which Commerzbank proposes to engage through Company would provide added convenience to Commerzbank's customers by offering an expanded range of products and investment management expertise. The proposed acquisition also would provide Commerzbank with further access to U.S. markets for its advisory services and products. In addition, the Board previously has determined that the provision of advisory and administrative services to mutual funds within certain parameters is not likely to result in the types of subtle hazards at which the Glass–Steagall Act is aimed or in any other adverse effects. For example, as required by the Board's regulations, Company would provide to customers disclosures designed to alert its customers to the relationships between Company and the Funds. These disclosures include those required by the Board's interpretive rule on investment advisory activities to address conflicts of interests that may be raised by the relationship between Company and the Funds.[17] There is no evidence in the record, moreover, that consummation of this proposal, subject to the limitations noted above, would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by the benefits of this proposal.

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

In every case involving a proposal by a bank holding company to engage in nonbanking activities under section 4 of the BHC Act, the Board also must consider the financial and managerial resources of the notificant and its subsidiaries and the effect of the transaction on those resources.[18] The Board notes that Commerzbank meets the relevant risk-based capital standards established under the Basle Accord and has capital equivalent to that which would be required of a U.S. banking organization. Based on these and other facts of record, the Board has determined that financial and managerial considerations are consistent with approval of this proposal.

Conclusion

Based on all the facts of record, including all the commitments and representations made by Commerzbank, and subject to all of the terms and conditions set forth in this order, the Board has determined that the notice should be, and hereby is, approved. This determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(g), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments and representations made in the notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 16, 1997.

16. Any trustee of the Funds who also serves as an officer or employee of Company would be an "interested person" under the 1940 Act and, therefore, would be required to abstain from voting on the Funds' investment advisory and other major contracts. In addition, Commerzbank has committed that only disinterested persons would vote on the contract for administrative services provided to the Funds under the same requirements established for advisory contracts in the 1940 Act.

17. *See* 12 C.F.R. 225.125. The interpretive rule requires a bank holding company that recommends to customers shares of a mutual fund that the bank holding company advises to caution customers to read the fund prospectus before investing and to advise customers in writing that the fund's shares are not insured by the Federal Deposit Insurance Corporation, and are not deposits, obligations of, or endorsed or guaranteed in any way, by any bank, unless that happens to be the case. The holding company also must disclose in writing to the customer the role of the company or its affiliate as investment advisor to the fund.

18. 12 C.F.R. 225.26; *Barclays*; *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerishe Vereinbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Phillips and Meyer. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix

List of Administrative Services

1. Maintaining and preserving the records of the Funds, including financial and corporate records.
2. Computing net asset value, dividends, performance data and financial information regarding the Funds.
3. Furnishing statistical and research data.
4. Preparing and filing with the SEC and state securities regulators registration statements, notices, reports, and other materials required to be filed under applicable laws.
5. Preparing reports and other informational materials regarding the Funds, including proxies and other shareholder communications, and reviewing prospectuses.
6. Providing legal and other regulatory advice to the Funds in connection with their other administrative functions.
7. Providing office facilities and clerical support for the Funds.
8. Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the Funds' investment objectives, policies and restrictions as established by the trustees of the Funds.
9. Providing routine fund accounting services and liaison with outside auditors.
10. Preparing and filing tax returns.
11. Reviewing and arranging for payment of expenses of the Funds.
12. Providing communication and coordination services with regard to the Funds' transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services.
13. Preparing advertising materials, sales literature, and marketing plans for the Funds.
14. Providing information to the distributor's personnel concerning performance and administration of the Funds.
15. Providing marketing support with respect to sales of the Funds through financial intermediaries.
16. Assisting in the development of additional Funds.
17. Providing reports to the trustees of the Funds with regard to the activities of the Funds.
18. Providing telephone shareholder services through a toll-free 800 number.

Mellon Bank Corporation
Pittsburgh, Pennsylvania

Order Approving Notice to Acquire an Employee Benefits Consulting Company

Mellon Bank Corporation, Pittsburgh, Pennsylvania ("Mellon"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire all of the voting shares of Buck Consultants, Inc., New York, New York ("Buck"), and thereby engage in certain employee benefits consulting activities pursuant to section 225.28(b)(9)(ii) of the Board's Regulation Y (12 C.F.R. 225.28(b)(9)(ii)).[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 26,315 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Mellon, with total consolidated assets of $42.7 billion, is the 22nd largest bank holding company in the United States and engages in a wide range of permissible banking and nonbanking activities.[2] Buck provides employee benefits consulting services worldwide.[3]

The Board previously has determined by order that bank holding companies may provide employee benefits consulting services under section 4 of the BHC Act,[4] and this activity is now included in the list of permissible nonbanking activities set forth in Regulation Y.[5] Mellon has committed to provide these services in accordance with the Board's rules.[6]

In connection with providing and designing Benefit Plans, Buck may provide insurance-related services because a client may choose to include a life, medical, dental, or other insurance plan as an element of its employee benefit program. In these circumstances, in addition to assisting in the analysis, recommendation, and selection of Benefit Plans, Buck may contact the selected insurer, negotiate with the insurer on behalf of the client, and otherwise

1. Mellon also would acquire the foreign subsidiaries of Buck under the general consent provisions of the Board's Regulation K (12 C.F.R. 211.5(c)).

2. Asset data are as of December 31, 1996.

3. Buck was established in 1916 and currently has 30 offices throughout the United States and provides services in 16 other countries. Buck currently serves approximately 5,000 clients, including large multinational corporations, other businesses, educational institutions, health care providers, state and local government retirement systems, and quasi-governmental organizations.

4. *Norstar Bancorp*, 71 *Federal Reserve Bulletin* 656 (1985); *Bank Vermont Corporation*, 72 *Federal Reserve Bulletin* 337 (1986); *Norstar Bancorp*, 72 *Federal Reserve Bulletin* 729 (1986).

5. 12 C.F.R. 225.28(b)(9)(ii).

6. Buck's services consist of providing plan actuarial consulting, employee benefit consulting, and plan administration and outsourcing services with respect to a broad range of employee benefit plans, including pension and other retirement plans, life insurance plans, medical and dental plans, disability plans, and compensation and human resource management plans (collectively, "Benefit Plans"). Plan actuarial consulting includes the design of Benefit Plans, valuation of plan assets and liabilities, allocation of plan costs, and cost projections associated with plan implementation or modification. Employee benefit consulting services involve the design, implementation, and analysis of Benefit Plans. Buck's plan administration and outsourcing services include recordkeeping and administrative services for Benefit Plans, as well as the performance of plan feasibility studies and plan participant education.

communicate with the insurer concerning the client's employee benefit needs.

In these types of projects, Buck may receive a commission from the insurance company. In these cases, however, Buck reduces the consulting fee charged to the client by the amount of any commission that Buck receives from the insurance company. Buck is, nevertheless, required to be licensed as an insurance broker under certain state insurance laws because it receives commissions from insurance companies. These commissions represent a small part of the total revenues Buck derives from its employee benefits consulting activities. Mellon proposes to continue these insurance-related activities after it acquires Buck.

Section 4(c)(8) of the BHC Act, as amended by the Garn–St Germain Act of 1982 ("Garn–St Germain Act"), expressly provides that providing insurance as a principal, agent, or broker is *not* closely related to banking. Mellon argues that Buck's insurance-related activities, while not closely related or grandfathered in this case, are a necessary incident to its permissible employee benefits consulting services. The Board and the courts have held that bank holding companies and their subsidiaries may engage in activities that may not be closely related to banking where those activities are incidental to other activities that are closely related to banking.[7] In determining whether an activity is an incidental activity, the Board generally has considered whether the activity is reasonably necessary to the conduct of a permissible activity and whether the activity constitutes a relatively minor part of the overall business of the company conducting the activities.[8]

In this case, the insurance-related activities are a minor part of Buck's overall business, and are necessary to the conduct of Buck's employee benefits consulting services. Buck's core activity is the provision of employee benefits consulting services, which involves providing advice about the design, analysis, selection, valuation, and implementation of all types of Benefit Plans, including retirement, profit-sharing, human resource management, and health and medical plans, some of which may involve an insurance component. Buck also provides certain recordkeeping and other administrative services with respect to Benefit Plans. Buck generally becomes involved in insurance-related services only when the client selects an insurance plan and requests that Buck negotiate with the insurer on its behalf. Buck performs all of its consulting work on a fee-for-service basis, and offsets any insurance commission against that fee. Payment of the fee is never contingent on the receipt of an insurance commission or on the purchase of an insurance policy. Furthermore, as noted previously, insurance commissions represent only a small part of Buck's total revenues, and only a small fraction of Buck's consulting assignments involve the receipt of commissions.[9]

Mellon also maintains that the provision of insurance-related services is necessary because Buck would operate at a competitive disadvantage if it could not accept insurance commissions and satisfy the state licensing requirements that permit it to accept such commissions. As noted previously, Buck offsets any commissions it receives against the consulting fees to be paid by its clients. Mellon has indicated that the inability to accept commissions and pass them on to clients in the form of an offset would place Buck at a competitive disadvantage in pricing its consulting services against those of another firm that could accept commissions, and thereby reduce consulting fees, because it was not affiliated with a bank holding company.[10]

The Board believes the record here indicates that the proposed insurance-related activities are incidental activities. They are necessary elements of another permissible activity and represent a small fraction of the consulting work performed. Accordingly, the Board has concluded, under the unique circumstances of this case, that approval of this proposal is not prohibited by the Garn–St Germain Act, and that Buck may continue to perform these activities upon acquisition by Mellon.

In order to approve the proposal, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the proposal "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."[11]

As part of its review of these factors, the Board has considered the financial and managerial resources of Mellon, its subsidiaries, and Buck, and the effect the proposal would have on such resources.[12] Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of the proposal.

The Board expects that the proposed activities would result in benefits to the public. In particular, Mellon would be able to offer a broader array of products and services to its customers. Because of the range of products and services that Mellon provides, customers of Buck also would

7. *See National Courier Association*, 516 F.2d 1229, 1239–41 (1975) ("*National Courier*"). *See also* 12 C.F.R. 225.21(a)(2).

8. *See* Letter to Patrick J. Mulhern, Esq., from Jennifer J. Johnson (June 19, 1989) (relating to Citicorp's acquisition of Quotron Systems, Inc.).

9. In addition, due to Buck's practice of offsetting any commissions received against its consulting fee, Buck's insurance-related services do not provide it with any direct economic reward. Buck also has indicated that, in lieu of receiving commissions, it generally attempts to negotiate an elimination or reduction of commissions, and thereby to reduce the premiums paid by its clients, where such arrangements are permitted by law.

10. Mellon also notes that, although commissions are paid only in a minority of projects, neither Buck nor its client would know at the commencement of a consulting assignment whether the client will elect insurance coverage involving a commission. Therefore, the competitive disadvantage will be present in every case in which the receipt of commissions is a possibility, even if the client eventually selects some other form of Benefit Plan.

11. 12 U.S.C. § 1843(c)(8).

12. *See* 12 C.F.R. 225.26(b).

derive increased convenience from being able to purchase a wider range of services from a single organization. Customers of Buck also would benefit from the operational efficiencies of consolidating their trust and participant service needs within one organization. Consummation of the transaction also may enhance Buck's ability to compete with other firms that provide both trust services and employee benefit consulting services. In addition, there is no evidence in the record that consummation of the proposal would produce any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Based on all the facts of record, the Board has determined that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable, and consistent with approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the proposal should be, and hereby is, approved. Approval of the proposal is specifically conditioned on compliance by Mellon with all the commitments made in connection with the proposal and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective June 16, 1997.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Phillips and Meyer. Absent and not voting: Governor Kelley.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Mercantile Bancorporation Inc.
St. Louis, Missouri

Ameribanc, Inc.
St. Louis, Missouri

Order Approving the Acquisition of a Savings Association

Mercantile Bancorporation Inc., and its subsidiary Ameribanc, Inc., both of St. Louis, Missouri (collectively "Mercantile"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Roosevelt Financial Group, Inc. ("Roosevelt"),[1] and thereby acquire Roosevelt's wholly owned savings association subsidiary, Roosevelt Bank, a federal savings bank ("Roosevelt FSB"), both of Chesterfield, Missouri.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 11,454 and 17,828 (1997)). 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 of the BHC Act.

Mercantile is the second largest depository institution in Missouri, controlling deposits of $10.5 billion, representing approximately 14.4 percent of the total deposits in depository institutions in the state.[3] Roosevelt, with total consolidated assets of $7.8 billion, controls one bank and one thrift in Missouri. On consummation of the proposal and all proposed divestitures, totalling $268.4 million, Mercantile would become the largest depository institution in Missouri, controlling approximately 21.5 percent of total deposits in depository institutions in that state.[4]

The Board previously has determined by regulation that operating a savings association is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[5] The Board requires savings associations acquired by bank holding companies to conform their direct and indirect activi-

1. Roosevelt has granted Mercantile an option to purchase up to 19.9 percent of the outstanding common stock of Roosevelt under certain conditions. The option would terminate on consummation of the proposal.

2. Mercantile also has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Roosevelt's subsidiary bank, Missouri State Bank and Trust Company, St. Louis, Missouri ("Missouri State Bank"). Mercantile has committed to divest Missouri State Bank simultaneously with the acquisition of Roosevelt and Roosevelt FSB. Based on the foregoing and all the facts of record, the Board has determined that the proposal is consistent with approval under the factors required to be considered under section 3 of the BHC Act and that the application should be, and hereby is, approved.

3. State and market data are as of June 30, 1996. In this context, depository institutions include commercial banks, savings banks, and savings associations.

4. Missouri law prohibits a bank holding company from obtaining control of any bank if the total deposits in the bank together with the total deposits in all banks in Missouri controlled by the bank holding company exceed 13 percent of the total deposits in all financial institutions in Missouri. The Division of Finance of the Missouri Department of Economic Development has determined that the state deposit cap would not apply in this case because Mercantile has committed to divest Missouri State Bank simultaneously with consummating the proposal and would therefore not acquire a Missouri state bank within the meaning of state law. *See* Mo. Ann. Stat. § 362.915 (West 1997).

5. 12 C.F.R. 225.28(b)(4)(ii).

ties to those permissible for bank holding companies under section 4 of the BHC Act and Regulation Y. Mercantile has committed that it will conduct this activity in accordance with the Board's regulations.[6]

Competitive Considerations

In order to approve the proposal, the Board also must determine that the performance of the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." As part of the Board's evaluation of these factors, the Board has carefully considered the competitive effects of the proposed transaction in light of all the facts of record.

Mercantile and Roosevelt compete directly in 19 banking markets in Missouri. The Board has carefully reviewed the competitive effects of the proposal in these banking markets in light of all the facts of record, including the number of competitors that would remain in the markets, the characteristics of the markets, the projected increase in the concentration of total deposits in depository institutions in the markets ("market deposits"),[7] as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[8] and commitments made by Mercantile to divest certain branches.[9] Consummation of the proposal would be consistent with the DOJ Guidelines in 12 banking markets without divestitures,[10] and in five banking markets with divestitures.[11]

Consummation of the proposal in the two remaining banking markets—Pettis County and Phelps County[12]—would exceed the DOJ Guidelines. The HHI would increase 223 points to 2522 in the Pettis County banking market, and 204 points to 2234 in the Phelps County banking market. The Board previously has indicated that HHI levels are guidelines that are used by the Board, the Department of Justice, and other banking agencies to help identify cases in which a more detailed competitive analysis is appropriate to assure that the proposal would not have a significantly adverse effect on competition in any relevant market. A proposal that fails to pass the HHI market screen may, nonetheless, be approved because other information may indicate that the proposal would not have a significantly adverse effect on competition.

Several factors mitigate the increases in concentration, as measured by the HHI, in the Pettis and Phelps County banking markets. After consummation of the proposal, six competitors, including a large bank holding company competitor with a substantial share of market deposits, would remain in each market and Mercantile would control less than 30 percent of the market deposits in each market as a result of the proposal.[13] In addition, the proposed transaction would not reduce the number of competitors in the Pettis County banking market because Mercantile would divest a branch office to an out-of-market competitor.

The Board also has considered certain aspects of the Pettis and Phelps County banking markets that indicate that the markets are attractive for entry to potential competitors. In both Pettis and Phelps Counties, for example, the population has increased at a higher rate than in other non-MSA counties in Missouri, and per capita income, deposits per banking office, and increases in total deposits are all greater in both counties than the same statistics are for other non-MSA counties in Missouri. In addition, population per banking office in Phelps County is larger than for other non-MSA counties in Missouri, and entry into the

6. Mercantile intends to merge Roosevelt FSB with and into Mercantile's subsidiary state non-member bank, Mercantile Bank of Plattsburg, Plattsburg, Missouri. The merger is subject to the approval of Federal Deposit Insurance Corporation ("FDIC") under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)).

7. Market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See WM Bancorp*, 76 *Federal Reserve Bulletin* 743 (1984). Because the deposits of Roosevelt FSB would be controlled by a commercial banking organization after consummation of the proposal, those deposits are included at 100 percent in the calculation of Mercantile's *pro forma* market share. *See Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Bank, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n. 9 (1990).

8. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated, and a market in which the post-merger HHI is between 1000 and 1800 is considered 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 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 institutions.

9. In each market in which Mercantile has committed to divest offices to mitigate the anticompetitive effects of the proposal, Mercantile has committed to execute sales agreements with a competitively suitable purchaser prior to consummation of the acquisition of Roosevelt and to complete the divestitures within 180 days of consummation of the acquisition. Mercantile also has committed that, in the event it is unsuccessful in completing any divestiture within 180 days of consummation of the proposal, Mercantile will transfer the unsold branch(es) to an independent trustee that is acceptable to the Board and that will be instructed to sell the branches promptly. *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484 (1991). Mercantile has further committed to submit to the Board, prior to consummation, an executed trust agreement acceptable to the Board stating the terms of these divestitures.

10. These banking markets are discussed in Appendix A.

11. These banking markets are discussed in Appendix B.

12. The Pettis and Phelps County banking markets are approximated by Pettis County and Phelps County, respectively, both in Missouri.

13. Mercantile's *pro forma* share of market deposits is adjusted to account for its proposed divestiture in the Pettis County banking market.

Phelps County banking market occurred as recently as 1995.

The Board sought comments from the United States Attorney General ("Attorney General"), the Office of the Comptroller of the Currency ("OCC"), and the FDIC on the competitive effects of this proposal. The Attorney General has stated that in light of the proposed divestitures, the transaction is not likely to have significantly adverse competitive effects in any relevant banking market. The OCC and the FDIC also have not objected to consummation of the proposal. Based on all the facts of record, including the proposed divestitures, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Pettis and Phelps Counties banking markets or in any relevant banking market.[14]

Other Considerations

As part of its evaluation of the public interest factors, the Board has carefully considered the financial and managerial resources of Mercantile, Roosevelt, and their subsidiaries, and the effect the transaction would have on such resources in light of all the facts of record. These facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and recent *pro forma* financial information provided by Mercantile. The Board notes that Mercantile and Roosevelt, and each of their insured depository institutions, meet or exceed the "well capitalized" thresholds under applicable law, and Mercantile is expected to continue to do so after consummation of the proposal. Based on all the facts of record, the Board has concluded that the financial and managerial resources of the organizations involved in the proposal are consistent with approval.

A. Record of Performance Under the Community Reinvestment Act

In acting on applications to acquire a savings association, the Board reviews the records of performance of the depository institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board evaluates these records in light of examinations by the primary federal supervisor of the CRA performance of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[15] The Board also considers information on an institution's lending and other activities that assist in meeting the credit needs of low- and moderate-income ("LMI") neighborhoods and an institution's policies and practices for compliance with applicable fair lending laws. The Board has carefully considered the records of performance by the insured depository institution subsidiaries of Mercantile and Roosevelt, including their CRA performance examinations and comments that focused on the CRA performance record of Mercantile's lead bank, Mercantile Bank of St. Louis, National Association, St. Louis, Missouri ("Mercantile St. Louis").[16]

CRA Performance Examinations. Mercantile St. Louis, which represents approximately 34.3 percent of Mercantile's total assets, received an "outstanding" rating from its primary federal supervisor, the OCC, in its most recent CRA performance examination, as of May 5, 1995 ("Mercantile St. Louis CRA examination"). The Board also considered updated supervisory information from the OCC regarding the bank's CRA performance. All of Mercantile's remaining insured depository institution subsidiaries that have been examined for CRA performance received satisfactory or better ratings from their primary federal supervisor at their most recent examinations for CRA performance.[17] Roosevelt's two insured depository institution subsidiaries received "satisfactory" ratings from their primary federal supervisors, the FDIC (Missouri State Bank) and the Office of Thrift Supervision (Roosevelt FSB), in the most recent examinations of their CRA performance.

Mercantile's Lending Record. Mercantile offers various lending programs designed to enhance its lending to minor-

14. A commenter maintains that the proposal would increase market concentration and adversely affect competition for loans in the St. Louis, Missouri, banking market ("St. Louis banking market"). As noted in Appendix A, consummation of the proposal in the St. Louis banking market would not exceed the DOJ Guidelines and the market would remain moderately concentrated after Mercantile's acquisition of Roosevelt. In addition, numerous competitors would remain in the market. The comments also rely on dividing the relevant product market in a manner that is inconsistent with the Board's precedent. The Board traditionally has recognized that the appropriate product market for evaluating the competitive effects of mergers and acquisitions of depository institutions is the cluster of products (various kinds of credit) and services (such as checking accounts and trust administration) offered by such institutions. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1997); *First Hawaiian, Inc.*, 79 *Federal Reserve Bulletin* 966 (1993), and discussions of relevant case law and economic studies therein. Commenter presents no facts to support an alternative product market that would consider only lending. Based on all the facts of record, the Board concludes that competitive considerations in the St. Louis banking market are consistent with approval for the reasons discussed above. The effects of the proposal in helping to meet the credit needs of the community are discussed later in the order.

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

16. Comments on the proposal were received from the Association of Community Organizations for Reform Now and the Missouri Association of Community Organizations for Reform Now (collectively, "Commenter").

17. Eighteen of Mercantile's remaining insured depository institutions received "outstanding" ratings, and 12 received "satisfactory" ratings, at their most recent examinations for CRA performance.

ities and to residents of LMI communities through each of its depository institution subsidiaries. Mercantile St. Louis, for example, offers several flexible home lending programs through its Community Partnership Program ("CPP mortgage program") that focus on LMI borrowers. The Mercantile St. Louis CRA examination noted that the CPP mortgage program featured lower down payments, closing cost grants, various fixed and adjustable-rate mortgages, and higher qualifying debt ratios than were available for conventional home loan products. In addition, examiners noted that Mercantile made several changes to the CPP mortgage program, such as increasing the debt-to-income ratio guidelines for home improvement loans, in order to increase the number of loans to LMI borrowers. Mercantile St. Louis made 115 loans, totalling approximately $5 million, through the CPP program in 1996.

Mercantile also assists in meeting the affordable housing needs of LMI residents throughout its delineated community with a variety of community development programs with government agencies, non-profit organizations, and private developers. These programs include the Federal Home Loan Bank Affordable Housing Programs. The programs provide down payment and closing cost assistance through the Federal Home Loan Bank and the City of St. Louis. The Mercantile St. Louis CRA examination found that Mercantile St. Louis was one of the largest lenders for several of the programs.[18] In addition, examiners noted that Mercantile St. Louis began to offer mortgage loans through programs offered by the Federal Housing Administration ("FHA") and the Department of Veterans Affairs in 1994. Mercantile intends to enhance Roosevelt's community development efforts by carefully considering whether additional products or services would be required to better serve the communities and customers served by Roosevelt.

Mercantile also has designed special products to meet the housing needs of LMI residents. For example, the bank's CRA examination noted that Mercantile supported the St. Louis Equity Fund, which is a real estate investment partnership that focus on the development and redevelopment of affordable rental housing for low-income families. Mercantile St. Louis and a subsidiary bank recently acquired by Mercantile have invested approximately $1.8 million in the fund. Mercantile St. Louis also participates with various charitable and non-profit organizations in the Home Ownership Purchase Services program. This program is designed to assist individuals in obtaining a mortgage, including individuals with a history of credit problems.

Examiners concluded in the Mercantile St. Louis CRA examination that the bank actively solicited applications from all segments of its community, including LMI areas. In addition, examiners found that the geographic distribution of loans required to be reported under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for Mercantile subsidiary banks in general represented a reasonable penetration of their respective delineated communities.

Ascertainment and Outreach Efforts. Mercantile uses various methods to ascertain community credit needs, including direct contacts with public officials, neighborhood organizations, and community groups involved in affordable housing, small business, economic and community development, and minority affairs. The Mercantile St. Louis CRA examination found that the bank's board of directors and management established useful contacts with a number of groups and organizations that enabled the bank to assess the community's credit needs. Management was also found to have identified and as noted, responded to several credit-related needs for LMI residents in its community, including home purchase and home improvement loans with lower down payments and higher qualifying ratios than conventional loan products.

The Mercantile St. Louis CRA examination concluded that the bank offered a full range of credit products that were well-suited to meeting the community's identified credit needs, including modifying or creating products that focused on the needs of LMI individuals. In addition, examiners found that Mercantile marketed its products and services to reach all segments of its community by using advertising that was widely circulated in the local media, including advertising that focused on residents in LMI and predominately minority communities.

Branch Locations. The Mercantile St. Louis CRA examination stated that the bank's office locations and services reasonably served all segments of the delineated community, including LMI areas. Examiners also found that when closing branches, management used adequate branch closing policies. Examiners noted that, when deciding to close a branch, Mercantile considered the proximity of potential branches to be closed to other Mercantile branches, and the location of competitors.

Comments on the Proposal. Commenter maintains that HMDA data from 1993 to 1996 indicate a growing disparity in the volume and rates of HMDA-reported loans originated to minority loan applicants and LMI neighborhoods as compared to rates of loan originations to nonminority loan applicants and high income neighborhoods.[19] In addition, Commenter contends that the ascertainment ef-

18. The Mercantile St. Louis CRA performance examination also noted that the bank participated in the Missouri Housing Development Commission's Home Improvement Loan Program which provided state-subsidized, below market interest rates for terms of up to ten years to LMI borrowers.

19. Commenter states that communication between Roosevelt and Commenter has been adversely affected by the proposal. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. However, both the CRA and the Agency CRA Statement require the Board's review to focus on the established record of performance of the institutions involved and the programs and policies that the institutions have in place to assist in meeting the credit needs of their entire communities. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994). In this case, the facts discussed above and the other facts of record indicate that the relevant institutions have programs to help serve the credit needs of their communities.

forts of, and branch locations for, Mercantile St. Louis do not adequately meet the credit and banking needs of residents in LMI and predominately minority communities.[20]

The 1996 HMDA data generally indicate that Mercantile improved its record of home mortgage lending in LMI census tracts and its record of home mortgage loans to African-American applicants for loans. These data indicate an increase in the percentage of loans originated to African Americans compared to all loan applications. These data also indicate a narrowing of the disparity between the denial rates to African Americans compared to the denial rates to nonminority applicants. The data reflect, however, some disparities at Mercantile St. Louis in the rate of loan origination, denials, and applications by racial group or income level.

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

In light of the limitations of HMDA data, the Board has carefully reviewed the record of Mercantile's lending to minorities, particularly African Americans, and to LMI residents in light of information from the OCC, the primary federal supervisor of Mercantile St. Louis, that includes the bank's CRA examination and other confidential supervisory information. The Mercantile St. Louis CRA examination found no evidence of practices intended to discourage individuals from applying for credit.[21] In addition, examiners found no evidence of disparate treatment on a prohibited basis, and concluded that the bank was in substantial compliance with antidiscrimination laws and regulations.[22]

Mercantile St. Louis also has a second review process prior to denial for loan applications subject to HMDA reporting requirements. The process is designed to ensure that all applicants, including minority applicants, receive equal consideration in credit decisions. Auditors review rejected minority and accepted nonminority applications to determine if applicants are being treated differently because of their race. Moreover, Mercantile has adopted a fair lending policy and Mercantile St. Louis's mortgage lending division regularly conducts fair lending classes and testing for its staff.

Based on all the facts of record, and for the reasons discussed in the order, the Board concludes that the record of Mercantile St. Louis under the CRA in the areas of lending, fair lending law compliance, ascertainment and branch locations is consistent with approval of the proposal.[23]

B. Conclusion Regarding CRA Considerations

In light of all the facts of record, including information provided by Commenter, Mercantile's responses, and the relevant reports of examination and other confidential supervisory information provided by the OCC, the Board concludes that considerations relating to the CRA performance records of Mercantile and Roosevelt[24] are consistent with approval.[25]

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20. Commenter also maintains that the fees charged by Mercantile St. Louis are excessive. As discussed above, Mercantile St. Louis provides a full range of credit products and banking services that assist in meeting the credit and banking needs of LMI individuals. In addition, there is no evidence in the record that the fees charged by Mercantile St. Louis are based on any factor that would be prohibited under law. Although the Board has recognized that banks help serve the banking needs of their communities by making basic services available at nominal or no charge, the CRA does not impose any limitation on the fees or surcharges for services.

21. Commenter contends that Mercantile illegally "steers" minority loan applicants to federally subsidized loan programs like the programs offered by the FHA. As noted, examiners found no evidence of illegal credit practices in any of the bank's lending programs.

22. Examiners compared a sample of African-American and nonminority applicants for mortgage loans as part of the CRA examination and found no evidence of discrimination or other illegal credit practices. Examiners also sampled denied housing-related loan applications from African-American applicants and approved housing-related loan applications from nonminority borrowers and found no evidence of discrimination or other illegal credit practices.

23. The Board has provided a copy of Commenter's submissions to the OCC, the primary federal supervisor for Mercantile St. Louis, for its consideration and use. The Board also notes that Commenter submitted oral and written comments to the OCC, in connection with the OCC's examination of Mercantile St. Louis, that relate to the bank's record of CRA performance and the OCC's examination policies and practices. In reviewing this proposal, the Board has considered the OCC's response to Commenter and other confidential information from the OCC, in addition to all the comments provided by Commenter.

24. Commenter also contends that Roosevelt has an inadequate record of helping to meet the credit needs of predominantly minority communities in St. Louis. As discussed above, the Board has given substantial consideration to the existing CRA record of Mercantile as reflected in its performance examination, policies and programs, and other confidential supervisory information because Mercantile will acquire Roosevelt. In addition, the Board has reviewed Roosevelt's record of CRA performance in light of all the facts of record, including its most recent CRA performance examinations.

25. Commenter has requested that the Board hold a public hearing or public meeting to consider the record of Mercantile in meeting its responsibilities under the CRA. Section 3(b) of the BHC Act does not require the Board to hold a hearing or meeting on an application unless the appropriate supervisory authority of the bank to be acquired makes a timely written recommendation of denial of the application. The Board has not received such a recommendation, in this case. The Board's rules also provide for a hearing on notices under section 4 of the BHC Act to acquire a savings association if there are disputed issues of material fact relating to the acquisition of the savings association that cannot be resolved in some other manner. After careful review of all the facts of record, the Board has concluded that Commenter's arguments amount to a dispute with the weight that should be accorded to, and the conclusions that the Board should draw from, the facts of record, but do not identify disputed issues of fact that are material to the Board's decision.

Public Benefits

The record also indicates that consummation of the proposal would result in public benefits. The proposal would result in a broader financial network through which Mercantile may serve its customers, and in Roosevelt's customers having access to the increased services offered at Mercantile's subsidiary banks. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies may make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they believe is most efficient. Based on all the facts or record, the Board has determined that the Mercantile proposal can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. 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.

Conclusion

Based on the foregoing, and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by Mercantile with all the commitments made in connection with this application, including the divestiture commitments discussed in the order.[26] For the purpose of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

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

Voting for this action: Vice Chair Rivlin and Governors Kelley and Phillips. Absent and not voting: Chairman Greenspan. Abstaining from this action: Governor Meyer.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

Missouri banking markets in which consummation of the proposal would be consistent with the DOJ Guidelines without divestitures:

(1) *Boone Country:* Approximated by Boone County, Missouri. After consummation of the proposal, Mercantile would control 11.5 percent of the market deposits and would become the fourth largest depository institution in the market. The HHI would not increase as a result of this proposal.

(2) *Cape Girardeau:* Approximated by Cape Girardeau County plus Kelso township in Scott County, all in Missouri. After consummation of the proposal, Mercantile would control 21.9 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would increase 81 points to 2353.

(3) *Clinton:* Approximated by Henry County, plus St. Clair County, except the area around the town of Appleton City, all in Missouri. After consummation of the proposal, Mercantile would control 21.2 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 88 points to 1801.

(4) *Dexter:* Approximated by Stoddard County, less the community of Bernie, all in Missouri. After consummation of the proposal, Mercantile would control 26.6 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 193 points to 2454.

(5) *Joplin:* Approximated by Jasper & Newton Counties, Missouri, plus the communities of Galena and Baxter Springs in Cherokee County, Kansas. After consummation of the proposal, Mercantile would control 31.3 percent of the market deposits and would remain the largest depository institution in the market. The HHI would increase 315 points to 1545.

In addition, Commenter has had an opportunity to present its views, and has submitted substantial written comments that have been considered by the Board. The request fails to show why a written presentation would not suffice, to identify specifically any questions of fact that are in dispute, and to summarize what evidence would be presented at a hearing or meeting. *See* 12 C.F.R. 262.3(e). In light of all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, and is not otherwise warranted in this case. Accordingly, Commenter's request for a public hearing or meeting on the application is denied.

26. Commenter requests that the Board delay action on the proposal until the OCC has publicly released the final version of its most recent CRA examination of Mercantile St. Louis and released more information concerning the bank's lending, investment, and small business lending data. The Board is required under the BHC Act to act on applications and notices within specified time periods. As noted, moreover, the Board has considered confidential supervisory information from the OCC and concludes that the record is complete without Commenter's analysis of data that may be disclosed in the OCC's examination of Mercantile St. Louis. In addition, Commenter has had a reasonable opportunity to comment as provided under the Board's application processing procedures and has, in fact, submitted comments that have been carefully considered by the Board. Based on all the facts of record, and for the reasons discussed above, the Board concludes that the record is sufficient to act on the proposal at this time, and that delay or denial of the proposal on the grounds of informational insufficiency is not warranted.

(6) *Kansas City:* Approximated by the Kansas City Ranally Metro Area. After consummation of the proposal, Mercantile would control 14.9 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 57 points to 972.
(7) *Nodaway County:* Approximated by Nodaway County, Missouri. After consummation of the proposal, Mercantile would control 9.3 percent of the market deposits and would remain the fourth largest depository institution in the market. The HHI would not increase as a result of the proposal.
(8) *Poplar Bluff:* Approximated by Butler County, Missouri. After consummation of the proposal, Mercantile would control 27.1 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 174 points to 1906.
(9) *Sikeston:* Approximated by Mississippi County, Scott County, excluding Kelso township, plus New Madrid County, excluding Como and Anderson townships and the western half of Portage township, all in Missouri. After consummation of the proposal, Mercantile would control 25.7 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 206 points to 1740.
(10) *Springfield:* Approximated by Greene & Christian Counties, plus the area around the community of Rogersville in Webster County, all in Missouri. After consummation of the proposal, Mercantile would control 21.5 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 178 points to 1372.
(11) *St. Joseph:* Approximated by the St. Joseph Ranally Metro Area. After consummation of the proposal, Mercantile would control 25.6 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 97 points to 1523.
(12) *St. Louis:* Approximated by the city of St. Louis, Missouri; St. Louis, St. Charles and Jefferson Counties, Missouri; plus Calvey and Boles townships in Franklin County, Missouri; Madison, St. Clair and Monroe Counties, Illinois; plus Sugar Creek and Looking Glass townships in Clinton County, Illinois. After consummation of the proposal, Mercantile would control 31.3 percent of the market deposits and would become the largest depository institution in the market. The HHI would increase 358 points to 1666.

Appendix B

Missouri banking markets in which consummation of the proposal would be consistent with the DOJ Guidelines with divestitures:
(1) *Barton County:* Approximated by Barton County, Missouri. After consummation of the proposal, Mercantile would control 18.1 percent of the market deposits and would remain the third largest depository institution in the market. The HHI would not increase as a result of the proposal.
(2) *Grundy County:* Approximated by Grundy County, Missouri. After consummation of the proposal, Mercantile would control 31.1 percent of the market deposits and would remain the second largest depository institution in the market. The HHI would not increase as a result of the proposal.
(3) *Vernon County:* Approximated by Vernon County, Missouri. After consummation of the proposal, Mercantile would control 45.2 percent of the market deposits and would become the largest depository institution in the market. The HHI would not increase as a result of the proposal.
(4) *Warrenton:* Approximated by Warren County, Missouri, except the area surrounding the community of Dutzow. After consummation of the proposal, Mercantile would control 6.7 percent of the market deposits and would remain the fifth largest depository institution in the market. The HHI would not increase as a result of the proposal.
(5) *Washington:* Approximated by Franklin County, Missouri, except for Boles and Calvey townships and the area around Burger in Boeuf township, plus the community of Dutzow in Warren County, Missouri. After consummation of the proposal, Mercantile would control 25.9 percent of the market deposits and would become the second largest depository institution in the market. The HHI would increase 91 points to 2232.

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

First Bank System, Inc.
Minneapolis, Minnesota

Order Approving the Acquisition of a Bank Holding Company

First Bank System, Inc., Minneapolis, Minnesota ("First Bank System"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire U.S. Bancorp, Portland, Oregon ("U.S. Bancorp"), and its subsidiary banks listed in Appendix A.[1] First Bank System also has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of Regulation Y (12 C.F.R. 225.24) to acquire the nonbanking subsidiaries of U.S. Bancorp and thereby engage in the nonbanking activities listed in Appendix B.[2]

1. First Bank System proposes to exchange its shares for all the outstanding shares of U.S. Bancorp. On consummation, U.S. Bancorp would be merged with and into First Bank System, which would change its name to U.S. Bancorp. First Bank System also has requested the Board's approval to exercise an option to purchase up to 19.9 percent of the voting shares of U.S. Bancorp. The option would become moot on consummation of the proposal.

2. First Bank System also has filed a notice under section 4(c)(14) of the BHC Act (12 U.S.C. § 1843(c)(14)) and section 211.34 of the Board's Regulation K (12 C.F.R. 211.34) to acquire U.S. Bancorp's

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 19,762 (1997)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in sections 3 and 4 of the BHC Act.

First Bank System, with total consolidated assets of approximately $36.5 billion, is the 25th largest commercial banking organization in the United States, controlling less than 1 percent of the total banking assets of insured commercial banks in the nation ("total banking assets").[3] First Bank System's subsidiary banks operate in Colorado, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Wisconsin, and Wyoming.[4] First Bank System also engages through other subsidiaries in a number of permissible nonbanking activities. U.S. Bancorp, with total consolidated assets of approximately $33.4 billion, is the 27th largest commercial banking organization in the United States, controlling less than 1 percent of total banking assets in the nation. U.S. Bancorp operates subsidiary banks in California, Idaho, Nevada, Oregon, Utah, and Washington, and engages through subsidiaries in a broad range of permissible nonbanking activities.[5]

On consummation of the proposal, First Bank System would become the 14th largest commercial banking organization in the United States, with total consolidated assets of approximately $69.9 billion, representing 1.5 percent of total banking assets in the United States. First Bank System would control 1.6 percent of the total deposits in banks and savings associations insured by the Federal Deposit Insurance Corporation ("FDIC").

Interstate Banking Analysis

Section 3(d) of the BHC Act, as amended by Section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire a bank located in a state other than the home state of such bank holding company if certain conditions are met.[6] For purposes of the BHC Act, First Bank System's home state is Minnesota, and First Bank System proposes to acquire banks located in California, Idaho, Nevada, Oregon, Utah, and Washington. The conditions for an interstate acquisition under section 3(d) are met in this case.[7] In view of all the facts of record, the Board is permitted to approve this proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or if the effect of the proposal may be substantially to lessen competition in any relevant market, unless the Board finds that the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.

First Bank System and U.S. Bancorp do not compete with each other in any geographic banking market. Based on all the facts of record, the Board has concluded that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.[8]

Other Factors Under the BHC Act

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

subsidiary, U.S. World Trade Corporation, Portland, Oregon, an export trading company.

3. Asset, deposit, and ranking data are as of December 31, 1996.

4. First Bank System recently merged or consolidated its subsidiary banks in Colorado, Illinois, Nebraska, Wisconsin, and East Grand Forks, Minnesota, certain assets of its subsidiary bank in South Dakota, and its savings association operating in Iowa, Kansas, Minnesota, Nebraska, North Dakota, and Wyoming into its lead subsidiary bank, First Bank National Association, Minneapolis, Minnesota. In addition, First Bank System also owns First Bank Montana, N.A., Billings, Montana, and First Bank of South Dakota, N.A., Sioux Falls, South Dakota.

5. The Office of the Comptroller of the Currency ("OCC") recently approved a proposal by U.S. Bancorp to merge all its existing subsidiary banks with and into its lead subsidiary bank, U.S. National Bank of Oregon, Portland, Oregon.

6. Pub. L. No. 103–328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

7. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). First Bank System is adequately capitalized and adequately managed. On consummation of the proposal, First Bank System would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. In addition, all the banks to be acquired by First Bank System have been in existence for the minimum period of time necessary to satisfy age requirements established by applicable state laws. All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

8. The Board has reviewed comments maintaining that the proposed combination of two large banking organizations would have anticompetitive effects and that the proposal could result in increased fees or lower deposit rates. Commenters present no facts to support these contentions. In order to determine the effect of a particular transaction on competition under the BHC Act, it is necessary first to designate the area of effective competition between the parties. The courts have held that the area of effective competition is determined by reference to the "line of commerce" or product market and a geographic market. The appropriate product market for evaluating the competitive effects of acquisitions of depository institutions is the cluster of products and services offered by such institutions. *See Chemical Banking Corporation*, 82 *Federal Reserve Bulletin* 239 (1997). The Board and the courts also have concluded that the relevant banking market for analyzing the competitive effects of a proposal must reflect commercial and banking realities and should consist of the local area where the banks involved offer their services and where local customers can practicably turn for alternatives. *Id.* As noted, First Bank System and U.S. Bancorp do not offer products or services to customers in the same local banking markets.

A. Financial, Managerial, and Other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of First Bank System, U.S. Bancorp, and their respective subsidiary banks and other supervisory factors in light of all the facts of record. The Board notes that the bank holding companies and their subsidiary banks are currently well capitalized and are expected to remain so after consummation of the proposal. The Board also has considered other aspects of the financial condition and resources of the two organizations, the structure of the proposed transaction, and the managerial resources of the entities and the combined organization, the Board's supervisory experience with First Bank System and U.S. Bancorp, and examinations by the OCC and other federal banking authorities assessing the financial and managerial resources of the entities. Based on all the facts of record, including all comments received and relevant reports of examination of the companies and banks involved in this proposal, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of First Bank System, U.S. Bancorp, and their respective subsidiaries are consistent with approval of the proposal, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[9]

B. Convenience and Needs Factor

The Board has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. In reviewing the convenience and needs aspects of the proposal, the Board notes that First Bank System and U.S. Bancorp assist in meeting the convenience and needs of their communities by providing a full range of financial services, including commercial and retail banking, trust and investment management, and community development services through various bank and nonbank subsidiaries.

After consummation of the transaction, First Bank System would meet the needs of its communities and the communities formerly served by U.S. Bancorp through a Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA") program that would retain the current structure and focus of the two entities. The combined organization would continue to have a CRA manager assigned to each state, who would be responsible for coordinating community reinvestment efforts in that state. In addition, senior management and the board of directors of the combined organization would continue to oversee CRA policy through the Senior CRA Policy Committee and the Credit Policy and Community Responsibility Committee of the board of directors. First Bank System also states that the combined organization would enhance the products and services available to the customers of each institution. First Bank System intends, for example, to offer U.S. Bancorp's small business loan program to First Bank System customers and to offer its affordable housing programs for low- and moderate-income ("LMI") borrowers to U.S. Bancorp's customers if the programs better serve their credit needs.

CRA Performance Examinations

As provided in the CRA, the Board evaluates the convenience and needs factor in light of examinations of the CRA performance records of the relevant institutions by their primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process, because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[10]

All subsidiary depository institutions of First Bank System and U.S. Bancorp received "outstanding" or "satisfactory" ratings from their primary supervisors at their most recent examinations for CRA performance.[11] First Bank System's lead subsidiary bank, First Bank National Association, Minneapolis, Minnesota ("First Bank"), with approximately 47 percent of First Bank System's consolidated assets, received an "outstanding" rating from the OCC at its most recent examination for CRA performance, as of July 1995 ("First Bank Examination").[12] U.S. Bancorp's lead subsidiary bank, U.S. National Bank of Oregon, Portland, Oregon ("U.S. Bank"), with approximately 43 percent of U.S. Bancorp's consolidated assets, also

9. Several commenters allege that U.S. Bancorp's subsidiary banks have acted improperly in foreclosure, bankruptcy, or other legal proceedings arising from individual loan transactions or have breached settlements reached in connection with those proceedings. The Board has carefully reviewed these allegations in light of examiners' assessments of the managerial resources in reports of examination for the relevant institutions, including the institutions' policies and procedures for administering loans. The Board notes that most of the contentions are or have been in litigation and, so far, no court has found that any commenter is entitled to relief. The courts, moreover, have the full authority to grant adequate remedies for all the improper actions alleged by the commenters if they can substantiate their claims of improper conduct by the relevant subsidiary bank of U.S. Bancorp. The Board has provided a copy of the comments to the OCC, the primary federal supervisor of the banking institutions involved, and to the Department of Justice for consideration and review. The Board also has considered commenters' contentions in connection with its evaluation of the convenience and needs factor discussed later in the order.

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

11. The most recent CRA performance ratings for First Bank System's and U.S. Bancorp's subsidiary banks are set forth in Appendices C and D.

12. Asset data used in this section of the order are as of September 30, 1996, and do not reflect the recent mergers and consolidations of other subsidiary banks and a subsidiary thrift with and into First Bank.

received an "outstanding" rating from the OCC at its most recent examination for CRA performance, as of April 1997 ("U.S. Bank Examination"). Overall, banks with more than 60 percent of the consolidated assets of First Bank System, and more than 70 percent of the consolidated assets of U.S. Bancorp, received "outstanding" CRA performance ratings at their most recent examinations. The Board also has considered other aspects of the CRA performance records of First Bank System and U.S. Bancorp in light of all the facts of record, including the lending activities of their subsidiary banks in states that were specifically mentioned by commenters.

Lending Performance Record of First Bank System

Minnesota. The First Bank Examination concluded that the delineated community served by First Bank was reasonably defined and did not arbitrarily exclude any LMI areas. Examiners also concluded that First Bank effectively identified credit needs within its community, with a particular emphasis on the needs of LMI areas. Examiners noted, for example, that First Bank placed special emphasis on marketing its products within LMI and minority areas of its community, and that the bank's ascertainment efforts through public/private partnerships had produced credit products that assisted in meeting the credit needs of all the communities served by the bank. First Bank actively participated in government-sponsored programs offering housing-related and small business loans.[13]

In 1996, First Bank System originated 8,213 consumer loans totalling approximately $73 million and 1,192 small business loans totalling approximately $117 million within LMI areas in Minnesota. Small business lending totalled approximately $569 million for the entire state. First Bank System also made 261 Home Advantage loans totalling approximately $13.1 million to LMI borrowers,[14] and 163 government-sponsored housing loans totalling approximately $13.3 million in Minnesota. First Bank System also originated 7,062 loans to businesses and individuals in rural areas in Minnesota totalling $176.7 million.

Colorado. According to the most recent CRA performance examination of Colorado National Bank, Denver, Colorado ("Colorado Bank"), the bank's community delineation was reasonable and did not arbitrarily exclude any LMI areas. Moreover, examiners found that Colorado Bank had in place a strong program to identify credit needs effectively in each of its delineated communities, including LMI neighborhoods. In particular, the bank devoted special attention to identifying the credit needs of individuals in LMI and minority areas and developed successful credit products as a result of this program, including small business loans made in conjunction with the Mainstreet Loan Center. Colorado Bank offered both traditional and special credit products to meet the credit needs of its communities.[15] Examiners also found that Colorado Bank's credit products were effectively marketed throughout all segments of the bank's delineated communities, including through marketing efforts concentrating on LMI and minority areas.

In 1996, First Bank System originated 13,381 consumer loans totalling approximately $117.9 million and 1,630 small business loans totalling approximately $107.5 million in LMI areas in Colorado. First Bank System also made 25 Home Advantage loans to LMI Colorado home buyers totalling approximately $1.7 million, and 223 government-sponsored housing loans in Colorado totalling approximately $17.7 million. In rural areas, First Bank System originated 5,288 loans to businesses and individuals totalling approximately $97.1 million.

Montana. Examiners found that the delineated community for First Bank Montana, N.A., Billings, Montana ("Montana Bank"), was reasonable and did not arbitrarily exclude any LMI areas. In addition, the geographic distribution of Montana Bank's loan portfolio was considered to reasonably penetrate all segments of the delineated community, including LMI areas. Examiners also noted that Montana Bank frequently participated in government-sponsored loan programs.[16]

In 1996, First Bank System made 670 consumer loans totalling approximately $6.8 million and 243 small business loans totalling approximately $22.4 million in LMI areas in Montana. Small business lending for the state totalled approximately $70 million. First Bank System also originated 15,608 loans to businesses and individuals located in rural areas totalling approximately $247.1 million.

South Dakota. According to examiners in the most recent CRA performance examination of First Bank of South Dakota, N.A., Sioux Falls, South Dakota ("South Dakota Bank"), the bank served a reasonably delineated community that did not arbitrarily exclude LMI areas, and the bank's lending activities addressed a significant portion of the community's identified credit needs, including housing, small business, and small farm credit needs. South Dakota Bank's loans were considered to be geographically distrib-

13. Examiners noted that, in 1994, First Bank originated 23,823 government-sponsored loans totalling approximately $220 million. First Bank also originated 4,506 small business loans totalling approximately $91.2 million to businesses and farms located in Minnesota.

14. Home Advantage allows home buyers to obtain housing that could not be financed due to its age or condition by providing the additional financing needed to renovate the property. In addition, Home Advantage provides zero percent "gap" financing to LMI borrowers when renovation costs exceed appraised value and zero percent downpayment assistance loans to borrowers earning less than 80 percent of the relevant area's median income. In 1996, First Bank System provided almost $800,000 in zero percent home buyer assistance loans for down payments and other purposes.

15. In 1994, Colorado Bank originated 2,885 small business loans totalling $33.2 million and 14,600 government-sponsored loans totalling approximately $226.4 million.

16. In 1994, Montana Bank originated more than $35 million in such loans. The bank also made 817 small business loans totalling approximately $24 million, including 155 loans totalling approximately $6.5 million for agricultural purposes.

uted in a manner that reasonably penetrated all parts of its community, including LMI areas.[17]

First Bank System made 3,144 loans to businesses and individuals located in rural areas in South Dakota totalling approximately $59.7 million in 1996. Statewide, First Bank System originated 1,319 small business loans totalling $99 million. Within LMI areas, First Bank System made 376 small business loans totalling $43.4 million and 952 consumer loans totalling approximately $8.9 million. First Bank System also made 17 government-sponsored housing loans totalling $1.2 million.

North Dakota and Wyoming. First Bank System formerly served communities in North Dakota and Wyoming through First Bank, fsb, Fargo, North Dakota ("First Savings Bank"). Examiners found that the delineated community of First Savings Bank was reasonable and did not arbitrarily exclude LMI areas. In 1995, First Savings Bank made 579 small business loans totalling $42 million in North Dakota, including approximately 19 percent of those small business loans in LMI areas.[18] In Wyoming, First Savings Bank made 204 small business loans totalling approximately $18.4 million in 1995, including 19 percent of its small business loans in LMI areas in that state.

Other Banks. First Bank System's remaining subsidiary banks were found by the OCC to have delineated communities that were reasonable and did not arbitrarily exclude LMI areas. In addition, the geographic distribution of the loan portfolios of these subsidiary banks was found to reasonably penetrate all parts of the delineated community, including LMI areas. All of the subsidiary banks were found to have a level of participation in community development projects that was consistent with the resources of the bank and local economic conditions.

Lending Performance Record of U.S. Bancorp

Oregon. The U.S. Bank Examination concluded that the bank's ascertainment of community credit needs was effective and extensive. U.S. Bank identified the credit needs of its community through community forums in rural and metropolitan areas of the state, market research, and employee involvement in community organizations. Examiners also noted that U.S. Bank took affirmative steps to address those identified credit needs. In 1995, for example, U.S. Bank developed and introduced the U.S. Simply Small Business Loan Program that served businesses with credit needs of less than $35,000. Examiners also found that U.S. Bank's marketing strategies for its new products were designed to reach all segments of the bank's delineated community, including LMI areas. In addition, U.S. Bank used comprehensive geographic analysis to develop marketing strategies to reach specific segments of its community. Based on this market research, in October 1995, U.S. Bank introduced a pre-approved consumer installment loan to individuals in LMI communities in Oregon. U.S Bank also had a comprehensive advertising campaign designed to reach the mass market through television, radio, print, billboard, and direct mail, and to reach particular segments of the community through advertisements in ethnic media, foreign language publications, and community newspapers and on radio stations that reach farmers and other rural residents.

From 1994 through 1996, U.S. Bank originated 20,203 small business loans for approximately $2.46 billion in Oregon, including 3,307 loans totalling approximately $84 million under the U.S. Simply Small Business Loan Program. Through the Commercial Opportunity Loan Program, U.S. Bank offers flexible collateral requirements for businesses owned by women and minorities and businesses in economically distressed areas. The bank originated 618 loans under the program totalling approximately $24 million.

U.S. Bank also offers a variety of lending products to address the credit needs of LMI individuals. HomePartners U.S. provides housing-related credit for LMI home buyers through flexible underwriting criteria that include the amount of down payment, debt-to-income ratios, credit histories, and a waiver of private mortgage insurance. From 1994 to 1996, U.S. Bank originated 563 HomePartners U.S. loans totalling $40 million. U.S. Bank also participates in the Oregon State Bond Mortgage Loan Program, which subsidizes below-market lending rates for LMI home buyers. Through this program, U.S. Bank originated 269 loans for $19 million. In addition, U.S. Bank offers special consumer lending programs such as the Consumer Opportunity Loan Program, which provides flexible underwriting criteria for LMI borrowers. The bank originated 1,598 Consumer Opportunity Loans for approximately $6.4 million.

U.S. Bank also participates in government-sponsored lending programs. The bank originated more than $336 million in government-sponsored loans, including $31 million in Small Business Administration loans, $66 million in housing-related loans, and $220 million in student loans. In addition, U.S. Bank provided $9.7 million in loans to six Native American tribes through its Native American Tribal Community Development Program.[19]

Washington. Examiners found that the ascertainment efforts of U.S. Bank of Washington, N.A., Seattle, Washington ("USBW"), were extensive and effective, and that USBW took steps to address identified community credit needs. For example, since implementing the U.S. Simply Small Business Loan Program, USBW has originated 1,947 loans totalling $49 million. Examiners also found that

17. Examiners noted that South Dakota Bank originated 465 mortgage loans, 36 small business loans, and 28 agricultural loans totalling approximately $27 million, $1.2 million, and $900,000, respectively, in 1994.

18. First Bank System also sponsored a $300,000 Federal Home Loan Bank Affordable Housing Program grant for the revitalization of Little Earth of United Tribes Housing Corporation, a nonprofit corporation that provides urban housing owned and controlled by Native Americans.

19. U.S. Bancorp also contributes to organizations that provide technical assistance and support to businesses owned by Native Americans and to hospital and medical centers that provide health services to Native Americans.

products were introduced to the community through marketing strategies designed to reach all segments of the bank's delineated community, including LMI areas. According to examiners, USBW showed a very strong commitment to lending in its community by offering a variety of loan products designed to meet community credit needs and maintained a leadership position in community development and redevelopment programs.

From 1994 through 1996, USBW originated 18,102 small business loans in Washington totalling $3.2 billion. USBW also made more than $531 million in government-sponsored loans and provided financing totalling $68.2 million for 29 affordable housing projects with 2,136 units of affordable housing.[20] Since 1994, USBW has extended more than $31.6 million in community development loans to Native Americans and Native American organizations.

Idaho. The most recent CRA performance examination of U.S. Bank of Idaho, Boise, Idaho ("Idaho Bank"), showed that the geographic distribution of the bank's credit extensions and applications reflected a reasonable penetration of all segments of its local community, including LMI neighborhoods. Examiners also found that Idaho Bank's community delineation met the purposes of the CRA and did not arbitrarily exclude LMI areas. Moreover, the bank's lending volume was determined to represent an effective response to community credit needs, including the credit needs of LMI areas.

Idaho Bank also assists in meeting the credit needs of its communities in Idaho through lending programs that focus on rural communities and LMI borrowers. In 1996, Idaho Bank originated 6,379 small business loans totalling $492 million. Of those loans, 4,046 totalling approximately $269 million were in rural areas, and 22 percent of the dollar volume of the bank's small business loans was extended to LMI borrowers. In addition, the bank originated 3,756 small farm loans totalling $261 million. Of those loans, 3,110 totalling approximately $211 million were made in LMI areas, and 15 percent of the dollar volume of small farm loans was extended to LMI borrowers.

Branch Locations and Closings

First Bank System does not anticipate any branch closures as a direct result of the proposal because there is no market overlap with U.S. Bancorp. After consummation of the proposal, First Bank System intends to use the branch closing policies and procedures used by U.S. Bancorp's subsidiary banks. The policies require consultation with the community before making any final decision to close a branch or to reduce the services available at a branch in an LMI neighborhood. The OCC recently reviewed the effect of branch closings under the policies in the CRA performance examinations of U.S. Bancorp's subsidiary national banks, and concluded that branch closings during the evaluation period had not adversely affected the ability of the banks to provide banking services to its community, including LMI neighborhoods.[21]

The Board also notes that Federal banking law addresses branch closings by specifically requiring an insured depository institution to provide notice to the appropriate regulatory agency prior to closing a branch.[22] Moreover, branch closings by the combined organization may be considered by the Board in future applications.

HMDA Data for First Bank System and U.S. Bancorp

The Board has reviewed the 1994, 1995, and preliminary 1996 data reported by subsidiaries of First Bank System and U.S. Bancorp under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"). These data reflect some disparities in the rate of loan originations, denials, and applications by racial group. The Board is concerned when the record of an institution indicates such disparities, and believes that all banks are obligated to ensure that their lending practices are based on criteria that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race. The Board recognizes, however, that HMDA data alone provide an incomplete measure of an institution's lending in its community because the data cover only a few categories of housing-related lending. Moreover, HMDA data provide only limited information about the covered loans.[23] HMDA data, therefore, have limitations that make the data an inadequate basis, absent other information, for concluding that an institution has engaged in illegal lending discrimination.

In light of the limitations of HMDA data, the Board has carefully reviewed other information, particularly examination reports that provide an on-site evaluation of compliance with fair lending laws by the depository institution subsidiaries of First Bank System and U.S. Bancorp. The CRA examinations of those subsidiaries found no evidence

20. Although USBW sold its mortgage subsidiary in 1994, the bank continues to finance affordable housing projects through a nonbank affiliate that specializes in community development lending.

21. Some commenters criticized branch closings by First Bank System. The OCC's CRA performance examinations concluded that First Bank System's subsidiary banks provided reasonable access to banking services in all parts of their communities, including LMI areas. As part of the CRA performance examinations of these institutions, examiners reviewed branches closed and did not note any materially adverse effects on LMI neighborhoods or other areas resulting from branch closures.

22. Section 42 of the Federal Deposit Insurance Act (12 U.S.C. § 1831r-1), as implemented by the Joint Policy Statement Regarding Branch Closings (58 *Federal Register* 49,083 (1993)), requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy.

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

of prohibited discrimination[24] and found the banks to be in substantial compliance with antidiscrimination laws and regulations.[25]

The record also indicates that First Bank System and U.S. Bancorp have taken a number of affirmative steps to ensure compliance with fair lending laws. For example, First Bank System uses credit scoring in its credit underwriting to help ensure that standards are applied uniformly without regard to race or gender. First Bank System also conducts, or retains third parties to conduct, periodic reviews of underwriting guidelines and procedures, together with comparative file reviews of similarly situated applicants, to ensure compliance with fair lending laws. Moreover, First Bank System's senior management has developed and implemented extensive written policies, procedures, and training programs to help ensure that its subsidiaries do not illegally discourage or prescreen applicants, and First Bank System regularly assesses those policies, procedures, and programs through internal and external audit reviews to ensure that they are effective. In addition, as part of its continuing evaluation of fair lending practices and procedures, First Bank System has contracted with an outside vendor to evaluate the treatment of prospective applicants throughout its network of bank branches.

U.S. Bancorp also has initiated policies, procedures, and training to ensure that all loan applicants have an equal opportunity to obtain credit. A fair lending policy has been adopted and fair lending training is provided to all employees involved in the lending process. Other initiatives include centralizing underwriting decisions, revising underwriting procedures, adopting an underwriting checklist, and implementing a three-tier review structure for all housing loan applications that are declined. Finally, U.S. Bancorp subsidiaries have conducted a self-assessment program, which includes ongoing quality control review, comparative file reviews, and matched-pair testing.

Comments on the Proposal

As noted, the Board has reviewed the CRA performance records of First Bank System and U.S. Bancorp in light of all the facts of record, including the comments received on the proposed transaction. Some commenters supported the proposal on the basis of the CRA performance records of First Bank System or U.S. Bancorp. Commenters commended First Bank System's community development efforts, including efforts with economic development corporations and inner-city business ventures. Other commenters noted First Bank System's role in establishing or providing financing for affordable housing initiatives.

A number of commenters opposed the proposal.[26] Those commenters criticized the records of First Bank System or U.S. Bancorp in assisting to meet credit needs in various states, particularly in minority and LMI communities, in part on the basis of HMDA data. Some commenters maintained that First Bank System's efforts to meet the credit needs of minority borrowers, including Native American borrowers, or the credit and economic development needs of rural areas, small cities, and LMI neighborhoods, were inadequate.[27] Other commenters commended the banking and lending services provided by U.S. Bancorp and thought that those services would be adversely affected by the proposal.[28] Several commenters objected to First Bank System's sale of its mortgage subsidiary in 1996 or otherwise criticized the organization's home mortgage lending record. Other commenters criticized the proposal because of the lending and community development record of U.S. Bancorp, based in part on HMDA data.

After carefully reviewing all the facts of record, including the comments received, and for the reasons discussed above, the Board concludes that the CRA performance records of First Bank System and U.S. Bancorp are consis-

24. In the CRA examinations of the subsidiary national banks of First Bank System and U.S. Bancorp, the OCC sampled a pool of credit applications and performed a comparative analysis designed to detect racial or gender bias. The reviews found no evidence of illegal credit discrimination.

25. The most recent CRA performance examination for U.S. Bank of California, Sacramento, California, conducted by the FDIC, as of May 1994, noted certain violations of fair lending laws, particularly the Equal Credit Opportunity Act. The Board has carefully reviewed the matter in light of all the facts of record, including additional supervisory information about the nature of the violations and the FDIC's conclusion that management promptly implemented comprehensive measures to address the issues.

26. During the processing of the applications, the Community Reinvestment Coalition of Oregon ("CRCO") entered into a private agreement with First Bank System that addressed CRA-related issues raised by CRCO and a number of other commenters that concurred in CRCO's comments. Based on this agreement, CRCO supports the proposal. First Bank System also has agreed to designate a senior officer in Portland, Oregon, with the responsibility and the authority to resolve consumer complaints from Oregon residents. In this light, the Oregon Division of Finance and Corporate Securities states that it has no objection to the proposal.

27. Some commenters also maintained that the proposal would result in unemployment in affected communities. The Board notes that the convenience and needs factor has been consistently interpreted by the federal banking agencies, the courts, and Congress to relate to the effect of a proposal on the availability and quality of banking services in the community. In this light, the Board previously has concluded that the effect of a proposed acquisition on employment in a community is not among the factors to be considered under the BHC Act. *See Wells Fargo & Company*, 82 *Federal Reserve Bulletin* 445, 457 (1996).

28. Those commenters contended that services — particularly fees charged, interest rates paid, and credit availability — would be adversely affected by the acquisition of U.S. Bancorp by an out-of-state organization. In the Board's view, an institution's performance should be assessed on the basis of its actual record of helping to meet the credit needs of its entire community. Accordingly, in reviewing the proposal the Board has focused on the CRA performance records of First Bank System's bank subsidiaries, as discussed above. The Board also notes that First Bank System provides a full range of credit products and banking services that assist in meeting the credit and banking needs of LMI individuals, including checking accounts without monthly service charges. Although the Board has recognized that banks help to serve the banking needs of their communities by making basic services available at nominal or no charge, the CRA does not impose any limitation on the fees or other charges that banks may assess for their services.

tent with approval of the proposal. The Board notes that the record indicates efforts by First Bank System to assist in meeting the credit needs of Native American borrowers and the credit and economic development needs of rural areas. First Bank System and U.S. Bancorp have products and programs in place to meet the credit needs of Native American communities. For example, First Bank System made a $4.5 million loan to a manufacturing firm on the Flathead Indian Reservation. Examiners found, moreover, no evidence of illegal discrimination against Native Americans or any other racial group. The record also indicates, for example, that in 1996, approximately 50 percent of First Bank System's housing-related loan applications from Montana, North Dakota, and South Dakota came from non-MSA areas, and that the approval rate for those applications was 71 percent.[29]

Although First Bank System no longer has a subsidiary mortgage company, it continues to assist in meeting the housing-related credit needs of its communities, including LMI areas.[30] First Bank System has expanded its Community Lending Program, which provides housing-related loans to LMI individuals, into seven new markets in Chicago, Illinois; Colorado Springs, Colorado; Fargo, North Dakota; Rochester, Minnesota; Omaha and Lincoln, Nebraska; and Des Moines, Iowa. The program encompasses a broad range of mortgage loan products, including Federal Housing Administration and Veterans Administration mortgage loans, state and local mortgage bond programs, and First Bank System's Home Advantage mortgage product. The Board also notes that the CRA contemplates that a depository institution may choose to focus on addressing particular credit needs of the community consistent with the bank's overall business strategy, and that the CRA does not require a financial institution to provide any specific type of loan product. Moreover, the CRA requires the federal banking agencies to encourage depository institutions to help meet the credit needs of their entire communities, and does not establish a statutory preference for any specific type of credit.[31]

Conclusion on Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including the comments received, responses to those comments, and the CRA performance records of the subsidiary depository institutions of First Bank System and U.S. Bancorp, including relevant reports of examination from their primary federal supervisors.[32] Based on a review of the entire record, the Board has concluded that convenience and needs considerations, including the CRA records of performance of each organization's subsidiary depository institutions, are consistent with approval of this proposal.[33]

Nonbanking Activities

First Bank System also has filed notice, pursuant to section 4(c)(8) of the BHC Act, to acquire the nonbanking subsidiaries of U.S. Bancorp and thereby engage in mortgage banking, letter of credit, trust and fiduciary, investment advisory, leasing and equipment financing, community development, and credit-related insurance activities. The Board previously has determined by regulation that each of these activities is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[34] First Bank System proposes to conduct the activities in accordance with Regulation Y and relevant Board interpretations and orders.

In order to approve this proposal, the Board also must determine that the performance of the proposed activities are a proper incident to banking, that is, that the proposed transaction "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[35] As part of its evaluation of these factors, the Board considers the financial and managerial resources of the notificant, its subsidiaries, and any company to be acquired; the effect the transaction would have on such resources; and the management expertise, internal control and risk-management systems, and capital of the entity

29. First Bank System also sponsors Federal Home Loan Bank Affordable Housing Program grants through which a financial institution may apply on behalf of a nonprofit corporation for a grant to support an affordable housing program. First Bank System has obtained grants from the program to support projects in small communities in Minnesota, Iowa, Nebraska, North Dakota, Montana, and Wyoming.

30. U.S. Bancorp also sold its mortgage subsidiary in 1994. U.S. Bank began to originate loans through its branch structure and its affiliate, U.S. Bancorp Home Loans. U.S. Bank also plans to continue to assist in meeting housing-related credit needs through another nonbank affiliate specializing in community development lending.

31. The Board has considered comments that First Bank System favors urban areas for charitable donations and that philanthropic contributions in Montana, North Dakota, and South Dakota are disproportionately low. Charitable and philanthropic donations are only one aspect of an institution's CRA-related activities, and the CRA does not create a preference for a particular type of charitable donation or grant. As discussed above, moreover, the Board's consideration of First Bank System's CRA performance record has focused on all activities to assist in meeting the credit needs of the community, including lending activities.

32. Commenters contended that First Bank System has unfair hiring practices that disadvantage Native Americans. The Board has determined that its limited jurisdiction to review applications and notices under the specific factors in the BHC Act does not authorize it to adjudicate disputes between a commenter and an applicant that arise under a statute, other than a banking statute, administered and enforced by a federal or state agency (other than a federal or state banking agency) or the courts. In particular, the Board has determined that disputes that arise in the area of employment discrimination are beyond the Board's jurisdiction. The Board also has concluded that the managerial resources of First Bank System are consistent with approving the proposal for the reasons discussed earlier in the order.

33. Commenters have requested that the Board delay action on this case, or condition approval on specified CRA-related requirements. As discussed above, the Board has carefully reviewed the record in this case, and based on all the facts of record has concluded that the record is sufficient to act on the proposal at this time, and that the record is consistent with approval of the proposal without delay or the specific conditions requested by commenters.

34. *See* 12 C.F.R 225.28(b)(1),(3),(5),(6), (11), and (12).

35. *See* 12 U.S.C. § 1843(c)(8).

conducting the activity.[36] For the reasons discussed above, and based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of these notices.

First Bank System has indicated that the proposed transaction would result in operational efficiencies that would allow the combined organization to be a more efficient and effective competitor. The proposal would result in a broader financial network through which First Bank System can serve its customers. Additionally, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies when those investments are consistent, as in this case, with the relevant considerations under the BHC Act, and from permitting banking organizations to allocate their resources in the manner they consider most efficient.

The Board also has carefully considered the competitive effects of the proposed acquisition of U.S. Bancorp's nonbanking subsidiaries. The Board notes that each of the markets for the nonbanking services are unconcentrated, and that there are numerous providers of the services. Consummation of the proposal, therefore, would have a *de minimis* effect on competition, and the Board has determined that the proposal would not have a significantly adverse effect on competition in any relevant market.

Based on the foregoing and all the other facts of record, the Board has concluded that consummation of the proposal would not result in adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the public benefits of the proposal. Accordingly, based on all the facts of record, the Board has determined that the balance of public benefits that the Board must consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable and consistent with approval of the proposal.[37]

Conclusion

The Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act. Based on the foregoing and a review of all the facts, the Board has determined that the proposal should be, and hereby is, approved.[38] The Board's approval of this proposal is specifically conditioned on compliance by First Bank System with all the commitments made in connection with this proposal and the conditions referred to in this order. The Board's determination on the proposed nonbanking activities also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with and to prevent evasion of the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition of U.S. Bancorp's subsidiary banks may not be consummated before the fifteenth calendar day after the effective date of this order, and the proposal may not be consummated later than three months after the effective date of this order, unless such period is extended by the Board or by the Federal Reserve Bank of Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 23, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Appendix A

U.S. Bancorp's Subsidiary Banks

1. U.S. National Bank Of Oregon, Portland, Oregon
2. U.S. Bank of Washington, N.A., Seattle, Washington
3. U.S. Bank of Nevada, Reno, Nevada
4. U.S. Bank of Utah, Salt Lake City, Utah
5. U.S. Bank of Idaho, Boise, Idaho
6. U.S. Bank of California, Sacramento, California
7. First State Bank of Oregon, Canby, Oregon

36. *See* 12 C.F.R. 225.26.

37. First Bank System also has given notice of its intention to acquire U.S. World Trade Corporation, an export trading company, which First Bank System proposes to operate in accordance with the Bank Holding Company Act and Regulation K. Accordingly, the Board has determined not to disapprove this notice.

38. Commenters have requested that the Board hold a public hearing or meeting on this proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority.

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

8. Sun Capital Bank, St. George, Utah
9. Business & Professional Bank, Woodland, California

Appendix B

U.S. Bancorp's Nonbanking Activities and Subsidiaries

Mortgage banking and letter of credit activities conducted pursuant to section 225.28(b)(1) of Regulation Y:
(1) CBI Mortgage, Modesto, California; and
(2) U.S. Trade Services, Inc., Portland, Oregon.

Leasing and equipment financing activities conducted pursuant to section 225.28(b)(3) of Regulation Y:
(1) Island Bancorp Leasing, Inc., Alameda, California.

Trust and fiduciary activities conducted pursuant to section 225.28(b)(5) of Regulation Y:
(1) West One Trust Company d/b/a U.S. Bank Trust Company, Salt Lake City, Utah;
(2) LNB Corp., Alameda, California; and
(3) U.S. Bank Trust Company, Portland, Oregon.

Investment advisory services conducted pursuant to section 225.28(b)(6) of Regulation Y:
(1) Compass Group, Inc., Spokane, Washington.

Credit-related insurance activities conducted pursuant to section 225.28(b)(11)(i) of Regulation Y:
(1) U.S. Bancorp Insurance Agency, Inc.; and
(2) West One Life Insurance Company, both in Portland, Oregon.

Community development activities conducted pursuant to section 225.28(b)(12) of Regulation Y through corporations and limited partnerships in Portland, Oregon.

Appendix C

CRA Performance Examination Ratings for First Bank System's Subsidiary Banks

Subsidiary Banks of First Bank System[1]	CRA rating	Date
First Bank National Association Minneapolis, Minnesota	Outstanding	July 18, 1995
Colorado National Bank Denver, Colorado	Outstanding	July 18, 1995
Colorado National Bank Aspen Aspen, Colorado	Satisfactory	July 18, 1995
First Bank National Association Chicago, Illinois	Satisfactory	July 18, 1995
First National Bank of East Grand Forks East Grand Forks, Minnesota	Satisfactory	July 18, 1995
First Bank Montana, N.A. Billings, Montana	Satisfactory	July 18, 1995
First Bank of South Dakota, N.A. Sioux Falls, South Dakota	Satisfactory	July 18, 1995
First Bank National Association Milwaukee, Wisconsin	Satisfactory	July 18, 1995
First Bank, fsb Fargo, North Dakota	Satisfactory	November 6, 1995
First Bank (National Association) Omaha, Nebraska	Satisfactory	November 21, 1994

[1] This chart contains the ratings for the subsidiary banks of First Bank System before First Bank System merged or consolidated seven of its subsidiary banks and its subsidiary thrift with and into First Bank.

Appendix D

CRA Performance Examination Ratings for U.S. Bancorp's Subsidiary Banks

U.S. Bancorp's Subsidiary Banks	CRA rating	Date
Business & Professional Bank Woodland, California	Satisfactory	May 1995
U.S. Bank of California Sacramento, California	Satisfactory	May 16, 1994
U.S. Bank of Idaho Boise, Idaho	Satisfactory	March 31, 1994
First State Bank of Oregon Canby, Oregon	No CRA rating[1]	
U.S. National Bank of Oregon Portland, Oregon	Outstanding	April 8, 1997
U.S. Bank of Nevada Reno, Nevada	Outstanding	November 27, 1995
U.S. Bank of Utah Salt Lake City, Utah	Outstanding	May 15, 1995
U.S. Bank of Washington, N.A. Seattle, Washington	Outstanding	April 8, 1997
Sun Capital Bank St. George, Utah	Outstanding	August 2, 1996

[1] First State Bank of Oregon, Canby, Oregon, is a special-purpose bank for purposes of the CRA because it does not grant credit to the public in the ordinary course of business. The bank provides only controlled disbursement services for commercial and governmental depositors of other U.S. Bancorp entities, and on this basis the FDIC has concluded that it is not subject to evaluation for CRA performance.

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
Community Capital Corporation, Greenwood, South Carolina	The Bank of Newberry County, Newberry, South Carolina	June 5, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Effective Date
National City Corporation, Cleveland, Ohio National Processing, Inc., Louisville, Kentucky	InTraCon, Inc., Burton, Michigan	June 12, 1997
National City Corporation, Cleveland, Ohio National Processing, Inc., Louisville, Kentucky	MRS Jamaica, Inc., Houston, Texas	June 13, 1997
Wachovia Corporation, Winston-Salem, North Carolina	Macro*World Research Corporation, Winston-Salem, North Carolina	June 19, 1997

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
Bancorp of New Glarus, Inc., New Glarus, Wisconsin	The Bank of New Glarus, New Glarus, Wisconsin	Chicago	June 11, 1997
Bank of Idaho Holding Company, Idaho Falls, Idaho	Bank of Eastern Idaho, Idaho Falls, Idaho	San Francisco	June 12, 1997
Bay Bankcorp, Inc., Gladstone, Michigan	*baybank*, Gladstone, Michigan	Minneapolis	June 2, 1997
Bedford Bancshares, Inc., Bedford, Texas Bedford Delaware Bancshares, Inc., Dover, Delaware	Western American National Bank, Bedford, Texas	Dallas	June 26, 1997
Binger Agency, Inc., Binger, Oklahoma	Midstate Bancorp, Inc., Hinton, Oklahoma	Kansas City	June 26, 1997
Capitol Bancorp Limited, Lansing, Michigan Sun Community Bancorp Limited, Tucson, Arizona	Valley First Community Bank, Scottsdale, Arizona	Chicago	June 3, 1997
Community Bankshares, Inc., Petersburg, Virginia	County Bank of Chesterfield, Midlothian, Virginia	Richmond	June 5, 1997
Community Financial Corp., Edgewood, Iowa	Community Savings Bank, Robins, Iowa	Chicago	June 3, 1997
Dunn Investment Co., Eagle Grove, Iowa	Dunn Shares, Inc., Eagle Grove, Iowa Security Savings Bank, Eagle Grove, Iowa F & M Shares Corp., Eagle Grove, Iowa Farmers & Merchants Savings Bank, Manchester, Iowa	Chicago	May 22, 1997
Eagle Investment Company, Inc., Glenwood, Minnesota	Eagle Bank, Glenwood, Minnesota	Minneapolis	June 18, 1997
Fannin Bancorp, Inc., Employee Stock Ownership Plan and Trust, Windom, Texas	Fannin Bancorp, Inc., Windom, Texas	Dallas	June 26, 1997
The Farmers State Bank of Fort Morgan, Colorado ESOP, Fort Morgan, Colorado	FSB Bancorporation, Fort Morgan, Colorado	Kansas City	June 5, 1997
Farmers State Holding Company, Marion, South Dakota	First State Financial Services, Inc., Bridgewater, South Dakota First State Bank, Bridgewater, South Dakota	Minneapolis	June 5, 1997
Financial Services of St. Croix Falls, St. Croix Falls, Wisconsin	State Bank of Dennison, Dennison, Minnesota	Minneapolis	June 18, 1997
Firstbank Corporation, Alma, Michigan	Lakeview Financial Corporation, Lakeview, Michigan Bank of Lakeview, Lakeview, Michigan	Chicago	June 16, 1997
First Citizens BancShares, Inc., Raleigh, North Carolina	First Savings Financial Corp., Reidsville, North Carolina	Richmond	June 19, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First National Community Bancorp, Inc., Dunmore, Pennsylvania	First National Community Bank, Dunmore, Pennsylvania	Philadelphia	May 23, 1997
GLB Bancorp, Inc., Mentor, Ohio	Great Lakes Bank, Mentor, Ohio	Cleveland	May 30, 1997
Gold Banc Corporation, Inc., Leawood, Kansas	Peoples Bancshares, Inc., Clay Center, Kansas	Kansas City	June 18, 1997
Guaranty Bancshares Corporation, Kansas City, Kansas	Bank of Coffey, Coffey, Missouri	Kansas City	June 11, 1997
Imperial Bancorp, Inglewood, California	Imperial Bank Arizona, Phoenix, Arizona	San Francisco	May 29, 1997
Hohl Financial, Inc., Wahoo, Nebraska	Wahoo State Bank, Wahoo, Nebraska	Kansas City	June 25, 1997
InvestorsBancorp, Inc., Pewaukee, Wisconsin	InvestorsBank, Pewaukee, Wisconsin	Chicago	June 4, 1997
Louisiana Bancshares, Inc., Baton Rouge, Louisiana	Louisiana Bank and Trust Company, Baton Rouge, Louisiana	Atlanta	May 30, 1997
Mansfield Bancshares, Inc., Mansfield, Louisiana	Riverside Bancshares, Inc., Logansport, Louisiana Bank of Logansport, Logansport, Louisiana	Dallas	June 6, 1997
MASSBANK Corp., Reading, Massachusetts	Glendale Co-operative Bank, Everett, Massachusetts	Boston	May 29, 1997
Meade Bancorp, Inc., Brandenburg, Kentucky	Bedford Loan and Deposit Bancorp, Inc., Bedford, Kentucky Bedford Loan and Deposit Bank, Bedford, Kentucky	St. Louis	June 25, 1997
Mellon Bank Corporation, Pittsburgh, Pennsylvania	1st Business Bancorp, Los Angeles, California	Cleveland	June 9, 1997
National City Bancshares, Inc., Evansville, Indiana	Bridgeport Bancorp, Inc., Bridgeport, Illinois First National Bank of Bridgeport, Bridgeport, Illinois	St. Louis	June 12, 1997
NEB Corporation, Fond du Lac, Wisconsin	State Bank of St. Cloud, St. Cloud, Wisconsin	Chicago	June 5, 1997
PBT Bancshares, Inc., McPherson, Kansas	Yoder Bankshares, Inc., Yoder, Kansas	Kansas City	June 13, 1997
The Peoples Bank Employee Stock Ownership Trust, Marion, Kentucky	Peoples-Marion Bancorp, Inc., Marion, Kentucky The Peoples Bank, Marion, Kentucky	St. Louis	June 17, 1997
Peoples-Marion Bancorp, Inc., Marion, Kentucky	The Peoples Bank, Marion, Kentucky	St. Louis	June 17, 1997
PN Holdings, Inc., Ann Arbor, Michigan	Pelican National Bank, Naples, Florida	Atlanta	June 16, 1997
PN Holdings, Inc., Ann Arbor, Michigan	Washtenaw Mortgage Company, Ann Arbor, Michigan	Atlanta	June 16, 1997
Premier Bancshares, Inc., La Grange, Texas	Premier Holdings - Nevada, Inc., Carson City, Nevada Citizens State Bank, Hempstead, Texas	Dallas	May 27, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Schonath Family Partnership, a Limited Partnership, Oconomowoc, Wisconsin	InvestorsBancorp, Inc., Pewaukee, Wisconsin	Chicago	June 4, 1997
Security State Corporation, Centralia, Washington	Security State Bank, Centralia, Washington	San Francisco	June 12, 1997
Shorebank Corporation, Chicago, Illinois	Shorebank Pacific Corporation, Ilwaco, Washington ShoreTrust Bank, Seattle, Washington	Chicago	June 3, 1997
Shorebank Pacific Corporation, Ilwaco, Washington	ShoreTrust Bank, Seattle, Washington	Chicago	June 3, 1997
South Branch Valley Bancorp, Inc., Moorefield, West Virginia	Capital State Bank, Inc., Charleston, West Virginia	Richmond	June 2, 1997
Southern Security Financial Corporation, Hollywood, Florida	Southern Security Bank Corporation, Hollywood, Florida Southern Security Bank of Hollywood, Hollywood, Florida	Atlanta	May 22, 1997
Stearns Financial Services, Inc., Employee Stock Ownership Plan, St. Cloud, Minnesota Stearns Financial Services, Inc., St. Cloud, Minnesota	Arizona Community Bank of Scottsdale, Scottsdale, Arizona	Minneapolis	June 24, 1997
Susquehanna Bancshares, Inc., Lititz, Pennsylvania	Founders Bank, Bryn Mawr, Pennsylvania	Philadelphia	May 27, 1997
Trustcorp Financial, Inc., St. Louis, Missouri	Missouri State Bank and Trust Company, St. Louis, Missouri Roosevelt Financial Group, Inc., St. Louis, Missouri	St. Louis	June 5, 1997
United Bankshares, Inc., Charleston, West Virginia	First Patriot Bankshares Corporation, Reston, Virginia	Richmond	June 20, 1997
Village Bancshares, Inc., Springfield, Missouri	Village Bank, Springfield, Missouri	St. Louis	June 26, 1997
Zions Bancorporation, Salt Lake City, Utah	Tri-State Bank, Montpelier, Idaho	San Francisco	June 11, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Allegiant Bancorp, Inc., Clayton, Missouri	Reliance Financial, Inc., St. Louis, Missouri Reliance Federal Savings and Loan Association of St. Louis County, St. Louis, Missouri	St. Louis	June 12, 1997
Banc One Corporation, Columbus, Ohio	Banc One Capital Corporation, Columbus, Ohio Venture Marketing Corporation, Columbus, Ohio	Cleveland	June 19, 1997
BB&T Corporation, Winston-Salem, North Carolina	Refloat, Inc., Pilot Mountain, North Carolina Sheffield Financial Corp., Clemmons, North Carolina	Richmond	June 5, 1997

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Caisse Nationale de Credit Agricole, Paris, France Credit Agricole Indosuez, Paris, France	Indosuez Carr Futures, Inc., Chicago, Illinois Dean Witter Reynolds, Inc., New York, New York Dean Witter International Ltd., London, England	Chicago	June 18, 1997
CCB Financial Corporation, Durham, North Carolina	American Federal Bank, FSB, Greenville, South Carolina	Richmond	June 4, 1997
Commercial Guaranty Bancshares, Inc., Shawnee Mission, Kansas	To engage *de novo* in acting as an agent for the private placement of securities	Kansas City	May 29, 1997
Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany	Commerz Futures Corporation, Chicago, Illinois	New York	May 30, 1997
Concord EFS, Inc., Memphis, Tennessee	EFS Federal Savings Bank, Oakland, Tennessee	St. Louis	June 3, 1997
Dresdner Bank AG, Frankfurt, Germany	To engage *de novo* in extending credit and servicing loans, leasing personal or real property, financial and investment advisory activities, agency transactional services for customer investments, and management consulting and counseling activities	New York	June 23, 1997
Fifth Third Bancorp, Cincinnati, Ohio Fifth Third Bank, Cincinnati, Ohio	Suburban Bancorporation, Inc., Cincinnati, Ohio Suburban Federal Savings Bank, Cincinnati, Ohio	Cleveland	June 12, 1997
Marquette Bancshares, Inc., Minneapolis, Minnesota	Offerman & Company, Inc., Minnetonka, Minnesota	Minneapolis	May 23, 1997
Mid Am, Inc., Bowling Green, Ohio	MFI Investments Corp., Bryan, Ohio	Cleveland	May 28, 1997
Monitor Bancorp, Inc., Big Prairie, Ohio	The Monitor Bank, Big Prairie, Ohio	Cleveland	June 18, 1997
Pinnacle Financial Services, Inc., St. Joseph, Michigan	CB Bancorp, Inc., Michigan City, Indiana Community Bank, FSB, Michigan City, Indiana	Chicago	June 26, 1997
Republic Bancshares, Inc., St. Petersburg, Florida	F.F.O. Financial Group, Inc., St. Cloud, Florida First Federal Savings and Loan Association of Osceola County, Kissimmee, Florida	Atlanta	June 25, 1997
Summit Bancorp., Princeton, New Jersey	Collective Bancorp, Inc., Egg Harbor City, New Jersey Collective Bank, Egg Harbor City, New Jersey	New York	May 29, 1997
TCF Financial Corporation, Minneapolis, Minnesota	Winthrop Resources Corporation, Minnetonka, Minnesota	Minneapolis	May 30, 1997
Union Illinois Company, Swansea, Illinois	Missouri PayDay Loan Company, Inc., St. Louis, Missouri Missouri Budget, Inc., St. Louis, Missouri Budget Finance, Inc., St. Louis, Missouri	St. Louis	My 23, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
1st United Bancorp, Boca Raton, Florida	Seaboard Savings Bank, F.S.B., Stuart, Florida	Atlanta	June 17, 1997
FirstFederal Financial Services Corp, Wooster, Ohio	FirstFederal Bank, N.A., Wooster, Ohio Mobile Consultants, Inc., Alliance, Ohio	Cleveland	May 23, 1997
FirstFederal Financial Services Corp, Wooster, Ohio	Summit Bancorp, Akron, Ohio Summit Banc Investments Corporation, Akron, Ohio	Cleveland	May 23, 1997

APPLICATIONS APPROVED UNDER BANK MERGER ACT
By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Fifth Third Bank of Western Ohio, Piqua, Ohio	The Fifth Third Bank, Cincinnati, Ohio	Cleveland	May 29, 1997
Gulf Bank, Orange Beach, Alabama	First Bank of Baldwin County, Robertsdale, Alabama	Atlanta	May 29, 1997
Mercantile Bank, Overland Park, Kansas	Mark Twain Kansas City Bank, Kansas City, Missouri	Kansas City	June 10, 1997
Old Kent Bank, Grand Rapids, Michigan	Old Kent Bank, Elmhurst, Illinois	Chicago	June 13, 1997
United Bank, Arlington, Virginia	Patriot National Bank, Reston, Virginia	Richmond	June 20, 1997

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

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

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

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

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

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

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

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

Artis v. Greenspan, No. 1:96CV02619 (D.D.C., filed November 19, 1996). Employment discrimination action. On May 30, 1997, the court granted the Board's motion to dismiss the action.

Snyder v. Board of Governors, No. 96–1403 (D.C. Cir., filed October 23, 1996). Petition for review of Board order dated September 11, 1996, prohibiting John K. Snyder and Donald E. Hedrick from further participation in the banking industry. On May 8, 1997, the court of appeals granted the Board's motion to dismiss the petition. Petitioners filed a petition for rehearing or rehearing en banc on May 15, 1997.

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

Clifford v. Board of Governors, No. 96–1342 (D.C. Cir., filed September 17, 1996). Petition for review of Board order dated August 21, 1996, denying petitioners' motion to dismiss an enforcement action against them. On May 6, 1997, the court of appeals granted the Board's motion to dismiss the petition.

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

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

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

Interamericas Investments, Ltd. v. Board of Governors, No. 96–60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case. On August 20, 1996, petitioners' motion for a stay of the Board's orders pending judicial review was denied by the Court of Appeals. On April 16, 1997, the court denied the petition for review.

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

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

In re Subpoena Duces Tecum, Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

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

Final Enforcement Orders Issued by the Board of Governors

Donald G. Austin
New York, New York

The Federal Reserve Board announced on June 3, 1997, the issuance of an Order of Prohibition against Donald G. Austin, a former employee and institution-affiliated party of The Bank of New York, New York, New York.

David A. Kuhn
New York, New York

The Federal Reserve Board announced on June 30, 1997, the issuance of an Order of Prohibition against David A. Kuhn, a former bond trader and institution-affiliated party of the New York Branch of Credit Lyonnais, Paris, France.

Robert L. McCook
Richmond, Virginia

The Federal Reserve Board announced on June 3, 1997, the issuance of an Order to Cease and Desist against Robert L. McCook, a former registered representative and institution-affiliated party of Crestar Securities, Inc., Richmond, Virginia, a broker-dealer subsidiary of Crestar Financial Corporation, Richmond, Virginia.

Michael Quinn
New York, New York

The Federal Reserve Board announced on June 4, 1997, the issuance of an Order to Cease and Desist against Michael Quinn, a former employee of the New York Branch of Swiss Bank Corporation.

Zia New Mexico Bank
Tucumcari, New Mexico

The Federal Reserve Board announced on June 30, 1997, the issuance of a Cease and Desist Order against the Zia New Mexico Bank, Tucumcari, New Mexico, and G.A. Poling, Jr., president of the bank.

Termination of Enforcement Actions

The Federal Reserve Board announced on June 4, 1997, the termination of the following enforcement actions:

State Bank of India, Bombay, India, and the bank's Los Angeles, Chicago, and New York offices
— Cease and Desist Order dated September 22, 1994; terminated March 24, 1997.

Purdy Bancshares, Inc., Monett, Missouri, and Glen Garrett
— Cease and Desist Order dated May 4, 1993; terminated March 25, 1997.

Nova Ljubljanska Banka d.d., New York, New York
— Cease and Desist Order dated December 20, 1991; terminated March 27, 1997.

Mount Vernon Bancshares, Inc., Mount Vernon, Kentucky, and Jerry Ikerd and Brenda Ikerd
— Cease and Desist Order dated February 23, 1994; terminated May 19, 1997.

First State Bank of Maple Park and Maple Park Bancshares, Maple Park, Illinois
— Written Agreements dated September 7, 1995; terminated June 2, 1997.

Written Agreements Approved by Federal Reserve Banks

John Widmer
New York, New York

The Federal Reserve Board announced on June 18, 1997, the execution of a Written Agreement by and between the Federal Reserve Bank of New York and John Widmer, a former officer and institution-affiliated party of the New York Branch of Swiss Bank Corporation, New York, New York.

Financial and Business Statistics

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

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

GENERAL INFORMATION

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

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

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

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

Percent annual rate of change, seasonally adjusted[1]

Monetary or credit aggregate	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.[r]	1997 May
Reserves of depository institutions[2]									
1 Total	−6.6	−16.4	−17.2	−8.3	−13.1	−12.3	−17.0	−21.9	−10.7
2 Required	−5.9	−16.5	−18.5	−8.4	−8.5	−7.9	−20.7	−18.6	−16.2
3 Nonborrowed	−7.9	−17.6	−16.2	−7.2	−10.5	−12.3	−19.9	−24.5	−10.3
4 Monetary base[3]	3.0	5.3	5.1	5.6	3.9	5.7	3.5	1.6	3.4
Concepts of money, liquid assets, and debt[4]									
5 M1	−1.4	−6.5	−7.3	−.7	−1.3[r]	.9[r]	−6.0	−11.3	−2.7
6 M2	4.5	3.4	5.0	5.9	5.2	5.1	5.1	6.0	−.5
7 M3	6.4	5.4	7.9	7.7	5.4[r]	9.0	6.8	8.6	1.3
8 L	7.3[r]	6.4[r]	6.9[r]	6.3[r]	2.8[r]	8.7[r]	7.0[r]	8.0	n.a.
9 Debt	5.8[r]	5.2[r]	5.0[r]	4.6[r]	3.7[r]	5.1[r]	5.5[r]	5.7	n.a.
Nontransaction components									
10 In M2[5]	7.0	7.7	10.1	8.5	7.8	6.7	9.4	12.6	.3
11 In M3 only[6]	13.9	12.8	18.5	14.0[r]	6.0[r]	22.9[r]	12.6[r]	17.4	7.4
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	12.1	12.0	17.0	14.0	13.4	9.3	17.1	17.6	−4.4
13 Small time[7]	−1.0	3.7	4.7	2.8	1.0	1.8	4.9	5.4	6.4
14 Large time[8,9]	18.6	18.0	22.2	12.5	−.3	16.7	25.4	34.7	6.3
Thrift institutions									
15 Savings, including MMDAs	6.5	.2	.8	2.7	4.6	2.9	2.3	9.7	6.8
16 Small time[7]	−3.0	−.3	2.1	−1.7	.3	1.0	−11.9	−4.8	3.8
17 Large time[8]	−3.0	9.0	9.1	12.8	28.8	11.8	1.5	7.3	−2.9
Money market mutual funds									
18 Retail	16.3	16.3	17.2	16.3	13.0	13.9	19.9	24.5	−4.2
19 Institution-only	12.0	20.7	19.8	15.5	−12.0	36.9	25.1	−.8	.0
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	16.3	−4.4	1.8	7.8[r]	19.3[r]	24.5[r]	−10.8[r]	11.5	−9.0
21 Eurodollars[10]	10.9	8.5	40.2	28.0	39.4	14.4	−17.3	18.6	66.2
Debt components[4]									
22 Federal	4.7	3.8	3.2	1.8	−.6	1.8	4.7	2.4	n.a.
23 Nonfederal	6.2[r]	5.7[r]	5.6[r]	5.6[r]	5.2[r]	6.3[r]	5.7[r]	6.8	n.a.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. Includes both overnight and term.

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

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1997			1997						
	Mar.	Apr.	May	Apr. 16	Apr. 23	Apr. 30	May 7	May 14	May 21	May 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	437,437	448,875[r]	448,772	443,099	445,861	466,371	460,923	450,194	442,274	442,663
U.S. government securities[2]										
2 Bought outright—System account[3]	395,970	400,786	405,099	401,182	400,720	401,462	403,480	404,852	405,907	406,056
3 Held under repurchase agreements	7,388	13,357	10,616	8,243	10,182	28,701	22,850	11,330	4,843	4,889
Federal agency obligations										
4 Bought outright	2,008	1,985	1,970	1,984	1,984	1,972	1,970	1,970	1,970	1,970
5 Held under repurchase agreements	1,387	817	680	685	730	691	872	450	399	631
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	199	95	66	51	235	119	65	16	25	18
8 Seasonal credit	37	85	176	76	95	114	140	154	183	209
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	413	643	151	231	887	828	96	62	395	50
11 Other Federal Reserve assets	30,035	31,107	30,013	30,648	31,028	32,483	31,450	31,359	28,552	28,839
12 Gold stock	11,051	11,052	11,051	11,052	11,052	11,052	11,052	11,052	11,051	11,051
13 Special drawing rights certificate account	9,226	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,142	25,207[r]	25,270	25,202[r]	25,217[r]	25,231[r]	25,245	25,259	25,273	25,287
ABSORBING RESERVE FUNDS										
15 Currency in circulation	443,404	446,043[r]	448,775	446,627[r]	445,826[r]	445,567[r]	446,696	448,079	448,326	450,865
16 Treasury cash holdings	297	301	320	308	308	305	310	316	323	327
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,840	12,996	11,513	7,837	8,660	32,937	23,899	14,661	5,176	5,053
18 Foreign	202	174	175	176	164	187	175	171	166	186
19 Service-related balances and adjustments	7,058	7,038	7,117	7,021	7,108	7,089[r]	7,152	7,141	7,113	7,059
20 Other	394	376	356	401	350	337	356	348	360	368
21 Other Federal Reserve liabilities and capital	14,501	15,040	15,132	15,032	15,026	15,243	15,029	15,163	15,046	15,008
22 Reserve balances with Federal Reserve Banks[4]	11,158	12,366	10,904	11,152	13,887	10,190[r]	12,803	9,827	11,289	9,335

Factor	End-of-month figures			Wednesday figures						
	Mar.	Apr.	May	Apr. 16	Apr. 23	Apr. 30	May 7	May 14	May 21	May 28
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	442,403	489,362	447,010	449,550	459,936	489,362	463,318	453,275	446,925	444,098
U.S. government securities[2]										
2 Bought outright—System account[3]	395,076	402,513	405,124	400,719	401,155	402,513	404,126	406,500	406,087	406,293
3 Held under repurchase agreements	10,485	50,378	7,453	13,512	21,072	50,378	23,256	11,596	8,068	5,213
Federal agency obligations										
4 Bought outright	1,994	1,970	1,970	1,984	1,984	1,970	1,970	1,970	1,970	1,970
5 Held under repurchase agreements	1,096	989	1,847	785	2,034	989	1,924	414	1,553	827
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	3,943	28	353	104	1,161	28	294	19	12	12
8 Seasonal credit	55	128	219	79	107	128	135	172	200	213
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	−519	241	107	1,599	592	241	189	1,059	190	512
11 Other Federal Reserve assets	30,272	33,115	29,938	30,768	31,830	33,115	31,423	31,545	28,845	29,057
12 Gold stock	11,050	11,051	11,051	11,052	11,052	11,051	11,052	11,051	11,051	11,051
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	25,173	25,231[r]	25,301	25,202[r]	25,217[r]	25,231[r]	25,245	25,259	25,273	25,287
ABSORBING RESERVE FUNDS										
15 Currency in circulation	444,544	446,632[r]	451,158	447,007[r]	446,245[r]	446,632[r]	448,291	449,053	449,653	452,381
16 Treasury cash holdings	313	309	330	308	305	309	315	322	327	330
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,945	52,215	5,174	17,884	15,863	52,215	19,700	16,838	5,307	4,824
18 Foreign	916	169	177	178	156	169	176	158	163	223
19 Service-related balances and adjustments	6,945	7,089[r]	7,124	7,021	7,108	7,089[r]	7,152	7,141	7,113	7,059
20 Other	350	348	325	366	323	348	345	355	370	370
21 Other Federal Reserve liabilities and capital	14,816	14,977	16,037	14,997	14,993	14,977	15,187	15,001	14,827	14,800
22 Reserve balances with Federal Reserve Banks[4]	13,997	13,106[r]	12,237	7,244	20,411	13,106[r]	17,649	9,917	14,690	9,650

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

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1994	1995	1996	1996		1997				
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	12,895	13,395	11,710	11,455	11,515	12,308	10,899
2 Total vault cash[3]	40,378	42,094	44,426	42,745	44,426	47,172	43,375	42,116	41,381	41,111
3 Applied vault cash[4]	36,682	37,460	37,848	36,862	37,848	38,932	36,588	36,029	35,571	35,059
4 Surplus vault cash[5]	3,696	4,634	6,578	5,883	6,578	8,240	6,788	6,087	5,810	6,052
5 Total reserves[6]	61,340	57,900	51,243	49,756	51,243	50,642	48,043	47,543	47,879	45,959
6 Required reserves	60,172	56,622	49,819	48,721	49,819	49,419	47,012	46,383	46,869	44,744
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	1,035	1,424	1,223	1,031	1,160	1,010	1,214
8 Total borrowings at Reserve Banks[8]	209	257	155	214	155	45	42	156	261	243
9 Seasonal borrowings	100	40	68	109	68	19	21	37	88	173
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1997									
	Jan. 29	Feb. 12	Feb. 26	Mar. 12	Mar. 26	Apr. 9	Apr. 23	May 7[r]	May 21	June 4
1 Reserve balances with Reserve Banks[2]	10,285	11,052	11,817	11,341	11,269	12,620	12,516	11,493	10,547	10,978
2 Total vault cash[3]	48,679	45,130	41,948	42,841	41,665	41,640	40,986	41,838	40,879	40,929
3 Applied vault cash[4]	39,078	37,673	35,672	36,490	35,674	35,916	35,359	35,551	34,780	35,107
4 Surplus vault cash[5]	9,601	7,458	6,276	6,351	5,991	5,724	5,627	6,288	6,099	5,821
5 Total reserves[6]	49,363	48,724	47,489	47,831	46,943	48,536	47,874	47,043	45,326	46,085
6 Required reserves	48,142	47,688	46,493	46,593	45,872	47,313	47,209	45,619	44,280	44,782
7 Excess reserve balances at Reserve Banks[7]	1,221	1,036	996	1,238	1,071	1,223	665	1,424	1,046	1,303
8 Total borrowings at Reserve Banks[8]	32	34	50	35	194	344	228	219	189	336
9 Seasonal borrowings	18	18	23	27	38	61	86	127	169	210
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

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

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

Millions of dollars, averages of daily figures

Source and maturity	1997								
	Mar. 31	Apr. 7	Apr. 14	Apr. 21	Apr. 28	May 5	May 12	May 19	May 26
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	84,553[r]	93,763[r]	90,054[r]	83,347[r]	78,170	84,930	85,007	81,694	79,967
2 For all other maturities	15,956[r]	14,756	15,401	15,737	16,344	16,003	15,875	15,757	16,022
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	20,318[r]	22,418[r]	21,696[r]	16,620[r]	16,375	21,002	18,957	19,356	19,358
4 For all other maturities	18,651[r]	18,172[r]	19,269[r]	21,608[r]	25,144	22,328	21,528	22,576	24,369
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	13,938	13,716	13,788	13,927	12,193	15,162	14,325	15,144	15,403
6 For all other maturities	37,965	34,876	37,558	39,659	41,519	39,692	39,859	38,779	37,420
All other customers									
7 For one day or under continuing contract	40,673[r]	44,615[r]	45,660[r]	46,142[r]	46,792	46,802	46,728	47,000	45,930
8 For all other maturities	19,255[r]	14,231[r]	13,506[r]	13,880[r]	14,200	13,704	14,077	13,379	13,881
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	76,602	81,187	75,802	76,355	81,087	85,527	80,548	77,241	78,087
10 To all other specified customers[2]	23,046	25,408	23,052	24,232	23,078	24,414	22,114	23,351	22,179

NOTE. This table will be discontinued after the September issue of the *Federal Reserve Bulletin* as the detailed data necessary to produce both this table and the H.5 (507) statistical release will no longer be available after July 2, 1997. Data on the repurchase agreement liabilities of depository institutions will continue to be provided in table 1.21 and on the H.6 (508) statistical release, "Money Stock, Liquid Assets, and Debt Measures."

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 7/4/97	Effective date	Previous rate	On 7/4/97	Effective date	Previous rate	On 7/4/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.65	7/3/97	5.60	6.15	7/3/97	6.10
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.65	7/3/97	5.60	6.15	7/3/97	6.10

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

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

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

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

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

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

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

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

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

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

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

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1996			1997			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	6,502	0	0	0	0	4,006
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	376,277	398,487	426,928	38,661	34,037	34,211	40,346	33,997	31,770	27,895
4 For new bills	376,277	398,487	426,928	38,661	34,037	34,211	40,346	33,647	31,770	27,895
5 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	1,238	390	524	0	0	0	0	818	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	0	43,574	30,512	1,623	3,818	2,259	2,481	5,086	3,143	2,006
9 Exchanges	−31,949^r	−35,407^r	−41,394	−1,770	−5,655	−1,950	−550	−2,864	−1,534	−2,100
10 Redemptions	0	0	2,015	0	0	0	607	0	0	0
One to five years										
11 Gross purchases	9,168	4,966	3,898	0	0	0	0	1,125	2,861	1,924
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−6,004	−34,646	−25,022	−1,623	−2,102	−2,259	−2,481	−4,926	−3,143	−2,006
14 Exchanges	26,458^r	26,387^r	31,459	1,395	2,716	1,950	550	1,874	1,534	1,700
Five to ten years										
15 Gross purchases	3,818	1,239	1,116	0	0	0	0	0	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−3,145	−3,093	−5,469	0	−1,716	0	0	1,236	0	0
18 Exchanges	4,717^r	7,220^r	6,666	375	1,470	0	0	890	0	400
More than ten years										
19 Gross purchases	3,606	3,122	1,655	0	0	0	0	0	1,117	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−918	−2,253	−20	0	0	0	0	−1,396	0	0
22 Exchanges	775	1,800	3,270	0	1,470	0	0	450	0	0
All maturities										
23 Gross purchases	35,314	20,649	17,094	0	6,502	0	0	1,943	3,978	5,930
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,337	2,676^r	2,015^r	0	0	0	607	0	0	376
Matched transactions										
26 Gross purchases	1,700,836	2,197,736	3,092,399	268,304	227,577	272,117	285,667	250,867	288,373	303,056
27 Gross sales	1,701,309	2,202,030	3,094,769	267,128	226,505	273,872	283,240	254,741	288,073	301,177
Repurchase agreements										
28 Gross purchases	309,276	331,694	457,568	33,836	36,383	85,924	74,422	48,805	60,425	102,578
29 Gross sales	311,898	328,497	450,359	33,020	36,665	73,501	86,673	45,747	60,718	62,685
30 Net change in U.S. Treasury securities	29,882	16,875^r	19,919^r	1,993	7,293	10,669	−10,430	1,127	3,984	47,326
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	0	0	0	0	0	0	0	0
33 Redemptions	942^r	1,103^r	409^r	63	10	12	187	27	17	24
Repurchase agreements										
34 Gross purchases	52,696	36,851	75,354	12,683	9,264	7,796	17,668	9,795	14,300	10,178
35 Gross sales	52,696	36,776	74,842	11,051	9,471	8,947	17,995	9,454	14,830	10,285
36 Net change in federal agency obligations	−942^r	−1,028^r	103^r	1,569	−217	−1,163	−514	314	−547	−131
37 Total net change in System Open Market Account	**28,940^r**	**15,848^r**	**20,021**	**3,562**	**7,076**	**9,506**	**−10,944**	**1,441**	**3,437**	**47,195**

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

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

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

Millions of dollars

Account	Wednesday 1997					End of month 1997		
	Apr. 30	May 7	May 14	May 21	May 28	Mar. 31	Apr. 30	May 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,051	11,052	11,051	11,051	11,051	11,050	11,051	11,051
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	619	608	591	566	526	673	619	531
Loans								
4 To depository institutions	156	430	191	213	226	3,998	156	571
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	1,970	1,970	1,970	1,970	1,970	1,994	1,970	1,970
8 Held under repurchase agreements	989	1,924	414	1,553	827	1,096	989	1,847
9 **Total U.S. Treasury securities**	**452,891**	**427,382**	**418,096**	**414,155**	**411,506**	**405,561**	**452,891**	**412,577**
10 Bought outright[2]	402,513	404,126	406,500	406,087	406,293	395,076	402,513	405,124
11 Bills	195,034	195,659	195,815	195,401	195,607	189,149	195,034	194,437
12 Notes	156,079	156,080	157,769	157,770	157,770	154,527	156,079	157,770
13 Bonds	51,399	52,387	52,916	52,916	52,916	51,399	51,399	52,916
14 Held under repurchase agreements	50,378	23,256	11,596	8,068	5,213	10,485	50,378	7,453
15 **Total loans and securities**	**456,006**	**431,706**	**420,671**	**417,891**	**414,530**	**412,649**	**456,006**	**416,965**
16 Items in process of collection	6,294	6,505	6,221	6,191	8,780	1,955	6,294	4,188
17 Bank premises	1,238	1,239	1,243	1,243	1,244	1,249	1,238	1,243
Other assets								
18 Denominated in foreign currencies[3]	17,420	17,381	17,388	17,395	17,402	17,950	17,420	18,080
19 All other[4]	14,606	12,946	13,051	10,316	10,524	11,076	14,606	10,727
20 **Total assets**	**516,434**	**490,637**	**479,416**	**473,853**	**473,257**	**465,803**	**516,434**	**471,985**
LIABILITIES								
21 Federal Reserve notes	422,329	423,969	424,707	425,273	427,950	420,357	422,329	426,718
22 **Total deposits**	**73,266**	**45,398**	**34,020**	**27,943**	**22,563**	**29,056**	**73,266**	**25,268**
23 Depository institutions	20,534	25,177	16,669	22,103	17,144	21,845	20,534	19,592
24 U.S. Treasury—General account	52,215	19,700	16,838	5,307	4,824	5,945	52,215	5,174
25 Foreign—Official accounts	169	176	158	163	223	916	169	177
26 Other	348	345	355	370	370	350	348	325
27 Deferred credit items	5,862	6,083	5,688	5,811	7,944	1,574	5,862	3,962
28 Other liabilities and accrued dividends[5]	5,551	5,360	5,012	4,844	4,799	4,661	5,551	5,187
29 **Total liabilities**	**507,008**	**480,810**	**469,427**	**463,870**	**463,256**	**455,648**	**507,008**	**461,135**
CAPITAL ACCOUNTS								
30 Capital paid in	4,796	4,798	4,808	4,815	4,826	4,762	4,796	4,828
31 Surplus	4,475	4,496	4,496	4,496	4,496	4,496	4,475	4,496
32 Other capital accounts	155	533	685	672	679	898	155	1,527
33 **Total liabilities and capital accounts**	**516,434**	**490,637**	**479,416**	**473,853**	**473,257**	**465,803**	**516,434**	**471,985**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	648,245	643,399	640,941	641,666	643,430	653,897	648,245	643,549
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	529,350	530,034	531,412	533,927	535,437	525,843	529,350	536,348
36 LESS: Held by Federal Reserve Banks	107,022	106,065	106,705	108,654	107,486	105,486	107,022	109,630
37 Federal Reserve notes, net	422,329	423,969	424,707	425,273	427,950	420,357	422,329	426,718
Collateral held against notes, net								
38 Gold certificate account	11,051	11,052	11,051	11,051	11,051	11,050	11,051	11,051
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	402,077	403,717	404,456	405,022	407,699	400,107	402,077	406,468
42 **Total collateral**	**422,329**	**423,969**	**424,707**	**425,273**	**427,950**	**420,357**	**422,329**	**426,718**

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover.

2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. Excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.

3. Valued monthly at market exchange rates.

4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.

5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1997					1997		
	Apr. 30	May 7	May 14	May 21	May 28	Mar. 31	Apr. 30	May 30
1 **Total loans**	**156**	**430**	**191**	**213**	**226**	**3,998**	**156**	**571**
2 Within fifteen days[1]	106	321	64	187	201	3,977	106	466
3. Sixteen days to ninety days	50	109	127	26	25	21	50	105
4 **Total U.S. Treasury securities**[2]	**452,891**	**427,382**	**418,096**	**414,155**	**411,506**	**405,561**	**452,891**	**412,577**
5 Within fifteen days[1]	68,449	36,028	29,416	22,667	20,304	23,476	68,449	8,778
6 Sixteen days to ninety days	90,660	91,296	86,553	87,826	93,491	92,382	90,660	100,730
7 Ninety-one days to one year	120,653	125,941	126,174	127,649	121,699	118,849	120,653	127,057
8 One year to five years	94,000	94,000	95,102	94,392	94,392	92,381	94,000	94,392
9 Five years to ten years	37,012	37,012	37,746	38,516	38,516	36,608	37,012	38,516
10 More than ten years	42,117	43,105	43,105	43,105	43,105	42,117	42,117	43,105
11 **Total federal agency obligations**	**2,959**	**3,894**	**2,384**	**3,523**	**2,797**	**3,090**	**2,959**	**3,797**
12 Within fifteen days[1]	1,141	1,924	414	1,860	1,301	1,378	1,141	2,301
13 Sixteen days to ninety days	604	768	768	601	434	500	604	434
14 Ninety-one days to one year	327	315	315	315	315	281	327	315
15 One year to five years	416	416	416	416	416	460	416	416
16 Five years to ten years	447	447	447	307	307	447	447	307
17 More than ten years	25	25	25	25	25	25	25	25

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

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

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	60.55	59.40	56.39	50.06	50.08	49.81	50.06	49.52	49.01	48.31	47.43r	47.01
2 Nonborrowed reserves[4]	60.46	59.20	56.13	49.91	49.79	49.60	49.91	49.47	48.97	48.16	47.17	46.77
3 Nonborrowed reserves plus extended credit[5]	60.46	59.20	56.13	49.91	49.79	49.60	49.91	49.47	48.97	48.16	47.17	46.77
4 *Required reserves*	59.48	58.24	55.11	48.64	49.08	48.78	48.64	48.29	47.98	47.15	46.42	45.79
5 Monetary base[6]	386.88	418.48	434.52	452.67	447.08	449.37	452.67	454.14	456.28	457.62	458.24r	459.53
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.52	49.78	50.01	51.52	50.67	48.12	47.69	48.09	46.22
7 Nonborrowed reserves	62.29	60.92	57.76	51.37	49.49	49.79	51.37	50.62	48.08	47.53	47.83	45.98
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.37	49.49	49.79	51.37	50.62	48.08	47.53	47.83	45.98
9 Required reserves[8]	61.31	59.96	56.74	50.10	48.78	48.97	50.10	49.44	47.09	46.53	47.08	45.01
10 Monetary base[9]	390.59	422.51	439.03	456.72	445.38	449.20	456.72	455.55	452.56	455.26	458.17r	458.21
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	49.55	49.76	51.24	50.64	48.04	47.54	47.88	45.96
12 Nonborrowed reserves	62.78	61.13	57.64	51.09	49.26	49.54	51.09	50.60	48.00	47.39	47.62	45.72
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	49.26	49.54	51.09	50.60	48.00	47.39	47.62	45.72
14 *Required reserves*	61.80	60.17	56.62	49.82	48.56	48.72	49.82	49.42	47.01	46.38	46.87	44.74
15 Monetary base[12]	397.62	427.25	444.45	463.49	451.91	455.90	463.49	462.71	459.64	462.22	465.06r	465.17
16 Excess reserves[13]	1.06	1.17	1.28	1.42	.99	1.04	1.42	1.22	1.03	1.16	1.01	1.21
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.29	.21	.16	.05	.04	.16	.26	.24

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.0	1,080.6	1,075.2	1,065.1[r]	1,062.7
2 M2	3,486.6	3,502.1	3,655.0	3,833.1[r]	3,866.0	3,882.5[r]	3,901.8[r]	3,900.2
3 M3	4,254.4	4,328.7	4,594.8	4,927.7	4,987.1[r]	5,015.4[r]	5,051.2[r]	5,056.6
4 L	5,167.8	5,309.8	5,699.8	6,093.2[r]	6,151.8[r]	6,187.6[r]	6,228.6	n.a.
5 Debt	12,508.7[r]	13,150.9[r]	13,869.7[r]	14,622.2[r]	14,730.6[r]	14,797.9[r]	14,868.1	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	400.5	402.4	403.7	406.1
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.6	8.5	8.3	8.2
8 Demand deposits[5]	385.2	384.1	391.1	402.4	404.2	402.8	395.3	395.3
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	267.3	261.6	257.8[r]	253.1
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,752.0	2,785.4	2,807.2	2,836.7[r]	2,837.5
11 In M3 only[8]	767.8	826.6	939.8	1,094.6	1,121.1[r]	1,132.9[r]	1,149.3[r]	1,156.4
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	921.1	934.2	947.9[r]	944.4
13 Small time deposits[9]	468.3	503.2	576.0	592.0	593.4	595.8	598.5	601.7
14 Large time deposits[10, 11]	271.9	298.4	344.7	410.4	416.0	424.8	437.1[r]	439.4
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	369.4	370.1	373.1[r]	375.2
16 Small time deposits[9]	314.3	314.3	357.7	352.4	352.8	349.3	347.9	349.0
17 Large time deposits[10]	61.5	64.7	75.1	79.2	81.9	82.0	82.5	82.3
Money market mutual funds								
18 Retail	354.9	384.3	455.2	536.6	548.7	557.8	569.2	567.2
19 Institution-only	209.5	198.5	246.9	299.3	305.4	311.8	311.6	311.6
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	193.0	200.1[r]	198.3[r]	200.2[r]	198.7
21 Eurodollars[12]	66.4	82.1	91.0	112.7	117.8	116.1	117.9	124.4
Debt components								
22 Federal debt	3,323.3	3,492.2	3,638.8	3,780.4	3,784.2	3,799.1	3,806.8	n.a.
23 Nonfederal debt	9,185.4[r]	9,658.7[r]	10,231.0[r]	10,841.8[r]	10,946.5[r]	10,998.8[r]	11,061.3	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.0	1,066.4	1,067.2	1,071.6[r]	1,051.8
25 M2	3,506.6	3,522.5	3,675.3	3,851.5	3,850.3	3,887.3	3,918.8[r]	3,882.7
26 M3	4,274.8	4,348.8	4,614.3	4,944.7	4,978.3[r]	5,022.2[r]	5,058.9[r]	5,038.4
27 L	5,197.7	5,340.2	5,731.7	6,122.6[r]	6,147.0[r]	6,204.3[r]	6,240.4	n.a.
28 Debt	12,510.7[r]	13,152.4[r]	13,870.2[r]	14,621.4[r]	14,691.8[r]	14,767.8[r]	14,829.4	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	397.7	401.0	403.4	406.1
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.3	8.2	8.2	8.2
31 Demand deposits[5]	401.8	400.3	407.3	418.8	394.6	396.0	396.3	387.0
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	265.8	262.0	263.8[r]	250.5
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,748.5	2,783.9	2,820.1	2,847.2[r]	2,830.9
34 In M3 only[8]	768.2	826.3	939.0	1,093.2	1,128.0[r]	1,134.9[r]	1,140.0[r]	1,155.7
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	915.4	935.1	949.4[r]	942.7
36 Small time deposits[9]	466.8	501.5	573.8	589.8	593.8	597.3	600.3	602.9
37 Large time deposits[10, 11]	272.0	298.9	345.7	411.9	414.3	424.0	433.1[r]	441.6
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	367.1	370.5	373.7[r]	374.6
39 Small time deposits[9]	313.3	313.2	356.3	351.1	353.1	350.2	349.0	349.7
40 Large time deposits[10]	61.5	64.8	75.4	79.5	81.6	81.8	81.7	82.7
Money market mutual funds								
41 Retail	355.0	385.0	456.3	538.1	554.6	567.1	574.8	561.1
42 Institution-only	210.6	199.8	248.2	300.5	315.5	316.4	309.2	307.0
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	187.8	197.4[r]	195.6[r]	199.0[r]	201.2
44 Eurodollars[12]	67.6	83.2	91.8	113.5	119.1	117.2	117.1	123.2
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,783.0	3,815.4	3,810.3	n.a.
46 Nonfederal debt	9,181.2[r]	9,653.5[r]	10,224.2[r]	10,833.5[r]	10,908.8[r]	10,952.4[r]	11,019.1	n.a.

Footnotes appear on following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

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

Item	1995 Dec.	1996 Dec.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.[r]	1997 Apr.[r]	1997 May
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.90	1.91	1.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a.	2.84	2.85	2.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.11	4.11	4.08	4.03	4.03	4.05	4.02	4.01	4.07
4 92 to 182 days	4.68	4.63	4.61	4.60	4.60	4.63	4.63	4.62	4.67	4.72	4.77
5 183 days to 1 year	5.02	5.00	5.04	5.02	4.99	5.00	5.01	5.02	5.08	5.13	5.15
6 More than 1 year to 2½ years	5.17	5.22	5.29	5.27	5.23	5.22	5.25	5.27	5.36	5.46	5.45
7 More than 2½ years	5.40	5.46	5.54	5.52	5.48	5.46	5.49	5.51	5.60	5.69	5.68
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.84	1.90	1.92	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	2.84	2.80	2.82	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.59	4.64	4.67	4.66	4.75	4.73	4.80	4.83	4.83
11 92 to 182 days	4.95	5.02	5.11	5.08	5.03	5.02	5.05	5.04	5.06	5.13	5.14
12 183 days to 1 year	5.18	5.28	5.33	5.32	5.29	5.28	5.31	5.31	5.37	5.43	5.45
13 More than 1 year to 2½ years	5.33	5.53	5.61	5.60	5.56	5.53	5.58	5.59	5.69	5.75	5.77
14 More than 2½ years	5.46	5.72	5.82	5.79	5.76	5.72	5.77	5.78	5.84	5.91	5.91
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a.	190,033	188,803	167,503	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	852,336	859,524	896,820	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
17 Personal	615,113	n.a.	675,576	680,596	713,672	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a.	176,759	178,928	183,148	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,931	32,695	32,428	32,044	32,931	32,799	32,796	34,853	34,485	32,501
20 92 to 182 days	93,941	92,301	91,167	91,195	92,503	92,301	94,955	95,235	93,804	92,432	91,252
21 183 days to 1 year	183,834	201,449	200,008	199,397	201,281	201,449	201,491	202,329	203,336	207,006	209,267
22 More than 1 year to 2½ years	208,601	213,198	211,234	213,012	214,405	213,198	213,875	212,970	214,066	226,159	220,802
23 More than 2½ years	199,002	199,906	198,324	199,126	198,539	199,906	198,077	197,958	200,282	199,147	198,760
24 IRA and Keogh plan deposits	150,067	151,275	151,309	151,276	151,389	151,275	150,442	150,356	151,931	151,105	151,189
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	9,838	9,938	9,710	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
26 Savings deposits[2,3]	68,643	n.a.	67,980	67,975	68,102	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	64,425	64,326	64,369	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a.	3,555	3,649	3,733	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,428	2,540	2,503	2,405	2,428	2,542	2,535	2,656	2,698	2,716
30 92 to 182 days	12,140	13,013	13,474	13,300	13,074	13,013	13,112	13,099	13,377	13,463	13,585
31 183 days to 1 year	25,686	28,792	29,383	29,659	29,329	28,792	29,503	29,510	30,002	30,076	29,381
32 More than 1 year to 2½ years	27,482	29,095	27,192	28,063	28,573	29,095	29,163	29,699	31,028	31,616	31,916
33 More than 2½ years	22,866	22,254	22,348	22,156	21,823	22,254	21,828	21,877	21,731	21,640	21,503
34 IRA and Keogh plan accounts	21,408	21,365	21,002	20,983	20,627	21,365	20,405	20,423	20,860	20,860	20,683

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

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

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

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

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Seasonally adjusted											
Assets												
1 Bank credit	3,665.6	3,743.1	3,770.6	3,804.9	3,841.5	3,861.1	3,894.4	3,902.0	3,895.0	3,898.0	3,902.1	3,909.3
2 Securities in bank credit	992.2	980.7	990.1	1,005.5	1,021.1	1,015.1	1,032.6	1,014.2	1,018.8	1,016.8	1,011.0	1,011.6
3 U.S. government securities	711.6	707.3	706.9	707.3	704.5	708.6	721.8	721.7	721.1	720.3	718.6	724.5
4 Other securities	280.6	273.4	283.2	298.2	316.7	306.5	310.9	292.5	297.7	296.5	292.4	287.1
5 Loans and leases in bank credit[2]	2,673.4	2,762.4	2,780.5	2,799.5	2,820.4	2,846.0	2,861.8	2,887.7	2,876.2	2,881.2	2,891.1	2,897.7
6 Commercial and industrial	736.3	775.0	783.3	785.5	793.8	798.2	805.4	811.2	806.8	811.3	812.5	813.0
7 Real estate	1,101.7	1,121.5	1,127.7	1,134.4	1,140.0	1,153.5	1,161.9	1,172.2	1,169.4	1,169.8	1,172.5	1,174.2
8 Revolving home equity	79.9	84.2	85.2	85.7	86.5	87.9	89.0	90.2	89.7	89.9	90.0	91.0
9 Other	1,021.8	1,037.3	1,042.5	1,048.8	1,053.5	1,065.6	1,072.9	1,082.0	1,079.7	1,079.9	1,082.4	1,083.2
10 Consumer	504.1	520.5	521.0	521.8	520.9	518.5	516.1	519.0	517.3	518.1	519.2	520.1
11 Security[3]	76.6	76.9	78.7	82.4	83.9	88.2	89.7	89.1	88.5	88.9	89.5	90.5
12 Other loans and leases	254.7	268.5	269.7	275.4	281.9	287.6	288.7	296.3	294.3	293.1	297.3	300.0
13 Interbank loans	207.6	212.0	204.9	198.9	204.7	220.0	216.0	218.6	222.8	213.6	224.0	222.2
14 Cash assets[4]	220.1	232.6	231.0	232.2	233.4	239.9	246.2	243.8	244.8	236.5	248.0	249.3
15 Other assets[5]	236.7	260.0	265.4	257.0	265.7	273.5	277.5	277.7	271.4	275.5	282.7	278.7
16 **Total assets[6]**	**4,273.2**	**4,391.2**	**4,415.3**	**4,436.9**	**4,489.2**	**4,538.4**	**4,577.5**	**4,585.5**	**4,577.6**	**4,567.2**	**4,600.2**	**4,603.0**
Liabilities												
17 Deposits	2,724.4	2,831.4	2,859.9	2,871.9	2,892.6	2,916.0	2,943.9	2,930.9	2,930.5	2,929.3	2,916.8	2,942.5
18 Transaction	756.2	721.3	719.5	715.1	705.1	699.8	700.6	688.6	678.9	686.7	687.7	706.0
19 Nontransaction	1,968.2	2,110.0	2,140.4	2,156.8	2,187.6	2,216.2	2,243.3	2,242.3	2,251.6	2,242.6	2,229.1	2,236.5
20 Large time	434.6	500.8	519.6	526.5	542.1	548.3	567.3	562.6	569.4	563.8	552.6	562.7
21 Other	1,533.6	1,609.2	1,620.8	1,630.3	1,645.5	1,667.9	1,676.1	1,679.7	1,682.2	1,678.7	1,676.5	1,673.8
22 Borrowings	709.2	708.5	705.5	724.2	735.3	747.9	762.2	765.2	772.0	767.3	777.0	756.6
23 From banks in the U.S.	295.5	300.4	304.7	300.9	305.4	313.6	313.1	303.0	316.9	296.7	311.3	297.7
24 From others	413.7	408.1	400.7	423.3	429.9	434.3	449.0	462.1	455.1	470.6	465.6	458.9
25 Net due to related foreign offices	257.4	238.1	231.3	222.3	217.7	209.1	211.7	233.7	231.3	218.2	240.4	239.7
26 Other liabilities	214.7	252.2	259.8	269.4	287.0	278.5	271.3	263.4	263.8	260.1	268.0	261.5
27 **Total liabilities**	**3,905.7**	**4,030.2**	**4,056.5**	**4,087.8**	**4,132.6**	**4,151.5**	**4,189.0**	**4,193.2**	**4,197.6**	**4,174.9**	**4,202.2**	**4,200.3**
28 *Residual (assets less liabilities)*[7]	367.5	361.0	358.9	349.1	356.6	386.8	388.5	392.3	380.0	392.3	398.1	402.7
	Not seasonally adjusted											
Assets												
29 Bank credit	3,669.1	3,747.4	3,769.8	3,803.6	3,834.4	3,851.5	3,893.9	3,906.6	3,906.8	3,904.5	3,901.7	3,906.0
30 Securities in bank credit	999.4	979.4	976.4	996.8	1,017.7	1,017.7	1,035.1	1,023.3	1,030.0	1,026.1	1,018.1	1,018.1
31 U.S. government securities	713.9	707.7	702.7	701.3	703.2	713.2	724.5	724.2	725.7	723.0	721.0	723.9
32 Other securities	285.5	271.7	273.6	295.6	314.6	304.6	310.6	299.1	304.3	303.2	297.1	294.2
33 Loans and leases in bank credit[2]	2,669.6	2,767.9	2,793.4	2,806.7	2,816.6	2,833.8	2,858.8	2,883.3	2,876.8	2,878.4	2,883.7	2,887.9
34 Commercial and industrial	742.3	773.1	780.3	783.2	793.4	800.8	812.6	818.0	817.3	818.2	818.8	817.0
35 Real estate	1,097.7	1,125.8	1,132.6	1,136.4	1,136.9	1,147.5	1,157.5	1,167.8	1,165.2	1,166.2	1,167.2	1,169.4
36 Revolving home equity	79.7	84.7	85.4	85.7	86.1	87.1	88.3	90.0	89.4	89.7	89.8	90.8
37 Other	1,018.1	1,041.1	1,047.2	1,050.8	1,050.8	1,060.5	1,069.1	1,077.8	1,075.8	1,076.5	1,077.4	1,078.6
38 Consumer	502.2	521.0	525.8	527.4	521.5	513.9	513.7	516.9	515.4	516.2	517.2	517.7
39 Security[3]	77.1	78.2	79.9	81.6	85.0	87.8	90.2	89.5	89.8	89.3	90.0	90.0
40 Other loans and leases	250.3	269.9	274.8	278.0	279.8	283.7	284.8	291.1	289.0	288.5	290.5	293.9
41 Interbank loans	203.2	216.3	214.2	208.7	209.1	216.4	214.3	214.1	220.4	208.5	217.5	215.0
42 Cash assets[4]	217.9	239.6	247.0	242.5	234.5	230.8	241.4	241.6	239.1	232.7	234.2	257.1
43 Other assets[5]	238.7	258.8	265.4	257.6	265.6	268.9	275.1	280.0	277.6	279.0	279.1	280.8
44 **Total assets[6]**	**4,272.0**	**4,405.5**	**4,439.8**	**4,456.5**	**4,487.6**	**4,511.5**	**4,568.4**	**4,585.8**	**4,587.4**	**4,568.1**	**4,575.9**	**4,602.5**
Liabilities												
45 Deposits	2,714.8	2,848.5	2,892.1	2,875.8	2,877.6	2,904.8	2,941.3	2,922.2	2,925.3	2,919.1	2,890.4	2,933.8
46 Transaction	745.5	731.5	752.6	726.5	698.1	687.6	703.8	678.7	674.2	676.6	661.7	696.1
47 Nontransaction	1,969.3	2,117.0	2,139.5	2,149.2	2,179.5	2,217.2	2,237.5	2,243.5	2,251.1	2,242.5	2,228.8	2,237.7
48 Large time	438.4	504.0	518.3	525.2	541.6	548.4	562.9	567.4	571.4	567.6	558.7	569.8
49 Other	1,531.0	1,612.9	1,621.2	1,624.0	1,637.9	1,668.8	1,674.6	1,676.1	1,679.7	1,674.9	1,670.1	1,667.9
50 Borrowings	715.3	698.4	697.8	718.7	719.8	728.4	763.1	774.9	784.5	774.8	785.0	767.0
51 From banks in the U.S.	299.3	294.2	299.5	295.1	293.6	301.8	311.9	311.1	320.0	302.3	320.2	311.4
52 From others	416.0	404.1	398.3	423.5	426.3	426.5	451.2	463.8	464.4	472.5	464.8	455.6
53 Net due to related foreign offices	259.5	235.2	230.0	232.7	228.6	218.3	210.3	236.7	226.5	223.9	246.5	251.5
54 Other liabilities	217.2	256.0	255.7	266.6	289.0	276.7	271.6	267.1	268.7	265.1	268.7	265.4
55 **Total liabilities**	**3,906.8**	**4,038.0**	**4,075.6**	**4,093.8**	**4,115.0**	**4,128.2**	**4,186.3**	**4,200.9**	**4,204.9**	**4,182.9**	**4,190.7**	**4,217.7**
56 Residual (assets less liabilities)[7]	365.3	367.5	364.3	362.7	372.6	383.3	382.1	384.9	382.5	385.2	385.2	384.8
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	65.6	69.4	89.2	103.0	92.2	92.1	83.4	84.8	82.4	81.3	79.1
58 Revaluation losses on off-balance-sheet items[8]	n.a.	60.5	64.4	84.9	98.2	86.4	87.3	85.1	90.0	85.7	85.4	83.4

Footnotes appear on p. A21.

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

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Seasonally adjusted											
Assets												
1 Bank credit	3,214.1	3,248.8	3,265.5	3,289.1	3,310.8	3,335.7	3,360.8	3,362.0	3,357.7	3,359.2	3,362.1	3,365.5
2 Securities in bank credit	845.5	822.7	825.6	835.3	844.1	842.1	854.6	838.6	843.3	843.2	837.1	833.6
3 U.S. government securities	635.7	620.2	619.3	625.5	619.1	624.9	633.9	631.8	631.7	632.8	630.8	631.4
4 Other securities	209.8	202.5	206.3	209.8	225.0	217.1	220.7	206.8	211.6	210.5	206.3	202.2
5 Loans and leases in bank credit[2]	2,368.6	2,426.2	2,439.9	2,453.8	2,466.7	2,493.6	2,506.2	2,523.4	2,514.4	2,515.9	2,525.1	2,531.9
6 Commercial and industrial	548.2	566.6	570.3	571.1	576.7	582.1	588.7	591.4	589.2	590.5	591.7	593.1
7 Real estate	1,068.1	1,089.1	1,095.7	1,102.6	1,108.0	1,122.0	1,130.5	1,141.6	1,138.3	1,139.0	1,142.0	1,144.0
8 Revolving home equity	79.9	84.2	85.2	85.7	86.5	87.9	89.0	90.2	89.7	89.9	90.0	91.0
9 Other	988.2	1,004.8	1,010.5	1,016.9	1,021.5	1,034.1	1,041.5	1,051.4	1,048.6	1,049.1	1,051.9	1,053.0
10 Consumer	504.1	520.5	521.0	521.8	520.9	518.5	516.1	519.0	517.3	518.1	519.2	520.1
11 Security[3]	48.8	41.9	42.5	44.3	44.1	48.4	46.5	45.6	45.3	43.9	46.3	47.0
12 Other loans and leases	199.4	208.1	210.3	214.1	217.1	222.5	224.2	225.7	224.3	224.5	225.9	227.8
13 Interbank loans	184.5	191.8	183.2	176.2	183.8	197.3	197.0	198.0	204.3	197.1	201.6	196.4
14 Cash assets[4]	192.6	201.8	199.8	201.1	200.5	207.6	213.5	209.8	208.9	203.2	214.6	216.0
15 Other assets[5]	191.6	223.6	228.3	218.2	223.9	231.7	237.6	238.1	233.8	235.3	243.4	239.1
16 Total assets[6]	**3,726.1**	**3,809.7**	**3,820.7**	**3,828.7**	**3,863.2**	**3,916.3**	**3,952.6**	**3,951.7**	**3,948.6**	**3,938.5**	**3,965.5**	**3,960.8**
Liabilities												
17 Deposits	2,549.4	2,627.5	2,640.4	2,646.2	2,654.7	2,673.4	2,686.2	2,678.9	2,668.9	2,674.3	2,674.4	2,692.1
18 Transaction	745.4	711.2	709.3	704.8	695.4	689.3	689.8	677.3	666.6	675.7	676.8	695.1
19 Nontransaction	1,804.1	1,916.3	1,931.1	1,941.4	1,959.3	1,984.0	1,996.4	2,001.6	2,002.3	1,998.6	1,997.6	1,997.0
20 Large time	272.7	309.5	313.1	313.3	317.8	319.7	322.8	324.3	322.5	322.3	323.4	325.7
21 Other	1,531.3	1,606.8	1,618.1	1,628.1	1,641.5	1,664.4	1,673.6	1,677.3	1,679.8	1,676.3	1,674.1	1,671.4
22 Borrowings	578.0	583.0	583.9	593.9	592.0	607.8	622.2	621.4	629.9	622.6	626.6	615.4
23 From banks in the U.S.	260.6	267.1	271.8	272.6	271.0	278.2	279.7	269.1	281.0	265.5	275.3	263.3
24 From others	317.5	315.8	312.1	321.3	321.0	329.5	342.5	352.3	349.0	357.1	351.3	352.0
25 Net due to related foreign offices	88.5	71.0	69.1	72.0	78.2	68.0	77.1	85.0	92.4	78.1	89.8	82.1
26 Other liabilities	144.5	171.8	176.5	178.6	186.4	183.7	178.4	173.2	174.3	172.5	175.9	171.0
27 Total liabilities	**3,360.4**	**3,453.2**	**3,469.9**	**3,490.7**	**3,511.3**	**3,532.9**	**3,563.9**	**3,558.6**	**3,565.5**	**3,547.5**	**3,566.7**	**3,560.6**
28 Residual (assets less liabilities)[7]	365.7	356.4	350.8	338.0	351.9	383.5	388.6	393.1	383.1	391.0	398.8	400.2
	Not seasonally adjusted											
Assets												
29 Bank credit	3,216.4	3,253.5	3,268.6	3,290.5	3,303.1	3,326.3	3,360.2	3,364.1	3,364.4	3,362.5	3,360.6	3,362.3
30 Securities in bank credit	849.8	821.7	818.1	830.5	839.7	844.1	856.6	842.8	847.9	847.6	839.9	836.5
31 U.S. government securities	637.7	620.7	617.6	618.5	616.0	626.6	637.1	633.7	634.4	635.1	632.6	631.6
32 Other securities	212.1	201.0	200.5	212.0	223.7	217.5	219.4	209.1	213.5	212.6	207.3	204.9
33 Loans and leases in bank credit[2]	2,366.6	2,431.8	2,450.5	2,459.9	2,463.3	2,482.2	2,503.6	2,521.3	2,516.5	2,514.8	2,520.7	2,525.8
34 Commercial and industrial	554.1	564.9	566.9	568.9	576.4	585.1	595.3	598.0	598.7	597.3	597.9	597.5
35 Real estate	1,064.4	1,092.9	1,100.4	1,104.6	1,104.9	1,116.0	1,126.5	1,137.5	1,134.4	1,135.7	1,137.0	1,139.4
36 Revolving home equity	79.7	84.7	85.4	85.7	86.1	87.1	88.3	90.0	89.4	89.7	89.8	90.8
37 Other	984.7	1,008.2	1,015.1	1,018.9	1,018.8	1,028.9	1,038.2	1,047.5	1,045.0	1,046.0	1,047.1	1,048.6
38 Consumer	502.2	521.0	525.8	527.4	521.5	513.9	513.7	516.9	515.4	516.2	517.2	517.7
39 Security[3]	49.4	43.2	43.8	43.5	45.2	48.1	47.0	46.0	46.6	44.3	46.7	46.5
40 Other loans and leases	196.6	209.8	213.6	215.5	215.4	219.1	221.0	222.9	221.3	221.4	221.9	224.7
41 Interbank loans	180.2	196.1	192.5	186.1	188.2	193.7	195.4	193.5	201.9	191.9	195.2	189.2
42 Cash assets[4]	190.4	208.5	214.8	211.1	202.4	199.0	209.6	207.6	203.9	199.7	200.8	223.2
43 Other assets[5]	192.6	222.1	227.6	219.6	223.0	227.7	236.7	239.4	239.0	237.3	239.0	240.3
44 Total assets[6]	**3,722.8**	**3,823.8**	**3,847.1**	**3,851.5**	**3,860.9**	**3,890.9**	**3,945.7**	**3,948.2**	**3,952.9**	**3,935.1**	**3,939.2**	**3,958.7**
Liabilities												
45 Deposits	2,539.5	2,642.0	2,669.9	2,649.9	2,642.8	2,662.3	2,690.0	2,669.7	2,666.5	2,665.1	2,646.9	2,679.7
46 Transaction	735.2	721.3	741.7	716.2	688.2	677.3	693.4	668.0	662.7	666.2	651.5	685.3
47 Nontransaction	1,804.3	1,920.7	1,928.2	1,933.8	1,954.7	1,985.0	1,996.6	2,001.8	2,003.8	1,998.9	1,995.4	1,994.3
48 Large time	275.7	310.2	309.7	311.9	320.7	319.7	324.3	328.1	326.6	326.4	327.7	328.9
49 Other	1,528.6	1,610.5	1,618.5	1,621.8	1,634.0	1,665.2	1,672.2	1,673.7	1,677.3	1,672.5	1,667.7	1,665.5
50 Borrowings	583.8	576.3	577.4	591.5	583.1	594.2	620.7	631.4	636.8	631.3	637.9	629.0
51 From banks in the U.S.	264.8	260.9	265.8	265.8	261.5	268.1	278.3	277.6	283.7	271.4	286.2	277.8
52 From others	319.0	315.4	311.5	325.6	321.6	326.0	342.4	353.8	353.1	359.9	351.6	351.1
53 Net due to related foreign offices	93.9	68.4	66.2	73.6	79.9	72.5	78.8	92.2	95.3	83.8	98.4	96.7
54 Other liabilities	144.9	174.9	173.8	176.7	185.8	182.1	178.9	174.2	176.3	174.0	174.8	172.4
55 Total liabilities	**3,362.1**	**3,461.7**	**3,487.2**	**3,491.8**	**3,491.7**	**3,511.0**	**3,568.4**	**3,567.5**	**3,575.0**	**3,554.2**	**3,557.9**	**3,577.8**
56 Residual (assets less liabilities)[7]	360.7	362.2	359.9	359.7	369.2	379.8	377.3	380.7	378.0	380.9	381.3	380.9
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	33.1	36.0	47.5	55.9	49.0	49.5	42.0	44.7	43.3	42.1	39.5
58 Revaluation losses on off-balance-sheet items[8]	n.a.	28.9	31.8	44.0	50.9	43.2	44.6	43.4	46.4	44.0	43.4	41.0
59 Mortgage-backed securities[9]	n.a.	238.3	241.4	244.0	243.6	245.9	249.3	249.7	249.4	248.6	248.0	247.4

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Seasonally adjusted											
Assets												
1 Bank credit	1,867.6	1,858.0	1,867.7	1,882.4	1,901.3	1,913.0	1,929.9	1,921.9	1,922.0	1,920.7	1,922.1	1,922.6
2 Securities in bank credit	439.9	417.0	419.9	425.9	436.3	430.4	440.3	423.9	429.1	427.7	422.6	419.6
3 U.S. government securities	310.3	294.4	293.2	296.4	291.1	295.0	303.0	300.1	300.5	300.2	299.3	300.6
4 Trading account	21.1	21.6	19.5	17.3	16.2	18.2	20.3	19.4	18.0	17.1	20.1	21.7
5 Investment account	289.2	272.8	273.7	279.2	274.9	276.8	282.7	280.7	282.4	283.1	279.1	278.9
6 Other securities	129.6	122.6	126.7	129.4	145.2	135.4	137.3	123.8	128.6	127.4	123.4	119.0
7 Trading account	59.4	57.8	60.7	64.6	79.9	69.3	71.9	58.3	63.4	61.8	57.6	53.9
8 Investment account	70.2	64.8	66.0	64.9	65.3	66.1	65.4	65.5	65.2	65.6	65.8	65.1
9 State and local government	21.0	20.2	20.4	20.5	21.1	20.8	20.7	21.0	20.9	20.8	21.0	20.9
10 Other	49.2	44.6	45.7	44.3	44.1	45.3	44.7	44.5	44.3	44.7	44.8	44.1
11 Loans and leases in bank credit[2]	1,427.8	1,441.0	1,447.8	1,456.6	1,465.1	1,482.5	1,489.6	1,498.0	1,492.9	1,493.1	1,499.5	1,503.0
12 Commercial and industrial	377.9	390.2	391.9	392.2	396.1	400.1	405.6	406.7	405.2	406.0	406.7	408.0
13 Bankers acceptances	1.5	1.8	2.0	1.9	1.6	1.7	1.6	1.5	1.5	1.6	1.4	1.5
14 Other	376.4	388.3	389.9	390.3	394.5	398.4	404.0	405.2	403.7	404.4	405.2	406.4
15 Real estate	581.0	578.6	581.2	581.9	582.6	588.4	591.4	597.8	597.2	596.2	597.4	598.2
16 Revolving home equity	55.8	56.9	57.5	57.6	58.1	58.8	59.4	60.3	59.8	60.0	60.0	61.0
17 Other	525.2	521.7	523.7	524.3	524.5	529.5	532.0	537.5	537.3	536.2	537.4	537.3
18 Consumer	286.9	290.7	290.9	293.7	295.5	294.2	292.8	294.1	293.1	294.0	294.4	294.4
19 Security[3]	44.0	37.0	37.7	39.5	39.1	43.2	41.6	40.7	40.3	38.9	41.4	42.1
20 Federal funds sold to and repurchase agreements with broker–dealers	28.5	21.4	21.8	23.6	23.8	26.8	23.5	23.1	22.3	21.6	22.7	25.1
21 Other	15.4	15.6	15.9	15.9	15.3	16.4	18.1	17.6	17.9	17.4	18.7	17.0
22 State and local government	11.5	11.4	11.6	11.4	11.3	11.3	11.0	10.9	10.9	10.9	10.8	10.8
23 Agricultural	8.6	8.3	8.2	8.2	8.2	8.2	8.2	8.3	8.3	8.3	8.3	8.4
24 Federal funds sold to and repurchase agreements with others	5.4	5.5	5.1	5.6	4.8	5.7	6.7	5.2	5.4	5.4	5.0	5.5
25 All other loans	63.0	60.6	61.0	60.9	62.4	64.6	63.7	64.4	63.0	63.7	65.3	65.4
26 Lease-financing receivables	49.4	58.8	60.3	63.2	65.2	66.9	68.5	69.9	69.5	69.6	70.1	70.2
27 Interbank loans	135.7	140.5	130.2	123.6	128.1	137.4	142.5	143.4	149.7	143.0	149.0	140.3
28 Federal funds sold to and repurchase agreements with commercial banks	88.9	87.5	80.5	75.8	78.3	86.2	90.5	87.3	93.1	83.1	92.8	86.8
29 Other	46.8	52.9	49.7	47.8	49.8	51.1	52.0	56.1	56.6	59.9	56.2	53.5
30 Cash assets[4]	130.7	136.2	134.4	134.1	130.9	136.0	140.5	138.3	138.8	133.0	142.7	142.4
31 Other assets[5]	145.7	170.4	173.7	164.9	168.4	169.4	174.4	176.1	174.5	173.0	179.5	176.0
32 **Total assets**[6]	**2,242.5**	**2,268.6**	**2,269.5**	**2,269.0**	**2,292.8**	**2,319.8**	**2,351.2**	**2,343.8**	**2,349.2**	**2,333.8**	**2,357.4**	**2,345.5**
Liabilities												
33 Deposits	1,370.6	1,409.0	1,416.7	1,408.9	1,406.8	1,414.6	1,426.4	1,416.4	1,411.4	1,413.1	1,412.0	1,425.8
34 Transaction	428.8	398.3	397.3	393.9	384.1	377.5	377.1	367.0	361.0	366.0	365.1	379.0
35 Nontransaction	941.8	1,010.8	1,019.5	1,015.1	1,022.7	1,037.1	1,049.3	1,049.4	1,050.4	1,047.1	1,046.9	1,046.8
36 Large time	132.9	156.4	158.1	156.4	159.3	160.1	164.2	164.3	162.4	162.5	164.0	165.8
37 Other	808.9	854.4	861.3	858.7	863.4	877.0	885.1	885.2	888.0	884.6	882.9	881.0
38 Borrowings	441.4	423.0	422.7	432.5	431.9	445.4	457.9	458.1	464.4	460.5	465.0	451.8
39 From banks in the U.S.	184.2	182.0	188.8	188.1	187.4	194.0	195.3	184.2	193.8	179.3	190.1	178.6
40 From others	257.3	241.0	233.9	244.4	244.5	251.4	262.6	273.9	270.5	281.2	275.0	273.2
41 Net due to related foreign offices	83.8	68.8	66.3	68.0	74.2	64.1	72.7	80.9	88.0	73.5	86.1	78.2
42 Other liabilities	118.7	146.1	150.9	153.8	160.8	156.7	151.7	145.8	147.4	145.5	148.2	143.1
43 **Total liabilities**	**2,014.5**	**2,047.1**	**2,056.7**	**2,063.2**	**2,073.8**	**2,080.9**	**2,108.7**	**2,101.2**	**2,111.0**	**2,092.6**	**2,111.4**	**2,098.9**
44 Residual (assets less liabilities)[7]	228.0	221.5	212.8	205.8	219.0	238.9	242.5	242.6	238.1	241.2	246.0	246.5

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Not seasonally adjusted											
Assets												
45 Bank credit	1,870.0	1,861.1	1,868.0	1,885.7	1,899.0	1,908.1	1,928.9	1,924.1	1,928.3	1,922.8	1,921.1	1,921.1
46 Securities in bank credit	442.2	417.6	412.8	422.6	433.5	431.1	438.9	426.2	431.1	429.7	424.5	421.0
47 U.S. government securities	310.6	296.5	291.9	290.7	289.4	295.6	303.1	300.4	300.8	300.5	300.3	299.6
48 Trading account	21.3	22.8	18.2	16.4	16.4	19.3	20.5	19.6	18.1	17.9	21.3	20.6
49 Investment account	289.3	273.7	273.7	274.4	273.0	276.2	282.6	280.8	282.7	282.6	279.0	279.1
50 Mortgage-backed securities	n.a.	168.9[r]	173.6[r]	176.5[r]	177.3[r]	178.9[r]	180.3[r]	180.2	181.5	180.6	179.6	179.2
51 Other	n.a.	104.8[r]	100.1[r]	97.8[r]	95.7[r]	97.3[r]	102.3[r]	100.6	101.2	102.0	99.4	99.8
52 One year or less	n.a.	29.3[r]	26.4[r]	26.7[r]	25.5[r]	25.8[r]	28.2[r]	26.7	27.6	27.4	26.2	25.7
53 Between one and five years	n.a.	60.0[r]	59.8[r]	56.9[r]	54.8[r]	54.8[r]	55.9[r]	55.2	54.9	55.9	54.8	55.2
54 More than five years	n.a.	15.5[r]	13.8[r]	14.2[r]	15.4[r]	16.7[r]	18.2	18.7	18.7	18.7	18.4	18.9
55 Other securities	131.6	121.1	120.9	131.9	144.1	135.5	135.8	125.8	130.2	129.2	124.1	121.4
56 Trading account	61.7	55.4	54.2	66.5	78.8	69.8	70.7	60.5	65.3	63.8	58.7	56.5
57 Investment account	69.9	65.7	66.7	65.4	65.4	65.7	65.0	65.3	64.9	65.4	65.4	64.9
58 State and local government	21.1	20.3	20.5	20.6	21.1	20.8	20.9	21.1	21.0	21.0	21.1	21.1
59 Other	48.9	45.4	46.2	44.8	44.2	44.9	44.2	44.2	44.0	44.4	44.3	43.7
60 Loans and leases in bank credit[2]	1,427.8	1,443.5	1,455.2	1,463.1	1,465.5	1,477.0	1,490.1	1,497.9	1,497.2	1,493.1	1,496.6	1,500.0
61 Commercial and industrial	382.4	389.2	389.0	390.0	396.1	402.5	410.9	411.9	413.3	411.4	411.5	411.2
62 Bankers acceptances	1.5	1.8	2.0	1.9	1.6	1.7	1.6	1.5	1.5	1.6	1.4	1.5
63 Other	380.9	387.1	386.9	388.1	394.5	400.9	409.4	410.4	411.7	409.8	410.1	409.7
64 Real estate	578.7	580.2	583.9	584.3	582.0	585.4	590.1	595.2	595.4	594.3	593.8	594.8
65 Revolving home equity	55.7	57.2	57.6	57.7	57.9	58.3	59.0	60.2	59.7	59.9	59.9	60.9
66 Other	n.a.	327.9[r]	327.8[r]	326.0[r]	323.3[r]	325.4[r]	332.9[r]	335.2	336.8	334.9	334.1	333.2
67 Commercial	n.a.	195.1[r]	198.5	200.6[r]	200.8[r]	201.8[r]	198.2[r]	199.8	198.9	199.5	199.7	200.6
68 Consumer	285.5	290.4	294.8	298.4	295.4	291.4	290.7	292.5	291.3	292.1	292.6	293.2
69 Security[3]	44.7	38.2	38.7	38.6	40.1	42.9	42.1	41.3	41.7	39.6	42.1	41.9
70 Federal funds sold to and repurchase agreements with broker-dealers	29.4	22.3	21.9	22.7	24.0	26.5	24.5	23.9	24.4	22.5	23.3	24.7
71 Other	15.3	15.9	16.8	15.9	16.1	16.4	17.6	17.4	17.3	17.1	18.8	17.3
72 State and local government	11.5	11.5	11.6	11.2	11.2	11.2	11.0	10.9	10.9	10.9	10.9	10.9
73 Agricultural	8.6	8.2	8.1	8.1	7.9	8.0	8.1	8.3	8.2	8.3	8.3	8.4
74 Federal funds sold to and repurchase agreements with others	5.4	4.6	4.5	5.7	5.6	5.6	6.4	5.3	5.4	5.5	4.8	5.6
75 All other loans	61.5	62.5	64.2	62.6	61.4	62.7	62.4	62.8	61.7	61.8	62.8	63.9
76 Lease-financing receivables	49.3	58.8	60.4	64.2	65.9	67.2	68.4	69.8	69.4	69.3	69.9	70.1
77 Interbank loans	134.9	139.9	136.5	132.2	130.4	133.8	140.5	142.4	148.2	141.0	146.7	140.5
78 Federal funds sold to and repurchase agreements with commercial banks	89.6	87.5	84.0	80.8	80.4	84.2	90.6	88.2	94.8	83.9	91.9	87.9
79 Other	45.4	52.4	52.4	51.4	50.0	49.6	49.9	54.2	53.4	57.1	54.7	52.6
80 Cash assets[4]	128.8	140.3	145.7	141.9	133.6	129.6	138.0	136.4	134.4	130.5	131.8	147.6
81 Other assets[5]	147.0	168.3	172.3	165.2	166.1	166.4	174.5	177.9	177.4	176.2	178.9	177.5
82 **Total assets**[6]	**2,243.5**	**2,273.1**	**2,285.9**	**2,289.2**	**2,293.3**	**2,302.0**	**2,345.9**	**2,344.8**	**2,352.3**	**2,334.6**	**2,342.5**	**2,350.9**
Liabilities												
83 Deposits	1,363.5	1,415.9	1,432.8	1,415.2	1,404.8	1,408.5	1,428.0	1,409.8	1,406.4	1,407.7	1,394.3	1,418.4
84 Transaction	422.1	404.8	418.5	401.5	380.8	369.8	380.5	360.9	356.2	361.0	348.9	374.3
85 Nontransaction	941.4	1,011.1	1,014.3	1,013.7	1,024.0	1,038.7	1,047.5	1,048.9	1,050.2	1,046.7	1,045.4	1,044.1
86 Large time	135.2	156.7	155.7	156.3	161.5	159.3	164.7	167.2	165.7	165.7	167.3	168.1
87 Other	806.2	854.4	858.6	857.3	862.5	879.4	882.8	881.6	884.5	881.0	878.1	875.9
88 Borrowings	444.6	417.8	416.6	428.4	424.3	437.3	458.9	464.1	471.6	464.6	469.9	459.0
89 From banks in the U.S.	187.4	177.6	183.4	181.6	179.7	187.6	194.7	190.2	196.9	183.2	197.1	188.1
90 From nonbanks in the U.S.	257.2	240.2	233.2	246.8	244.6	249.6	264.2	273.9	274.6	281.4	272.8	270.9
91 Net due to related foreign offices	89.2	66.2	63.4	69.7	76.0	68.6	74.4	88.1	90.9	79.3	94.7	92.8
92 Other liabilities	119.5	149.4	148.7	151.6	159.8	154.7	151.9	147.0	149.4	147.1	147.4	145.0
93 **Total liabilities**	**2,016.8**	**2,049.3**	**2,061.6**	**2,064.8**	**2,064.9**	**2,069.0**	**2,113.2**	**2,109.0**	**2,118.3**	**2,098.7**	**2,106.3**	**2,115.2**
94 Residual (assets less liabilities)[7]	226.6	223.8	224.4	224.4	228.4	233.0	232.7	235.7	233.9	235.9	236.2	235.7
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	n.a.	33.1	36.0	47.5	55.9	49.0	49.5	42.0	44.7	43.3	42.1	39.5
96 Revaluation losses on off-balance-sheet items[8]	n.a.	28.9	31.8	44.0	50.9	43.2	44.6	43.4	46.4	44.0	43.4	41.0
97 Mortgage-backed securities[9]	n.a.	192.4[r]	194.8[r]	196.7[r]	196.4[r]	197.3[r]	199.8[r]	199.4	200.6	199.9	198.8	198.3
98 Pass-through securities	n.a.	130.9[r]	133.0[r]	135.2[r]	135.5[r]	136.8[r]	139.2	139.7	140.5	139.8	139.1	139.1
99 CMOs, REMICs, and other mortgage-backed securities	n.a.	61.4[r]	61.8[r]	61.5[r]	60.9[r]	60.5[r]	60.6[r]	59.7	60.1	60.1	59.7	59.2
100 Net unrealized gains (losses) on available-for-sale securities[10]	n.a.	2.4	2.8	2.7	2.7	2.7	1.8	2.1	2.0	2.1	2.1	2.2
101 Offshore credit to U.S. residents[11]	27.9	31.3	31.7	30.9	32.1	32.9	33.3	33.6	33.4	33.4	33.7	33.5

Footnotes appear on p. A21.

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

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Seasonally adjusted											
Assets												
1 Bank credit	1,346.5	1,390.8	1,397.8	1,406.6	1,409.5	1,422.7	1,430.8	1,440.1	1,435.7	1,438.4	1,440.0	1,442.9
2 Securities in bank credit	405.6	405.7	405.7	409.4	407.8	411.6	414.2	414.7	414.2	415.6	414.4	414.0
3 U.S. government securities	325.4	325.9	326.1	329.0	328.0	330.4	331.1	331.7	331.2	332.5	331.5	330.8
4 Other securities	80.2	79.8	79.6	80.4	79.9	81.3	83.2	83.0	83.0	83.0	82.9	83.2
5 Loans and leases in bank credit[2]	940.8	985.1	992.1	997.3	1,001.7	1,011.1	1,016.6	1,025.4	1,021.5	1,022.9	1,025.6	1,028.9
6 Commercial and industrial	170.2	176.5	178.4	178.9	180.6	182.1	183.2	184.7	184.0	184.4	185.0	185.1
7 Real estate	487.1	510.5	514.5	520.7	525.4	533.6	539.1	543.8	541.2	542.8	544.5	545.8
8 Revolving home equity	24.1	27.3	27.7	28.0	28.4	29.0	29.6	29.9	29.9	29.9	30.0	30.0
9 Other	463.0	483.2	486.8	492.7	497.0	504.6	509.5	513.9	511.3	512.9	514.5	515.7
10 Consumer	217.1	229.8	230.1	228.1	225.4	224.3	223.4	224.9	224.2	224.1	224.9	225.6
11 Security[3]	4.9	4.8	4.9	4.8	5.0	5.2	4.9	5.0	5.0	5.0	4.8	5.0
12 Other loans and leases	61.5	63.6	64.2	64.8	65.3	65.9	66.0	67.0	67.1	66.5	66.4	67.5
13 Interbank loans	48.9	51.4	53.1	52.6	55.7	59.9	54.5	54.5	54.6	54.0	52.6	56.0
14 Cash assets[4]	61.8	65.6	65.4	67.0	69.6	71.6	72.9	71.4	70.1	70.3	71.9	73.6
15 Other assets[5]	46.0	53.2	54.7	53.4	55.5	62.3	63.2	62.1	59.3	62.2	63.9	63.2
16 **Total assets[6]**	**1,483.7**	**1,541.1**	**1,551.1**	**1,559.7**	**1,570.4**	**1,596.5**	**1,601.4**	**1,607.8**	**1,599.5**	**1,604.7**	**1,608.1**	**1,615.3**
Liabilities												
17 Deposits	1,178.8	1,218.5	1,223.7	1,237.3	1,247.8	1,258.8	1,259.8	1,262.5	1,257.5	1,261.2	1,262.4	1,266.3
18 Transaction	316.6	312.9	312.0	310.9	311.2	311.9	312.7	310.4	305.6	309.7	311.7	316.1
19 Nontransaction	862.2	905.6	911.7	926.4	936.6	946.9	947.1	952.1	951.9	951.5	950.7	950.2
20 Large time	139.8	153.1	154.9	156.9	158.5	159.5	158.6	160.0	160.1	159.8	159.4	159.8
21 Other	722.4	752.5	756.7	769.4	778.1	787.4	788.5	792.1	791.8	791.7	791.2	790.4
22 Borrowings	136.6	159.9	161.2	161.4	160.1	162.4	164.3	163.3	165.6	162.1	161.5	163.6
23 From banks in the U.S.	76.4	85.1	83.0	84.5	83.6	84.2	84.4	84.9	87.1	86.2	85.2	84.8
24 From others	60.2	74.8	78.2	76.9	76.5	78.1	79.9	78.4	78.5	75.9	76.3	78.9
25 Net due to related foreign offices	4.7	2.2	2.7	4.0	4.0	3.9	4.4	4.1	4.4	4.5	3.7	3.9
26 Other liabilities	25.8	25.6	25.6	24.9	25.6	26.9	26.8	27.4	27.0	27.0	27.6	27.9
27 **Total liabilities**	**1,345.9**	**1,406.2**	**1,413.2**	**1,427.6**	**1,437.5**	**1,452.0**	**1,455.2**	**1,457.4**	**1,454.5**	**1,454.9**	**1,455.3**	**1,461.7**
28 Residual (assets less liabilities)[7]	137.7	134.9	137.9	132.2	132.9	144.5	146.2	150.5	145.0	149.8	152.9	153.6
	Not seasonally adjusted											
Assets												
29 Bank credit	1,346.5	1,392.4	1,400.6	1,404.8	1,404.0	1,418.2	1,431.2	1,440.0	1,436.1	1,439.7	1,439.5	1,441.3
30 Securities in bank credit	407.6	404.0	405.3	407.9	406.2	413.0	417.7	416.5	416.9	417.9	415.4	415.5
31 U.S. government securities	327.1	324.2	325.7	327.8	326.6	331.5	334.2	333.2	333.6	334.6	332.3	332.0
32 Other securities	80.5	79.9	79.6	80.2	79.6	81.5	83.5	83.3	83.3	83.4	83.1	83.5
33 Loans and leases in bank credit[2]	938.9	988.3	995.3	996.8	997.8	1,005.2	1,013.5	1,023.4	1,019.3	1,021.7	1,024.1	1,025.8
34 Commercial and industrial	171.7	175.8	177.9	178.9	180.3	182.6	184.4	186.1	185.5	185.9	186.4	186.3
35 Real estate	485.7	512.7	516.5	520.3	522.8	530.6	536.4	542.3	539.0	541.4	543.2	544.7
36 Revolving home equity	24.0	27.4	27.8	27.9	28.2	28.8	29.3	29.8	29.7	29.8	29.9	29.9
37 Other	461.7	485.3	488.7	492.4	494.6	501.8	507.1	512.5	509.3	511.6	513.3	514.7
38 Consumer	216.6	230.5	231.0	229.0	226.2	222.5	223.0	224.5	224.2	224.1	224.6	224.5
39 Security[3]	4.7	5.1	5.1	4.9	5.1	5.2	5.0	4.8	4.9	4.8	4.6	4.6
40 Other loans and leases	60.2	64.3	64.8	63.6	63.4	64.4	64.8	65.8	65.7	65.6	65.3	65.8
41 Interbank loans	45.2	56.2	56.1	53.9	57.8	59.9	54.9	51.1	53.7	50.9	48.5	48.6
42 Cash assets[4]	61.6	68.3	69.1	69.2	68.9	69.4	71.6	71.2	69.6	69.2	68.9	75.6
43 Other assets[5]	45.6	53.7	55.3	54.4	56.9	61.3	62.2	61.6	61.6	61.1	60.2	62.8
44 **Total assets[6]**	**1,479.4**	**1,550.7**	**1,561.2**	**1,562.3**	**1,567.6**	**1,588.9**	**1,599.8**	**1,603.4**	**1,600.7**	**1,600.5**	**1,596.7**	**1,607.9**
Liabilities												
45 Deposits	1,176.0	1,226.2	1,237.1	1,234.8	1,238.0	1,253.8	1,262.0	1,260.0	1,260.1	1,257.4	1,252.6	1,261.3
46 Transaction	313.0	316.6	323.2	314.7	307.4	307.6	312.9	307.1	306.4	305.2	302.6	311.1
47 Nontransaction	863.0	909.6	913.9	920.1	930.6	946.3	949.0	952.9	953.6	952.2	950.0	950.3
48 Large time	140.5	153.5	154.0	155.6	159.2	160.4	159.6	160.8	160.8	160.7	160.5	160.7
49 Other	722.4	756.1	759.9	764.5	771.4	785.8	789.4	792.1	792.8	791.5	789.6	789.5
50 Borrowings	139.2	158.5	160.7	163.1	158.8	156.9	161.8	167.3	165.3	166.6	167.9	170.0
51 From banks in the U.S.	77.4	83.4	82.4	84.3	81.8	80.5	83.5	87.4	86.8	88.2	89.1	89.7
52 From others	61.8	75.1	78.3	78.8	77.1	76.4	78.3	79.9	78.5	78.5	78.8	80.2
53 Net due to related foreign offices	4.7	2.2	2.7	4.0	4.0	3.9	4.4	4.1	4.4	4.5	3.7	3.9
54 Other liabilities	25.4	25.5	25.1	25.1	26.0	27.3	27.0	27.2	26.9	26.9	27.3	27.4
55 **Total liabilities**	**1,345.3**	**1,412.3**	**1,425.7**	**1,427.0**	**1,426.8**	**1,442.0**	**1,455.2**	**1,458.5**	**1,456.6**	**1,455.5**	**1,451.6**	**1,462.6**
56 Residual (assets less liabilities)[7]	134.0	138.4	135.5	135.3	140.8	146.9	144.6	145.0	144.0	145.0	145.1	145.2
MEMO												
57 Mortgage-backed securities[9]	n.a.	46.1	46.6	47.6	47.7	49.1	49.9	50.6	48.8	48.8	49.2	49.1

Footnotes appear on p. A21.

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

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996[r]	1996[r]		1997[r]					1997			
	May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	May 7	May 14	May 21	May 28
	Seasonally adjusted											
Assets												
1 Bank credit	451.5	494.3	505.0	515.9	530.7	525.4	533.7	539.9	537.4	538.8	540.0	543.8
2 Securities in bank credit	146.7	158.0	164.5	170.2	177.0	173.0	178.1	175.6	175.5	173.6	174.0	178.0
3 U.S. government securities	75.9	87.0	87.6	81.8	85.4	83.6	87.8	89.9	89.4	87.5	87.8	93.1
4 Other securities	70.8	71.0	76.9	88.4	91.6	89.4	90.2	85.7	86.1	86.0	86.1	84.9
5 Loans and leases in bank credit[2]	304.8	336.2	340.6	345.7	353.6	352.4	355.6	364.3	361.9	365.2	366.0	365.8
6 Commercial and industrial	188.2	208.4	213.0	214.4	217.1	216.1	216.6	219.7	217.7	220.9	220.8	219.9
7 Real estate	33.6	32.4	32.0	31.8	32.0	31.5	31.4	30.6	31.0	30.8	30.5	30.2
8 Security[3]	27.8	35.0	36.2	38.1	39.8	39.7	43.2	43.5	43.2	45.0	43.3	43.5
9 Other loans and leases	55.3	60.4	59.3	61.3	64.7	65.1	64.5	70.5	70.0	68.6	71.5	72.2
10 Interbank loans	23.0	20.2	21.7	22.7	20.9	22.7	18.9	20.6	18.5	16.5	22.4	25.8
11 Cash assets[4]	27.5	30.9	31.1	31.1	32.9	32.4	32.7	34.0	35.9	33.3	33.4	33.3
12 Other assets[5]	45.1	36.5	37.0	38.8	41.8	41.8	39.9	39.6	37.6	40.3	39.3	39.6
13 **Total assets**[6]	**547.0**	**581.5**	**594.7**	**608.2**	**626.0**	**622.0**	**625.0**	**633.9**	**629.0**	**628.7**	**634.8**	**642.2**
Liabilities												
14 Deposits	174.9	203.9	219.5	225.7	238.0	242.7	257.7	252.0	261.7	255.0	242.4	250.4
15 Transaction	10.8	10.2	10.2	10.3	9.7	10.4	10.8	11.2	12.3	11.1	10.8	11.0
16 Nontransaction	164.1	193.7	209.3	215.4	228.2	232.2	246.9	240.8	249.3	244.0	231.6	239.5
17 Large time	161.8	191.3	206.5	213.2	224.3	228.7	244.5	238.4	246.9	241.6	229.2	237.1
18 Other	2.3	2.4	2.8	2.2	4.0	3.6	2.5	2.4	2.4	2.4	2.4	2.4
19 Borrowings	131.1	125.5	121.6	130.3	143.3	140.1	139.9	143.7	142.1	144.7	150.4	141.2
20 From banks in the U.S.	34.9	33.2	33.0	28.3	34.4	35.3	33.5	33.9	36.0	31.2	36.1	34.3
21 From others	96.3	92.3	88.6	102.1	108.9	104.8	106.5	109.8	106.1	113.5	114.4	106.8
22 Net due to related foreign offices	169.0	167.1	162.2	150.3	139.4	141.1	134.6	148.7	139.0	140.2	150.5	157.6
23 Other liabilities	70.2	80.4	83.3	90.8	100.6	94.8	92.9	90.2	89.4	87.5	92.1	90.5
24 **Total liabilities**	**545.3**	**577.0**	**586.5**	**597.1**	**621.3**	**618.6**	**625.1**	**634.6**	**632.1**	**627.4**	**635.5**	**639.7**
25 Residual (assets less liabilities)[7]	1.8	4.5	8.1	11.1	4.7	3.4	−0.1	−0.8	−3.1	1.2	−0.7	2.6
	Not seasonally adjusted											
Assets												
26 Bank credit	452.6	493.9	501.2	513.1	531.3	525.2	533.7	542.6	542.4	542.1	541.1	543.7
27 Securities in bank credit	149.6	157.8	158.2	166.3	178.0	173.7	178.5	180.5	182.1	178.5	178.2	181.6
28 U.S. government securities	76.2	87.0	85.1	82.8	87.2	86.6	87.3	90.5	91.3	87.9	88.4	92.3
29 Trading account	n.a.	21.8	19.9	17.0	21.4	19.9	18.6	18.8	19.7	16.2	17.8	19.6
30 Investment account	n.a.	65.2	65.3	65.7	65.6	66.3	68.5	71.3	71.6	71.7	70.6	72.7
31 Other securities	73.4	70.8	73.1	83.6	90.8	87.1	91.2	90.1	90.8	90.6	89.8	89.3
32 Trading account	n.a.	51.3	53.4	60.2	66.3	61.3	62.0	60.2	60.2	59.7	59.5	60.2
33 Investment account	n.a.	19.4	19.7	23.3	24.5	25.9	29.9	30.7	30.6	30.8	30.3	29.1
34 Loans and leases in bank credit[2]	303.0	336.1	343.0	346.8	353.3	351.6	355.2	362.0	360.3	363.5	363.0	362.1
35 Commercial and industrial	188.3	208.2	213.4	214.3	217.1	215.7	217.3	220.0	218.6	220.9	220.9	219.5
36 Real estate	33.3	32.9	32.2	31.8	32.1	31.5	30.9	30.3	30.8	30.5	30.3	30.0
37 Security[3]	27.8	35.0	36.2	38.1	39.8	39.7	43.2	43.5	43.2	45.0	43.3	43.5
38 Other loans and leases	53.7	60.0	61.2	62.6	64.4	64.6	63.8	68.3	67.7	67.1	68.5	69.2
39 Interbank loans	23.0	20.2	21.7	22.7	20.9	22.7	18.9	20.6	18.5	16.5	22.4	25.8
40 Cash assets[4]	27.5	31.1	32.2	31.5	32.1	31.8	31.8	34.0	35.2	33.0	33.4	34.0
41 Other assets[5]	46.1	36.7	37.8	38.0	42.7	41.2	38.4	40.6	38.6	41.6	40.0	40.5
42 **Total assets**[6]	**549.2**	**581.7**	**592.7**	**605.0**	**626.7**	**620.6**	**622.7**	**637.6**	**634.4**	**633.0**	**636.7**	**643.8**
Liabilities												
43 Deposits	175.3	206.5	222.2	225.8	234.8	242.5	251.3	252.5	258.8	254.0	243.5	254.1
44 Transaction	10.3	10.2	10.9	10.4	9.9	10.2	10.4	10.7	11.6	10.4	10.2	10.8
45 Nontransaction	165.0	196.3	211.3	215.5	224.9	232.3	241.0	241.8	247.2	243.6	233.3	243.3
46 Large time	162.7	193.9	208.5	213.2	221.0	228.7	238.6	239.4	244.8	241.2	230.9	240.9
47 Other	2.3	2.4	2.8	2.2	3.9	3.5	2.4	2.4	2.4	2.4	2.4	2.4
48 Borrowings	131.5	122.1	120.4	127.2	136.7	134.2	142.4	143.5	147.6	143.5	147.1	138.0
49 From banks in the U.S.	34.5	33.3	33.6	29.3	32.1	33.7	33.7	33.5	36.4	30.9	34.0	33.6
50 From others	97.0	88.8	86.8	97.9	104.6	100.5	108.8	110.1	111.3	112.7	113.1	104.4
51 Net due to related foreign offices	165.6	166.8	163.8	159.1	148.6	145.8	131.5	144.4	131.2	140.1	148.2	154.7
52 Other liabilities	72.3	81.0	81.9	89.9	103.1	94.7	92.7	92.9	92.4	91.1	94.0	93.0
53 **Total liabilities**	**544.6**	**576.4**	**588.3**	**602.0**	**623.3**	**617.2**	**617.9**	**633.4**	**629.9**	**628.7**	**632.7**	**639.9**
54 Residual (assets less liabilities)[7]	4.6	5.3	4.4	3.0	3.4	3.5	4.7	4.2	4.5	4.3	3.9	3.9
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	32.5	33.5	41.7	47.1	43.2	42.6	41.3	40.1	39.2	39.2	39.5
56 Revaluation losses on off-balance-sheet items[8]	n.a.	31.6	32.6	40.9	47.3	43.2	42.8	41.7	43.5	41.7	41.9	42.4

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1996		1997			
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**766,556**	**775,371**	**804,644**	**813,168**	**836,979**	**838,366**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	354,400	361,147	376,908	387,164	402,291	404,727
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	228,553	229,662	238,133	239,509	246,215	248,920
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	183,603	184,563	189,602	186,495	188,473	184,719
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**						
By holder											
6 Accepting banks	10,555	12,421	11,783								
7 Own bills	9,097	10,707	10,462								
8 Bills bought from other banks	1,458	1,714	1,321								
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Others	26,364	19,202	17,642								
By basis											
11 Imports into United States	12,209	10,217	10,062								
12 Exports from United States	8,096	7,293	6,355								
13 All other	17,890	14,838	13,417								

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

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

Percent per year

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

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

1.35 INTEREST RATES Money and Capital Markets

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

Item	1994	1995	1996	1997				1997, week ending				
				Feb.	Mar.	Apr.	May	May 2	May 9	May 16	May 23	May 30
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.19	5.39	5.51	5.50	5.61	5.55	5.49	5.52	5.43
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	4.43	5.93	5.43	5.39	5.51	5.61	5.61	5.60	5.60	5.61	5.62	5.60
4 3-month	4.66	5.93	5.41	5.40	5.56	5.71	5.69	5.72	5.70	5.69	5.70	5.67
5 6-month	4.93	5.93	5.42	5.42	5.61	5.79	5.78	5.81	5.79	5.78	5.77	5.75
Finance paper, directly placed[3,5,7]												
6 1-month	4.33	5.81	5.31	5.27	5.39	5.51	5.53	5.52	5.53	5.54	5.54	5.50
7 3-month	4.53	5.78	5.29	5.28	5.42	5.61	5.61	5.62	5.63	5.60	5.60	5.59
8 6-month	4.56	5.68	5.21	5.27	5.41	5.60	5.66	5.63	5.69	5.67	5.64	5.63
Bankers acceptances[3,5,8]												
9 3-month	4.56	5.81	5.31	5.29	5.44	5.62	5.62	5.61	5.65	5.63	5.63	5.59
10 6-month	4.83	5.80	5.31	5.30	5.50	5.71	5.71	5.72	5.74	5.71	5.72	5.68
Certificates of deposit, secondary market[3,9]												
11 1-month	4.38	5.87	5.35	5.31	5.44	5.57	5.58	5.57	5.57	5.59	5.60	5.57
12 3-month	4.63	5.92	5.39	5.37	5.53	5.71	5.70	5.73	5.71	5.70	5.71	5.69
13 6-month	4.96	5.98	5.47	5.47	5.69	5.90	5.87	5.91	5.89	5.87	5.86	5.85
14 Eurodollar deposits, 3-month[3,10]	4.63	5.93	5.38	5.36	5.50	5.70	5.69	5.70	5.69	5.68	5.70	5.69
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	4.25	5.49	5.01	5.01	5.14	5.16	5.05	5.15	5.06	5.05	5.10	4.94
16 6-month	4.64	5.56	5.08	5.06	5.26	5.37	5.30	5.34	5.32	5.31	5.29	5.25
17 1-year	5.02	5.60	5.22	5.23	5.47	5.64	5.54	5.60	5.57	5.53	5.51	5.53
Auction average[3,5,11]												
18 3-month	4.29	5.51	5.02	5.00	5.14	5.17	5.13	5.22	5.14	5.08	5.17	5.03
19 6-month	4.66	5.59	5.09	5.05	5.24	5.35	5.35	5.45	5.37	5.30	5.35	5.26
20 1-year	5.02	5.69	5.23	5.34	5.36	5.66	5.64	5.72	n.a.	n.a.	n.a.	5.55
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.32	5.94	5.52	5.53	5.80	5.99	5.87	5.93	5.90	5.86	5.85	5.86
22 2-year	5.94	6.15	5.84	5.90	6.22	6.45	6.28	6.33	6.30	6.26	6.26	6.29
23 3-year	6.27	6.25	5.99	6.03	6.38	6.61	6.42	6.48	6.44	6.40	6.41	6.44
24 5-year	6.69	6.38	6.18	6.20	6.54	6.76	6.57	6.62	6.57	6.54	6.58	6.60
25 7-year	6.91	6.50	6.34	6.32	6.65	6.86	6.66	6.72	6.66	6.63	6.67	6.69
26 10-year	7.09	6.57	6.44	6.42	6.69	6.89	6.71	6.76	6.70	6.68	6.73	6.75
27 20-year	7.49	6.95	6.83	6.77	7.05	7.20	7.02	7.08	7.00	6.98	7.04	7.07
28 30-year	7.37	6.88	6.71	6.69	6.93	7.09	6.94	6.98	6.91	6.90	6.96	6.99
Composite												
29 More than 10 years (long-term)	7.41	6.93	6.80	6.76	7.03	7.18	7.00	7.06	6.98	6.96	7.02	7.05
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.77	5.80	5.52	5.36	5.55	5.66	5.48	5.55	5.45	5.50	5.46	5.43
31 Baa	6.17	6.10	5.79	5.60	5.75	5.85	5.67	5.76	5.65	5.69	5.65	5.62
32 *Bond Buyer* series[14]	6.18	5.95	5.76	5.63	5.76	5.88	5.70	5.77	5.71	5.67	5.66	5.67
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.26	7.83	7.66	7.59	7.83	7.99	7.86	7.91	7.84	7.83	7.88	7.92
Rating group												
34 Aaa	7.97	7.59	7.37	7.31	7.55	7.73	7.58	7.64	7.56	7.55	7.60	7.64
35 Aa	8.15	7.72	7.55	7.54	7.77	7.93	7.80	7.85	7.78	7.77	7.82	7.85
36 A	8.28	7.83	7.69	7.59	7.82	7.98	7.86	7.91	7.84	7.83	7.88	7.91
37 Baa	8.63	8.20	8.05	7.94	8.18	8.34	8.20	8.26	8.18	8.17	8.22	8.25
38 A-rated, recently offered utility bonds[16]	8.29	7.86	7.77	7.81	8.08	8.23	8.01	7.98	7.97	8.00	8.07	8.02
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.82	2.56	2.19	1.91	1.91	1.98	1.85	1.91	1.88	1.84	1.83	1.83

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1996				1997				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	360.96	373.54	388.75	391.61	403.58	418.57	416.72	401.00	433.36
2 Industrial	315.32	367.40	453.57	459.69	473.98	490.60	494.38	509.18	524.30	523.08	506.69	549.65
3 Transportation	247.17	270.14	327.30	323.12	332.80	348.32	352.28	359.40	364.15	372.37	366.67	395.50
4 Utility	104.96	110.64	126.36	121.12	130.04	135.88	128.55	131.95	142.88	132.38	126.66	140.52
5 Finance	209.75	238.48	303.94	308.16	324.42	345.30	350.01	361.45	388.75	387.19	364.25	392.32
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541.72	670.49	674.88	701.46	735.67	743.25	766.22	798.39	792.16	763.93	833.09
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	449.49	498.13	570.86	564.87	574.46	583.21	582.96	585.09	593.29	593.64	554.13	584.06
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	400,951	420,835	443,521	431,538	526,631	508,199	496,241	473,094	479,907
9 American Stock Exchange	17,951	20,387	22,567	19,449	18,780	22,151	23,648	24,019	21,250	19,232	19,122[r]	19,634
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**89,300**	**88,740**	**91,680**	**97,400**	**99,460**	**100,000**	**100,160**	**98,870**	**106,010**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	17,940	19,890	20,020	22,540	22,870	22,200	22,930	22,700	22,050
12 Cash accounts	28,870	34,340	40,430	35,360	36,610	36,650	40,430	41,280	40,090	41,050	37,560	39,400

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1994	1995	1996	1996	1997				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	148,489	150,718	90,293	108,099	228,588	94,493
2 On-budget	923,601	1,000,751	1,085,570	119,528	113,841	59,673	73,869	187,997	63,146
3 Off-budget	335,026	351,079	367,492	28,961	36,877	30,620	34,230	40,591	31,347
4 Outlays, total	1,461,731	1,515,729	1,560,330	129,666	137,354	134,303	129,422	134,650	142,988
5 On-budget	1,181,469	1,227,065	1,259,872	120,429	110,552	104,964	100,427	107,842	112,625
6 Off-budget	279,372	288,664	300,458	9,237	26,802	29,339	28,996	26,807	30,362
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	18,823	13,364	−44,010	−21,323	93,939	−48,494
8 On-budget	−258,758	−226,314	−174,302	−901	3,289	−45,291	−26,558	80,155	−49,479
9 Off-budget	55,654	62,415	67,034	19,724	10,075	1,281	5,234	13,784	985
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	−12,321	−16,776	35,968	28,833	−39,001	−19,054
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	−6,488	−3,785	21,357	−18,274	−55,908	72,532
12 Other[2]	1,196	−5,382	−16,168	−14	7,197	−13,315	10,764	970	−4,984
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	32,794	36,579	15,222	33,496	89,404	16,872
14 Federal Reserve Banks	6,848	8,620	7,700	7,742	6,770	5,258	5,945	52,215	5,174
15 Tax and loan accounts	29,094	29,329	36,525	25,052	29,809	9,965	27,551	37,189	11,698

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

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

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

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

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1995	1996	1995		1996		1997		
			H1	H2	H1	H2	Mar.	Apr.	May
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**711,003**	**656,865**	**767,099**	**707,551**	**108,099**	**228,588**	**94,493**
2 Individual income taxes, net	590,244	656,417	307,498	292,393	347,285	323,884	36,434	134,291	30,690
3 Withheld	499,927	533,080	251,398	256,916	264,177	279,988	49,994	45,582	48,097
4 Nonwithheld	175,855	212,168	132,001	45,521	162,782	53,491	6,380	110,878	5,873
5 Refunds	85,538	88,897	75,959	10,058	79,735	9,604	19,955	22,177	23,300
Corporation income taxes									
6 Gross receipts	174,422	189,055	92,132	88,302	96,480	95,364	21,059	29,547	5,005
7 Refunds	17,418	17,231	10,399	7,518	9,704	10,053	2,335	2,125	752
8 Social insurance taxes and contributions, net	484,473	509,414	261,837	224,269	277,767	240,326	44,197	54,644	50,220
9 Employment taxes and contributions[2]	451,045	476,361	241,557	211,323	257,446	227,777	43,547	50,771	39,835
10 Unemployment insurance	28,878	28,584	18,001	10,702	18,068	10,302	311	3,532	9,963
11 Other net receipts[3]	4,550	4,469	2,279	2,247	2,254	2,245	339	341	422
12 Excise taxes	57,484	54,014	27,452	30,014	25,682	27,016	3,998	4,768	4,808
13 Customs deposits	19,301	18,670	8,848	9,849	8,731	9,294	1,315	1,492	1,443
14 Estate and gift taxes	14,763	17,189	7,425	7,718	8,775	8,835	1,468	3,308	1,412
15 Miscellaneous receipts[4]	28,561	25,534	16,211	11,839	12,087	12,888	1,962	2,662	1,667
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**761,289**	**752,856**	**785,368**	**799,851**	**129,422**	**134,650**	**142,988**
17 National defense	272,066	265,748	135,648	132,887	132,599[r]	138,350	19,854	21,872[r]	26,152
18 International affairs	16,434	13,496	4,797	6,908	8,074	8,895	1,094	1,654	256
19 General science, space, and technology	16,724	16,709	8,611	7,970	8,897	9,498	1,478	1,395	1,655
20 Energy	4,936	2,836	2,358	1,992	1,356	806	490	28	129
21 Natural resources and environment	22,078	21,614	10,273	11,392	10,254	11,642	1,410	1,545	1,719
22 Agriculture	9,778	9,159	4,039	3,065	73[r]	10,699	26	−206	−205
23 Commerce and housing credit	−17,808	−10,646	−13,471	−3,947	−6,886[r]	−6,198	−2,986	−2,314	−62
24 Transportation	39,350	39,565	18,193	20,725	18,290	21,205	2,810	2,955	3,320
25 Community and regional development	10,641	10,685	5,073	5,569	5,245	6,192	920	1,067	883
26 Education, training, employment, and social services	54,263	52,001	25,893	26,212	25,979	26,032	3,843	4,123	3,799
27 Health	115,418	119,378	59,057	57,128	59,989	61,466	10,478	10,439	10,374
28 Social security and Medicare	495,701	523,901	251,975	251,388	264,647	269,409	43,935	46,823	48,887
29 Income security	220,493	225,989	117,190	104,847	121,186[r]	107,181	23,639	20,624[r]	22,357
30 Veterans benefits and services	37,890	36,985	19,269	18,678	18,140	21,107	1,772	3,342	4,333
31 Administration of justice	16,216	17,548	8,051	8,091	9,015	9,595	1,612	1,454	1,875
32 General government	13,835	11,892	5,796	7,601	4,641	6,544	1,447	1,519	484
33 Net interest[5]	232,169	241,090	116,169	119,348	120,576	122,568	20,410	21,132	21,162
34 Undistributed offsetting receipts[6]	−44,455	−37,620	−17,631	−26,995	−16,716	−25,140	−2,810	−2,803	−4,128

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1995				1996				1997
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**	**5,415**
2 Public debt securities	4,864	4,951	4,974	4,989	5,118	5,161	5,225	5,323	5,381
3 Held by public	3,610	3,635	3,653	3,684	3,764	3,739	3,778	3,826	n.a.
4 Held by agencies	1,255	1,317	1,321	1,305	1,354	1,422	1,447	1,497	n.a.
5 Agency securities	27	27	27	28	36	36	35	34	34
6 Held by public	26	27	27	28	28	28	27	27	n.a.
7 Held by agencies	0	0	0	0	8	8	8	8	n.a.
8 **Debt subject to statutory limit**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**	**5,294**
9 Public debt securities	4,774	4,861	4,885	4,900	5,030	5,073	5,137	5,237	5,294
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	5,500	5,500	5,500	5,500	5,500

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

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

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

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996			1997
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,161.1**	**5,224.8**	**5,323.2**	**5,380.9**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,126.8	5,220.8	5,317.2	5,375.1
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,348.4	3,418.4	3,459.7	3,504.4
4 Bills	714.6	733.8	760.7	777.4	773.6	761.2	777.4	785.6
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,025.8	2,098.7	2,112.3	2,131.0
6 Bonds	495.9	510.3	521.2	555.0	534.1	543.5	555.0	565.4
7 Inflation-indexed notes[1]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.4
8 Nonmarketable[2]	1,542.9	1,643.1	1,657.2	1,857.5	1,778.3	1,802.4	1,857.5	1,870.8
9 State and local government series	149.5	132.6	104.5	101.3	97.8	95.7	101.3	104.8
10 Foreign issues[3]	43.5	42.5	40.8	37.4	37.8	37.5	37.4	36.8
11 Government	43.5	42.5	40.8	47.4	37.8	37.5	47.4	36.8
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	169.4	177.8	181.9	182.4	183.8	184.2	182.4	182.6
14 Government account series[4]	1,150.0	1,259.8	1,299.6	1,505.9	1,428.5	1,454.7	1,505.9	1,516.6
15 Non-interest-bearing	3.4	31.0	24.3	6.0	34.3	4.0	6.0	5.8
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,422.4	1,447.0	1,497.2	
17 Federal Reserve Banks	334.2	374.1	391.0	410.9	391.0	390.9	410.9	
18 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,347.3	3,386.2	3,411.2	
19 Commercial banks	322.2	290.4	278.7	272.0	280.2	274.8	272.0	
20 Money market funds	80.8	67.6	71.3	92.1	82.1	85.2	92.1	
21 Insurance companies	234.5	240.1	241.5	234.0	234.4	234.5	234.0	
22 Other companies	213.0	226.5	228.8	258.5	230.9	249.1	258.5	n.a.
23 State and local treasuries[6,7]	590.8	468.3	344.1	290.0	316.8	298.5	290.0	
Individuals								
24 Savings bonds	171.9	180.5	185.0	187.0	186.5	186.8	187.0	
25 Other securities	137.9	150.7	162.7	169.6	161.1	167.0	169.6	
26 Foreign and international[8]	623.0	688.6	862.2	1,131.5	959.8	1,030.9	1,131.5	
27 Other miscellaneous investors[7,9]	673.3	855.3	920.6	776.5	895.5	859.4	776.5	

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

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

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

Millions of dollars, daily averages

Item	1997			1997, week ending								
	Feb.	Mar.	Apr.	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	May 7	May 14	May 21	May 28
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	43,025	51,479^r	49,329^r	57,308	48,797	56,123	41,435	47,754^r	37,016	35,920	43,207	50,796
Coupon securities, by maturity												
2 Five years or less	108,283	114,432^r	104,196^r	118,691	101,182	97,085	105,669	118,815^r	111,939	104,920	99,280	112,463
3 More than five years	66,967	55,743^r	49,121^r	54,252	50,739	50,914	43,433	51,203^r	58,914	66,357	52,694	53,208
4 Federal agency	36,070	36,352	38,194	43,487	34,627	30,995	36,003	49,033	38,854	37,197	42,299	45,390
5 Mortgage-backed	45,373	41,420	41,984	42,243	62,772	37,574	34,216	33,270	46,230	47,955	29,544	33,017
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	122,673	127,693^r	117,018^r	128,483	113,629	118,529	106,416	125,120^r	121,200	120,911	116,087	124,211
7 Federal agency	1,338	1,117	1,028	801	1,215	923	1,200	866	1,021	1,070	838	993
8 Mortgage-backed	15,872	15,314	13,923	17,546	17,354	12,511	11,631	12,747	13,628	15,450	10,145	11,008
With other												
9 U.S. Treasury	95,602	93,961^r	85,628^r	101,767	87,089	85,592	84,121	95,652^r	86,669	81,286	79,093	92,256
10 Federal agency	34,732	35,235	37,166	42,686	33,412	30,072	34,803	48,168	37,833	36,126	41,461	44,397
11 Mortgage-backed	29,501	26,105	28,061	24,696	45,418	25,064	22,585	20,523	32,602	32,506	19,398	22,009
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	296	482^r	191^r	287^r	213	222	98	n.a.	218	263	247	107
Coupon securities, by maturity												
13 Five years or less	1,797	2,150	1,720	2,561	1,407	1,532	1,798	1,806	1,992	1,718	1,439	2,428
14 More than five years	13,442	14,670	12,314	13,205	12,417	12,617	10,399	13,467	13,417	15,029	14,953	12,591
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,770	3,469	3,195	2,286	3,300	3,475	3,319	3,049	4,435	3,659	4,701	1,577
19 More than five years	5,196	4,649	4,277	5,513	4,207	3,461	3,586	5,360	6,855	4,412	5,919	2,729
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	734	578	584	663	559	917	438	392	589	845	393	433

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

Dealers report cumulative transactions for each week ending Wednesday.

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

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

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

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

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

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

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

Millions of dollars

Item	1997			1997, week ending							
	Feb.	Mar.	Apr.	Apr. 2	Apr. 9	Apr. 16	Apr. 23	Apr. 30	May 7	May 14	May 21
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	5,047	14,352	4,082	26,710	16,311	3,724	−7,883	−2,288	−2,870	−6,817	−11,566
Coupon securities, by maturity											
2 Five years or less	−8,602	−20,140	−24,443	−22,088	−22,454	−28,635	−21,512	−25,842	−17,715	−21,724	−24,070
3 More than five years	−20,818	−28,545	−28,153	−31,328	−29,141	−28,769	−27,939	−25,855	−17,057	−17,115	−18,634
4 Federal agency	22,896	24,380	29,723	26,516	29,322	27,781	31,474	31,230	30,592	30,382	25,764
5 Mortgage-backed	39,289	40,292	34,916	36,652	36,155	34,737	34,286	33,990	33,163	39,457	38,260
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−3,437	−2,494	−2,308	−2,625	−2,870	−2,225	2,222	−1,823	1,464	−1,009	−1,032
Coupon securities, by maturity											
7 Five years or less	851	3,130	4,018	3,855	4,792	4,883	4,067	2,375	2,095	2,798	2,753
8 More than five years	−11,153	−5,256	−5,916	−3,686	−2,955	−5,794	−5,822	−9,728	−11,944	−14,945	−10,008
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−2,518	−2,532	−2,458	−2,665	−3,793	−2,135	−3,121	−725	−693	16	1,690
13 More than five years	382	−433	−1,448	−1,515	−1,592	−1,187	−974	−2,019	−601	−776	−486
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	1,383	1,405	2,437	2,180	2,124	2,439	2,472	2,785	2,492	2,259	2,368
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	298,371	284,574	279,264	283,120	276,493	269,801	274,540	295,122	291,888	289,947	322,269
17 Term	487,843	503,687	537,456	480,771	536,000	532,910	570,364	526,746	563,468	597,502	511,002
Securities borrowed											
18 Overnight and continuing	205,656	213,214	213,138	214,001	213,709	211,511	211,807	215,280	214,098	214,759	227,741
19 Term	83,514	77,877	81,206	74,734	78,199	81,905	85,447	81,124	84,883	81,694	73,246
Securities received as pledge											
20 Overnight and continuing	3,204	5,937	6,499	7,356	7,588	8,428	5,722	4,012	4,094	4,011	4,163
21 Term	43	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	184	203
Repurchase agreements											
22 Overnight and continuing	604,841	599,641	595,167	601,817	610,038	609,606	586,782	572,343	585,445	607,208	633,677
23 Term	453,814	456,464	484,562	415,957	471,071	475,738	515,663	495,378	518,171	548,468	461,055
Securities loaned											
24 Overnight and continuing	6,881	5,321	5,795	5,207	5,289	6,535	5,135	6,387	6,631	7,156	6,339
25 Term	6,746	6,057	4,430	4,585	4,189	3,912	4,595	4,979	4,441	5,165	3,713
Securities pledged											
26 Overnight and continuing	57,526	62,775	59,877	63,301	56,671	56,443	60,220	65,196	66,523	63,219	64,797
27 Term	2,245	2,026	2,363	1,653	2,359	2,570	2,325	2,401	3,347	3,945	2,757
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	13,457	10,604	11,503	9,037	13,482	14,008	11,298	7,927	14,381	11,813	12,120
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	294,190	281,495	281,975	278,245	276,500	272,708	285,844	293,913	304,888	292,435	322,439
32 Term	487,344	487,773	521,831	464,853	515,407	527,157	551,947	509,093	540,911	575,827	490,500
Securities out											
33 Overnight and continuing	367,612	358,230	362,687	363,626	357,959	365,058	363,043	364,418	364,387	363,224	379,851
34 Term	400,188	393,532	418,703	359,443	407,422	409,212	448,247	426,861	451,559	480,873	394,500

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

2. Securities positions are reported at market value.

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

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

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

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1993	1994	1995	1996	1996		1997		
					Nov.	Dec.	Jan.	Feb.	Mar.
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**912,100**	**925,823**	**939,416**	**927,400**	**929,809**
2 Federal agencies	45,193	39,186	37,347	29,380	29,909	29,380	29,481	29,303	28,989
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,828	1,447	1,437	1,437	1,363
5 Federal Housing Administration[4]	255	116	97	84	84	84	144	146	26
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	27,991	27,853	27,831	27,714	27,594
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	882,191	896,443	909,998	898,097	900,820
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	252,868	263,404	257,055	255,407	266,456
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	158,158	156,980	163,171	161,532	153,621
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	324,378	331,270	333,302	332,046	336,174
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	59,797	60,053	67,610	60,075	60,884
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	46,991	44,763	48,788	48,707	43,105
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**58,921**	**58,172**	**57,635**	**57,625**	**53,688**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,822	1,431	1,431	1,431	1,357
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	18,325	18,325	17,875	17,875	16,675
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	16,772	16,702	16,702	16,710	15,696
27 Other	45,864	37,984	29,513	21,714	22,002	21,714	21,627	21,609	21,317

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

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.[r]	1997 Apr.[r]	1997 May
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**16,750**	**14,520**	**17,431**	**10,340**	**12,052**	**13,701**	**15,390**	**14,267**
By type of issue											
2 General obligation	54,404	56,980	60,409	5,467	5,134	4,755	4,160	4,287	5,491	6,224	5,725
3 Revenue	99,546	88,677	110,813	11,283	9,386	12,676	6,180	7,765	8,210	9,166	8,542
By type of issuer											
4 State	19,186	14,665	13,651	1,769	1,351	663	728	713	4,037	1,126	1,216
5 Special district or statutory authority[2]	95,896	93,500	113,228	10,923	9,091	12,315	6,306	8,341	7,206	10,773	8,456
6 Municipality, county, or township	38,868	37,492	44,343	4,058	4,078	4,453	3,306	2,998	2,458	3,491	4,595
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**12,113**	**8,656**	**12,311**	**6,106**	**8,409**	**8,736**	**11,476**	**9,632**
By use of proceeds											
8 Education	21,267	23,964	26,851	2,693	1,530	2,306	1,974	1,924	2,330	3,264	2,844
9 Transportation	10,836	11,890	12,324	2,907	1,164	736	808	639	393	1,873	1,225
10 Utilities and conservation	10,192	9,618	9,791	1,441	1,102	1,006	749	901	954	425	1,608
11 Social welfare	20,289	19,566	24,583	1,573	1,974	3,294	1,265	1,281	2,644	1,929	1,291
12 Industrial aid	8,161	6,581	6,287	556	460	1,081	231	481	317	765	462
13 Other purposes	35,227	30,771	32,462	2,943	2,426	3,888	1,079	3,183	2,098	3,220	2,202

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997[r] Jan.	1997[r] Feb.	1997[r] Mar.	1997[r] Apr.
1 **All issues**[1]	**583,240**	n.a.	n.a.	**60,578**	**60,387**	**57,937**	**48,747**	**57,186**	**53,027**	**62,232**	**42,583**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**53,875**	**47,498**	**44,569**	**39,585**	**44,027**	**44,980**	**54,632**	**36,902**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	44,658	39,855	38,948	37,108	35,449	35,245	45,886	28,846
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	9,218	7,643	5,621	2,477	8,577	9,735	8,746	8,056
By industry group											
6 Manufacturing	43,423	61,070	41,959	4,045	5,969	2,720	5,096	4,088	4,791	3,060	2,291
7 Commercial and miscellaneous	40,735	50,689	34,076	3,195	5,010	4,282	1,727	4,926	2,004	1,641	6,144
8 Transportation	6,867	8,430	5,111	620	436	270	341	366	100	324	257
9 Public utility	13,322	13,751	8,161	279	1,067	773	680	858	1,476	1,185	47
10 Communication	13,340	22,999	13,320	829	802	475	628	1,210	405	2,802	500
11 Real estate and financial	380,352	416,269	358,446	44,908	34,215	36,049	31,113	32,578	36,204	45,619	27,663
12 **Stocks**[2]	**85,155**	**100,573**	n.a.	**6,703**	**12,889**	**13,368**	**9,162**	**13,159**	**8,047**	**7,600**	**5,681**
By type of offering											
13 Public preferred	12,570	10,917	33,208	1,890	3,855	5,656	5,452	8,048	1,510	2,714	1,937
14 Common	47,828	57,556	83,052	4,813	9,034	7,712	3,710	5,111	6,537	4,886	3,744
15 Private placement[3]	24,800	32,100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	17,798	21,545	↑	787	1,588	1,530	899	608	2,008	1,034	853
17 Commercial and miscellaneous	15,713	27,844		3,080	5,752	3,974	2,922	1,827	3,041	2,022	1,058
18 Transportation	2,203	804		0	42	367	54	250	258	50	0
19 Public utility	2,214	1,936	n.a.	212	100	210	103	1,847	96	793	570
20 Communication	494	1,077		0	480	42	23	0	28	0	22
21 Real estate and financial	46,733	47,367	↓	2,624	4,928	7,219	5,161	8,292	2,575	3,774	3,178

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

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

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

Millions of dollars

Item	1995	1996	1996			1997				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
1 **Sales of own shares**[2]	**871,415**	**1,149,918**	**92,730**	**87,958**	**122,792**	**134,460**	**102,169**	**101,390**	**110,721**	**103,291**
2 Redemptions of own shares	699,497	853,460	72,537	65,949	87,949	96,243	73,871	79,976	100,188	76,233
3 Net sales[3]	171,918	296,458	20,193	22,009	34,843	38,218	28,298	21,413	10,532	27,058
4 **Assets**[4]	**2,067,337**	**2,637,398**	**2,517,049**	**2,652,884**	**2,637,398**	**2,752,273**	**2,772,715**	**2,700,474**	**2,782,077**	**2,944,547**
5 Cash[5]	142,572	139,396	149,937	146,044	137,973	152,297	153,525	160,570	177,979	180,322
6 Other	1,924,765	2,498,002	2,367,112	2,506,840	2,499,425	2,599,976	2,619,189	2,539,906	2,604,098	2,764,225

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

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1994	1995	1996	1995			1996				1997
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Profits with inventory valuation and capital consumption adjustment	554.1	604.8	670.2	580.8	630.0	628.3	661.2	672.1	677.3	670.1	712.5
2 Profits before taxes	531.2	598.9	639.9	589.6	607.2	604.2	642.2	644.6	635.6	637.1	668.5
3 Profits-tax liability	195.3	218.7	233.0	214.2	224.5	218.7	233.4	236.4	233.4	228.9	246.2
4 Profits after taxes	335.9	380.2	406.8	375.3	382.8	385.5	408.8	408.1	402.2	408.2	422.3
5 Dividends	211.0	227.4	244.2	224.6	228.5	234.7	239.9	243.1	245.2	248.7	254.2
6 Undistributed profits	124.8	152.8	162.6	150.8	154.3	150.8	168.9	165.1	156.9	159.5	168.1
7 Inventory valuation	−13.3	−28.1	−8.9	−42.3	−9.3	−8.8	−17.4	−11.0	2.0	−9.2	−.4[r]
8 Capital consumption adjustment	36.2	34.0	39.2	33.5	32.1	32.9	36.4	38.6	39.7	42.2	44.4[r]

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1994	1995	1996	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4
ASSETS										
1 Accounts receivable, gross[2]	551.0	614.6	658.3	586.9	594.7	614.6	621.8	631.4	642.0	658.3
2 Consumer	134.8	152.0	154.5	141.7	146.2	152.0	151.9	154.6	154.8	154.5
3 Business	337.6	375.9	398.1	361.8	362.4	375.9	380.9	383.7	387.0	398.1
4 Real estate	78.5	86.6	105.7	83.4	86.1	86.6	89.1	93.1	100.2	105.7
5 LESS: Reserves for unearned income	55.0	63.2	59.1	62.1	61.2	63.2	61.5	59.6	58.9	59.1
6 Reserves for losses	12.4	14.1	14.8	13.7	13.8	14.1	14.2	14.1	14.7	14.8
7 Accounts receivable, net	483.5	537.3	584.4	511.1	519.7	537.3	546.1	557.7	568.4	584.4
8 All other	183.4	210.7	242.5	198.1	198.1	210.7	212.8	216.1	226.8	242.5
9 **Total assets**	**666.9**	**748.0**	**826.9**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**	**826.9**
LIABILITIES AND CAPITAL										
10 Bank loans	21.2	23.1	27.8	21.5	21.8	23.1	23.5	26.2	27.5	27.8
11 Commercial paper	184.6	184.5	192.9	181.3	178.0	184.5	184.8	186.9	189.4	192.9
Debt										
12 Owed to parent	51.0	62.3	79.2	57.5	59.0	62.3	62.3	68.4	71.9	79.2
13 Not elsewhere classified	235.0	284.7	320.0	264.4	272.1	284.7	291.4	301.3	311.5	320.0
14 All other liabilities	99.5	106.2	109.1	102.1	102.4	106.2	105.7	100.1	102.8	109.1
15 Capital, surplus, and undivided profits	75.7	87.2	97.9	82.5	84.4	87.2	91.1	90.9	92.1	97.9
16 **Total liabilities and capital**	**666.9**	**748.0**	**826.9**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**	**826.9**

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

2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit[1]

Millions of dollars, amounts outstanding, end of period

Type of credit	1994	1995	1996	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.
	Seasonally adjusted								
1 **Total**	**615,618**	**691,616**	**755,827**	**757,064**	**755,827**	**762,305**	**763,525**	**767,187[r]**	**771,223**
2 Consumer	176,085	198,861	213,513	212,775	213,513	213,504	213,429	209,744[r]	213,705
3 Real estate[2]	78,910	87,077	106,300	104,776	106,300	108,476	110,841	113,710[r]	114,820
4 Business	360,624	405,678	436,014	439,514	436,014	440,325	439,255	443,734	442,698
	Not seasonally adjusted								
5 **Total**	**620,975**	**697,340**	**761,756**	**757,079**	**761,756**	**763,714**	**764,717**	**769,258[r]**	**773,876**
6 Consumer	178,999	202,101	216,886	214,227	216,886	215,122	213,058	208,604[r]	211,974
7 Motor vehicles	61,609	70,061	73,484	75,304	73,484	73,933	74,337	73,139	70,766
8 Other consumer[3]	73,221	81,988	80,984	77,868	80,984	80,927	79,798	77,274	79,158
9 Securitized motor vehicles[4]	31,897	33,633	35,644	34,177	35,644	33,976	33,069	32,101	36,106
10 Securitized other consumer[4]	12,272	16,419	26,774	26,878	26,774	26,286	25,854	26,090[r]	25,944
11 Real estate[2]	78,479	86,606	105,728	104,943	105,728	108,980	111,265	113,157[r]	114,866
12 Business	363,497	408,633	439,142	437,909	439,142	439,612	440,394	447,497	447,036
13 Motor vehicles	118,197	133,277	142,009	142,210	142,009	145,329	148,334	152,037	150,712
14 Retail loans[5]	21,514	25,304	27,868	28,825	27,868	28,549	28,629	28,617	27,935
15 Wholesale loans[6]	35,037	36,427	32,337	32,262	32,337	33,811	36,259	38,846	37,165
16 Leases	61,646	71,546	81,804	81,123	81,804	82,969	83,446	84,574	85,612
17 Equipment	157,953	177,297	184,942	182,229	184,942	182,484	181,949	183,155	184,444
18 Loans[7]	49,358	59,109	60,991	60,167	60,991	57,977	56,785	57,366	57,430
19 Leases	108,595	118,188	123,951	122,062	123,951	124,507	125,164	125,789	127,014
20 Other business[8]	61,495	65,363	71,110	73,999	71,110	71,784	72,718	74,434	74,735
21 Securitized business assets[4]	25,852	32,696	41,081	39,471	41,081	40,015	37,393	37,871	37,145
22 Retail loans	4,494	4,723	5,250	5,402	5,250	5,086	4,778	4,470	4,184
23 Wholesale loans	14,826	21,327	24,732	23,391	24,732	24,143	21,699	22,247	21,874
24 Leases	6,532	6,646	11,099	10,678	11,099	10,786	10,916	11,154	11,087

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

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

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

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

5. Passenger car fleets and commercial land vehicles for which licenses are required.

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

7. Beginning with the June 1996 data, retail and wholesale business equipment loans have been combined and are no longer separately available.

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

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	188.1	170.8	172.4	166.6	169.2	172.5	177.6
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	143.3	129.9	133.6	130.9	132.1	134.8	137.7
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	78.0	79.3	79.7	80.9	80.8	81.1	80.0
4 Maturity (years)	27.5	27.7	27.2	27.4	27.5	27.9	28.2	28.0	27.8	28.2
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	1.19	1.01	1.02	1.03	0.99	1.04	1.00
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.60	7.63	7.65	7.61	7.72	7.86	7.85
7 Effective rate[1,3]	7.47	7.85	7.77	7.80	7.79	7.81	7.78	7.88	8.03	8.01
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	7.73	7.91	7.94	7.94	8.25	8.19	8.08
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.14	8.06	8.06	8.08	8.55	8.56	8.05
10 GNMA securities[6]	7.96	7.57	7.48	7.19	7.33	7.51	7.37	7.69	7.80	7.59
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	283,835	287,052	288,504	288,951	292,115	295,804	297,023
12 FHA/VA insured	27,558	28,762	30,592	30,744	30,592	30,352	30,119	30,100	30,839	31,437
13 Conventional	194,499	224,749	256,460	253,091	256,460	258,152	258,832	262,015	264,965	265,586
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	6,805	6,178	4,128	3,029	5,839	6,683	4,148
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	6,533	3,991	4,384	4,407	8,299	3,898	1,704
16 To sell[8]	1,820	360	130	4	28	71	0	1	0	23
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	135,270	137,755	138,935	139,925	144,558	147,190	148,698
18 FHA/VA insured	276	267	220	223	220	216	213	208[r]	205	210
19 Conventional	72,416	107,157	137,535	135,047	137,535	138,719	139,712	144,350[r]	146,985	148,488
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	9,198	9,943	9,507	8,204	7,403	8,981	8,195
21 Sales	117,110	85,877	119,702	8,456	9,220	9,204	10,271	6,796	8,269	7,569
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	9,032	9,905	9,021	7,537	7,595	9,746	7,408

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.

3. Average effective interest rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.

4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.

5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

7. Does not include standby commitments issued, but includes standby commitments converted.

8. Includes participation loans as well as whole loans.

9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

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

1. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.

3. Includes savings banks and savings and loan associations.

4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.

5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.

6. Includes securitized home equity loans.

7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

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

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996	1996		1997			
				Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.
	Seasonally adjusted								
1 **Total**	**966,457**	**1,103,296**	**1,193,205**	**1,190,219**	**1,193,205**	**1,203,454**	**1,210,203**	**1,213,254**	**1,220,913**
2 Automobile	317,182	350,848	375,182	374,635	375,182	376,149	376,368	375,514	379,481
3 Revolving	339,337	413,894	467,854	464,267	467,854	476,261	481,288	482,839	484,566
4 Other[2]	309,939	338,554	350,169	351,317	350,169	351,044	352,548	354,901	356,867
	Not seasonally adjusted								
5 **Total**	**990,247**	**1,131,881**	**1,225,101**	**1,198,107**	**1,225,101**	**1,214,650**	**1,206,901**	**1,201,976**	**1,209,260**
By major holder									
6 Commercial banks	462,923	507,753	530,081	522,973	530,081	527,210	521,292	515,186	520,442
7 Finance companies	134,830	152,624	154,468	153,172	154,468	154,860	154,135	150,413	149,924
8 Credit unions	119,594	131,939	144,148	143,296	144,148	144,432	143,788	144,415	145,791
9 Savings institutions	38,468	40,106	44,711	44,786	44,711	44,636	44,563	44,488	44,414
10 Nonfinancial business[3]	86,621	85,061	79,745	69,808	79,745	75,631	72,639	74,561	71,922
11 Pools of securitized assets[4]	147,811	214,398	271,948	264,072	271,948	267,881	270,484	272,913	276,767
By major type of credit[5]									
12 Automobile	319,715	354,055	378,791	378,788	378,791	375,740	374,012	371,519	374,813
13 Commercial banks	141,895	149,094	153,983	154,837	153,983	153,256	152,311	151,186	151,556
14 Finance companies	61,609	70,626	73,484	75,304	73,484	73,933	74,337	73,139	70,766
15 Pools of securitized assets[4]	36,376	44,411	51,171	48,242	51,171	48,473	47,070	46,266	50,670
16 Revolving	357,307	435,674	492,367	467,958	492,367	483,966	479,935	476,818	477,152
17 Commercial banks	182,021	210,298	228,615	217,924	228,615	224,153	217,709	210,157	213,108
18 Nonfinancial business[3]	56,790	53,525	46,901	39,275	46,901	43,900	41,813	43,979	41,442
19 Pools of securitized assets[4]	96,130	147,934	188,712	183,987	188,712	187,865	192,332	194,823	194,480
20 Other	313,225	342,152	353,943	351,361	353,943	354,944	352,954	353,639	357,295
21 Commercial banks	139,007	148,361	147,483	150,212	147,483	149,801	151,272	153,843	155,778
22 Finance companies	73,221	81,998	80,984	77,868	80,984	80,927	79,798	77,274	79,158
23 Nonfinancial business[3]	29,831	31,536	32,844	30,533	32,844	31,731	30,826	30,582	30,480
24 Pools of securitized assets[4]	15,305	22,053	32,065	31,843	32,065	31,543	31,082	31,824	31,617

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

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1996			1997			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	n.a.	9.03	n.a.	n.a.	8.92	n.a.	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	13.62	n.a.	n.a.	13.46	n.a.	n.a.
Credit card plan										
3 All accounts	15.69	16.02	15.63	n.a.	15.62	n.a.	n.a.	15.88	n.a.	n.a.
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	15.52	n.a.	n.a.	15.13	n.a.	n.a.
Auto finance companies										
5 New car	9.79	11.19	9.84	10.40	10.31	8.60	7.17	7.44	8.08	8.56
6 Used car	13.49	14.48	13.53	13.75	13.56	13.42	12.93	13.08	13.18	13.29
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	52.5	52.3	52.3	55.1	54.6	53.5	52.8
8 Used car	50.2	52.2	51.4	51.1	50.3	49.9	51.5	51.1	51.1	51.2
Loan-to-value ratio										
9 New car	92	92	91	89	90	90	92	92	90	91
10 Used car	99	99	100	101	102	99	99	99	99	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	17,435	17,719	17,670	17,090	16,837	17,198	17,620
12 Used car	10,709	11,590	12,182	12,326	12,393	12,492	12,362	12,202	12,194	12,195

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

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

Billions of dollars; quarterly data at seasonally adjusted annual rates

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

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

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

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

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

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

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

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

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

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

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

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

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

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

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

Measure	1994	1995	1996	1996				1997[r]				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.2**	**119.7**
Market groupings												
2 Products, total	106.8	109.3	112.0	112.7	112.8	114.1	114.3	114.2	114.8	115.3	115.3	115.5
3 Final, total	107.1	109.9	112.8	113.3	113.6	114.8	115.3	115.1	115.6	116.4	116.4	116.6
4 Consumer goods	107.4	108.9	110.5	110.5	110.8	112.3	112.7	111.7	111.6	112.2	111.7	111.6
5 Equipment	106.6	111.6	116.8	118.1	118.4	119.0	119.6	120.8	122.6	123.6	124.6	125.3
6 Intermediate	106.1	107.5	109.4	110.6	110.2	111.9	111.3	111.6	112.0	111.8	111.8	112.2
7 Materials	111.3	116.6	120.3	121.2	121.7	122.2	123.1	123.4	124.1	124.5	125.5	126.4
Industry groupings												
8 Manufacturing	109.4	113.2	116.3	117.4	117.6	118.5	119.2	119.3	120.1	120.5	120.8	121.4
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.1	82.0	82.4	82.5	82.4	82.6	82.7	82.6	82.7
10 Construction contracts[3]	117.3	121.5	130.3	133.0	126.0	132.0	128.0	129.0	129.0	132.0	134.0	130.0
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	117.7[r]	117.9[r]	118.1[r]	118.3[r]	118.6	118.8	119.0	119.3	119.5
12 Goods-producing, total	96.9	98.1	98.3	99.1[r]	99.2[r]	99.3[r]	99.5[r]	99.6	99.9	100.0	100.0	100.0
13 Manufacturing, total	96.4	97.2	96.2	97.0[r]	97.1[r]	97.1[r]	97.1[r]	97.2	97.2	97.3	97.3	97.3
14 Manufacturing, production workers	97.5	98.7	97.5	98.2[r]	98.3[r]	98.3[r]	98.4[r]	98.5	98.5	98.6	98.6	98.7
15 Service-producing	116.8	120.3	123.3	123.7[r]	123.9[r]	124.1[r]	124.4[r]	124.6	124.9	125.1	125.5	125.7
16 Personal income, total	148.2	157.2	165.9	168.1	168.2	169.3	170.5	171.1	172.5	173.5	173.6	n.a.
17 Wages and salary disbursements	142.6	150.9	159.7	162.2	162.0	163.4	165.1	165.0	167.2	168.4	168.3	n.a.
18 Manufacturing	124.9	130.4	135.3	136.7	136.7	137.4	139.2	138.6	139.2	140.5	140.8	n.a.
19 Disposable personal income[5]	149.1	157.6	165.5	167.6	167.8	168.8	169.9	170.3	171.4	172.3	172.5	n.a.
20 Retail sales[5]	144.6	151.2	158.6[r]	159.6	160.9	160.5	161.3	163.9	166.1	165.6	164.1	163.9
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	157.8	158.3	158.6	158.6	159.1	159.6	160.0	160.2	160.1
22 Producer finished goods (1982=100)	125.5	127.9	131.3	131.8	132.7	132.6	132.7	132.6	132.2	132.2	131.6	131.5

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

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

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

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

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

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

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1996[r]			1997[r]				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131,056	132,304	133,943	134,636	134,831	135,022	135,848	135,634	136,319	136,098	136,173
Employment											
2 Nonagricultural industries[3]	119,651	121,460	123,264	124,167	124,290	124,429	125,112	125,138	125,789	125,887	126,209
3 Agriculture	3,409	3,440	3,443	3,450	3,354	3,426	3,468	3,292	3,386	3,497	3,430
Unemployment											
4 Number	7,996	7,404	7,236	7,019	7,187	7,167	7,268	7,205	7,144	6,714	6,534
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.2	5.3	5.3	5.4	5.3	5.2	4.9	4.8
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114,172**	**117,203**	**119,549**	**120,248**	**120,450**	**120,659**	**120,909**	**121,162**	**121,344**	**121,667**	**121,805**
7 Manufacturing	18,321	18,468	18,282	18,442	18,442	18,448	18,465	18,475	18,489	18,491	18,486
8 Mining	601	580	570	570	571	571	574	574	572	573	575
9 Contract construction	4,986	5,158	5,405	5,467	5,495	5,521	5,542	5,604	5,609	5,599	5,622
10 Transportation and public utilities	5,993	6,165	6,318	6,293	6,303	6,288	6,351	6,376	6,405	6,426	6,433
11 Trade	26,670	27,585	28,178	28,329	28,396	28,471	28,487	28,515	28,556	28,659	28,662
12 Finance	6,896	6,830	6,977	6,941	6,949	6,962	6,971	6,980	6,992	7,019	7,030
13 Service	31,579	33,107	34,360	34,717	34,800	34,884	34,990	35,091	35,176	35,322	35,447
14 Government	19,128	19,310	19,459	19,489	19,494	19,514	19,529	19,547	19,545	19,578	19,550

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

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

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

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

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

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1996 Q2	1996 Q3	1996 Q4	1997 Q1[r]	1996 Q2	1996 Q3	1996 Q4	1997 Q1	1996 Q2	1996 Q3	1996 Q4	1997 Q1[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**114.8**	**115.8**	**117.0**	**118.3**	**137.9**	**139.2**	**140.5**	**141.8**	**83.3**	**83.2**	**83.3**	**83.5**
2 Manufacturing	115.8	117.2	118.4	120.0	141.0	142.5	143.9	145.3	82.1	82.3	82.3	82.5
3 Primary processing[3]	111.7	113.2	113.9	114.7	129.9	130.7	131.5	132.2	86.0	86.6	86.6	86.8
4 Advanced processing[4]	117.8	119.1	120.7	122.6	146.5	148.2	150.0	151.9	80.4	80.4	80.4	80.7
5 Durable goods	125.4	127.2	128.1	130.6	152.2	154.5	156.9	159.2	82.4	82.3	81.7	82.0
6 Lumber and products	111.0	110.5	110.1	111.2	128.2	129.1	130.0	131.0	86.6	85.6	84.7	84.9
7 Primary metals	116.5	118.6	119.8	119.5	128.7	129.8	131.0	132.1	90.5	91.4	91.5	90.4
8 Iron and steel	115.8	117.9	118.6	118.0	130.3	131.9	133.5	134.9	88.8	89.4	88.9	87.5
9 Nonferrous	117.2	119.4	121.1	121.1	126.5	127.1	127.8	128.6	92.7	93.9	94.8	94.2
10 Industrial machinery and equipment	154.6	158.9	161.5	166.2	171.6	176.3	181.3	186.5	90.1	90.1	89.1	89.1
11 Electrical machinery	162.3	164.5	167.2	172.1	193.2	200.6	208.5	216.4	84.0	82.0	80.2	79.6
12 Motor vehicles and parts	130.4	131.3	126.0	130.2	174.9	176.1	177.3	178.2	74.6	74.5	71.0	73.1
13 Aerospace and miscellaneous transportation equipment	83.8	86.7	90.4	93.5	120.6	120.2	119.8	119.6	69.5	72.2	75.5	78.2
14 Nondurable goods	105.5	106.5	108.1	108.6	129.0	129.6	130.1	130.6	81.8	82.2	83.0	83.2
15 Textile mill products	106.5	107.9	107.4	107.1	129.4	130.1	130.8	131.3	82.3	82.9	82.1	81.6
16 Paper and products	107.9	109.0	109.8	111.2	122.4	122.9	123.3	123.6	88.2	88.7	89.0	90.0
17 Chemicals and products	107.3	109.2	112.4	112.9	137.9	139.2	140.3	141.5	77.8	78.4	80.1	79.8
18 Plastics materials	122.1	125.3	125.3	127.0	129.5	131.8	134.0	136.2[r]	94.3	95.1	93.5	93.3
19 Petroleum products	106.0	106.7	107.7	108.1	113.5	113.7	113.8	113.9	93.4	93.9	94.6	94.9
20 Mining	103.5	103.7	103.8	105.8	113.7	113.7	113.7	113.7	91.0	91.2	91.3	93.0
21 Utilities	114.0	110.5	113.0	110.9	124.5	125.2	125.9	126.5	91.6	88.2	89.8	87.7
22 Electric	114.0	110.8	112.4	111.5	122.8	123.6	124.4	125.1	92.8	89.6	90.4	89.1

Series	1973 High	1975 Low	Previous cycle[5] High	Previous cycle[5] Low	Latest cycle[6] High	Latest cycle[6] Low	1996 May	1996 Dec.	1997 Jan.	1997 Feb.[r]	1997 Mar.[r]	1997 Apr.	1997 May[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.3**	**78.1**	**83.2**	**83.5**	**83.3**	**83.5**	**83.6**	**83.6**	**83.7**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.0	82.5	82.4	82.6	82.7	82.6	82.7
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	85.9	86.6	86.2	86.9	87.2	87.1	87.5
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.3	80.8	80.7	80.7	80.7	80.6	80.7
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	82.2	81.7	81.7	82.1	82.3	82.3	82.5
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	86.1	82.9	83.1	85.5	86.2	86.6	86.9
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	90.4	90.4	89.4	90.8	91.0	91.0	92.0
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.7	87.1	87.7	87.6	87.1	88.5	89.9
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	92.5	94.7	91.7	95.0	95.9	94.2	94.7
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	89.9	89.0	89.2	89.3	88.8	89.8	89.6
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	83.7	80.0	78.9	79.7	80.1	80.0	80.2
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	74.6	71.9	74.1	72.7	72.3	70.3	71.0
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	69.5	76.4	77.1	78.2	79.3	79.8	80.3
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	81.8	83.5	83.1	83.2	83.2	82.9	83.0
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	82.0	81.1	81.0	81.4	82.4	81.4	82.0
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.1	90.4	89.3	89.9	90.7	89.9	90.3
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	77.7	81.0	80.6	79.7	79.0	79.6	79.3
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	94.3	94.0	93.5	93.3	93.0	...	..
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.6	94.2	94.3	95.4	94.9	95.2	97.8
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	90.7	91.9	91.1	93.4	94.6	94.0	95.9
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	92.0	89.3	89.3	87.1	86.8	88.6	86.9
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	93.5	90.3	90.7	88.7	88.1	89.5	87.3

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

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

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

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

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

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.	Feb.[r]	Mar.[r]	Apr.	May[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.2**	**119.7**
2 Products	60.5	112.0	111.4	112.3	112.3	112.2	112.7	112.8	114.1	114.3	114.2	114.8	115.3	115.3	115.5
3 Final products	46.3	112.8	112.2	113.1	113.4	113.0	113.3	113.6	114.8	115.3	115.1	115.6	116.4	116.4	116.6
4 Consumer goods, total	29.1	110.5	110.0	110.8	110.7	110.1	110.5	110.8	112.3	112.7	111.7	111.6	112.2	111.7	111.6
5 Durable consumer goods	6.1	126.2	126.9	129.9	129.7	128.0	127.1	124.5	127.1	128.4	127.3	129.2	131.1	127.4	128.4
6 Automotive products	2.6	125.8	126.9	130.0	132.1	128.7	127.7	122.0	127.4	127.2	129.6	131.0	131.7	125.0	126.2
7 Autos and trucks	1.7	132.6	135.0	137.7	145.7	138.7	134.6	125.7	133.8	135.5	138.7	138.9	138.9	127.1	129.5
8 Autos, consumer	.9	120.2	129.0	133.3	137.8	132.5	129.9	112.3	123.5	115.9	120.1	122.3	123.3	116.0	117.7
9 Trucks, consumer	.7	147.2	147.3	148.7	161.3	152.3	146.6	147.4	152.4	164.9	167.0	165.0	163.8	146.1	149.6
10 Auto parts and allied goods	.9	114.5	114.0	117.4	112.4	113.5	116.2	114.4	116.4	114.0	115.5	118.1	119.7	119.2	118.9
11 Other	3.5	126.3	126.7	129.7	128.0	127.5	126.6	126.2	126.8	129.1	125.5	127.8	130.6	129.0	129.8
12 Appliances, televisions, and air conditioners	1.0	173.0	172.0	180.1	181.1	175.9	174.2	176.5	176.9	181.1	171.2	179.5	183.6	180.8	182.7
13 Carpeting and furniture	.8	109.9	112.4	114.6	107.0	111.1	110.5	108.6	110.7	109.3	106.0	106.9	112.4	108.5	110.8
14 Miscellaneous home goods	1.6	107.9	108.1	108.7	108.5	108.0	107.6	106.5	106.4	109.6	109.2	109.2	109.9	109.9	109.5
15 Nondurable consumer goods	23.0	106.5	105.8	106.0	106.0	105.6	106.3	107.3	108.5	108.7	107.8	107.2	107.5	107.8	107.4
16 Foods and tobacco	10.3	106.1	105.3	105.8	105.9	105.4	106.1	106.6	107.2	108.2	107.7	108.0	108.8	107.7	107.4
17 Clothing	2.4	95.5	95.9	95.6	95.4	95.4	95.1	95.5	95.0	94.9	94.0	93.8	94.2	94.7	93.7
18 Chemical products	4.5	112.7	110.5	110.6	112.6	111.3	113.5	115.5	117.3	118.8	117.9	116.2	115.1	116.2	115.8
19 Paper products	2.9	101.1	100.7	100.2	101.4	101.8	101.9	102.9	102.9	103.0	101.1	101.5	102.3	102.5	102.9
20 Energy	2.9	112.0	112.8	113.2	109.1	109.4	109.4	110.7	115.3	111.8	110.4	107.6	107.7	110.7	109.5
21 Fuels	.8	106.6	106.8	106.7	106.7	107.7	105.4	108.1	107.8	106.0	105.1	106.2	108.5	108.2	112.1
22 Residential utilities	2.1	114.3	115.4	116.0	109.9	110.0	110.9	111.7	118.5	114.2	112.6	108.0	107.0	111.6	108.0
23 Equipment	17.2	116.8	116.0	117.1	118.1	117.9	118.1	118.4	119.0	119.6	120.8	122.6	123.6	124.6	125.3
24 Business equipment	13.2	126.6	125.0	126.6	128.1	127.7	128.3	128.8	129.8	130.7	132.1	133.8	134.4	135.7	136.4
25 Information processing and related	5.4	143.2	140.8	143.9	144.1	144.6	146.3	147.4	147.1	148.5	149.6	152.4	154.0	155.5	156.5
26 Computer and office equipment	1.1	292.0	279.7	289.4	301.7	306.2	314.3	318.8	323.5	327.1	335.7	343.0	349.9	357.2	365.1
27 Industrial	4.0	126.9	126.5	126.3	127.2	126.7	126.3	127.0	127.1	127.3	127.9	128.2	127.6	130.3	130.1
28 Transit	2.5	100.0	97.5	100.6	104.1	103.0	103.8	101.9	106.6	107.2	109.8	111.8	113.1	110.4	111.9
29 Autos and trucks	1.2	115.3	118.0	120.8	126.5	120.9	117.7	109.4	115.9	113.7	117.2	118.7	118.3	110.4	112.6
30 Other	1.3	116.4	115.3	114.3	118.0	116.1	115.5	118.7	119.9	121.4	123.4	124.4	124.4	128.7	129.7
31 Defense and space equipment	3.3	77.0	77.9	77.0	77.7	77.9	77.7	77.0	76.1	76.2	74.7	75.4	75.6	75.4	75.7
32 Oil and gas well drilling	.6	120.5	127.0	127.8	122.1	122.6	117.5	120.2	120.7	123.6	130.8	140.7	153.9	154.4	157.8
33 Manufactured homes	.2	162.0	165.7	167.9	163.0	167.4	165.6	165.3	159.8	...	156.3	163.5	160.9	168.0	...
34 Intermediate products, total	14.2	109.4	108.9	109.7	108.9	110.0	110.6	110.2	111.9	111.3	111.6	112.0	111.8	111.8	112.2
35 Construction supplies	5.3	116.8	116.1	118.3	117.5	119.2	119.8	117.7	120.7	117.8	117.0	120.0	121.4	120.4	120.8
36 Business supplies	8.9	105.1	104.6	104.6	103.9	104.6	105.3	105.8	106.8	107.4	108.4	107.3	106.3	106.8	107.2
37 Materials	39.5	120.3	120.1	120.5	120.5	121.5	121.2	121.7	122.2	123.1	123.4	124.1	124.5	125.5	126.4
38 Durable goods materials	20.8	134.0	133.5	134.0	134.5	136.2	135.5	135.8	136.5	137.8	138.4	139.2	140.2	141.7	143.3
39 Durable consumer parts	4.0	128.8	130.6	130.4	131.1	133.9	128.3	126.6	129.7	130.3	132.1	129.7	129.9	130.8	131.1
40 Equipment parts	7.6	159.2	157.2	158.9	159.6	161.7	162.6	163.4	165.3	167.9	169.4	172.6	175.6	178.4	181.8
41 Other	9.2	118.2	117.8	117.9	118.2	119.2	119.2	120.0	119.1	119.9	119.3	119.8	119.9	120.8	121.7
42 Basic metal materials	3.1	113.1	112.2	112.6	112.9	113.6	114.7	117.2	114.4	115.7	114.9	116.4	116.2	116.9	118.1
43 Nondurable goods materials	8.9	106.4	105.9	106.2	107.4	106.5	106.9	108.0	108.4	109.5	109.6	110.5	110.6	110.7	110.7
44 Textile materials	1.1	106.3	106.1	106.3	109.9	107.4	107.1	108.4	108.5	105.9	106.8	107.7	104.9	105.6	105.9
45 Paper materials	1.8	107.4	106.4	105.2	109.1	108.2	107.0	108.0	110.9	112.5	111.5	113.2	114.0	113.3	114.1
46 Chemical materials	3.9	105.9	104.7	105.3	106.1	106.2	106.8	109.3	107.7	110.2	111.1	111.2	111.2	112.0	111.9
47 Other	2.1	106.1	107.1	108.0	107.1	104.7	106.2	103.9	106.8	106.3	105.3	107.5	108.4	107.2	106.9
48 Energy materials	9.7	103.9	104.6	104.8	102.4	104.0	103.9	103.9	104.0	103.9	103.8	104.0	103.6	104.3	104.6
49 Primary energy	6.3	102.6	103.5	103.5	101.7	103.2	102.2	102.0	101.6	102.6	101.6	102.8	102.3	102.6	103.7
50 Converted fuel materials	3.3	106.2	106.7	107.2	103.9	105.4	107.0	107.5	108.5	106.3	108.0	106.2	105.9	107.5	106.4
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	114.4	115.0	114.9	115.4	115.7	116.1	116.9	117.4	117.4	118.0	118.5	119.2	119.6
52 Total excluding motor vehicles and parts	95.1	114.6	114.0	114.7	114.6	115.0	115.4	115.9	116.6	117.2	117.1	117.8	118.3	118.9	119.3
53 Total excluding computer and office equipment	98.2	112.9	112.6	113.2	113.1	113.4	113.5	113.7	114.6	115.1	115.1	115.6	116.0	116.4	116.8
54 Consumer goods excluding autos and trucks	27.4	109.2	108.7	109.3	108.9	108.6	109.2	109.9	111.0	111.4	110.3	110.1	110.8	110.8	110.5
55 Consumer goods excluding energy	26.2	110.2	109.6	110.4	110.9	110.2	110.6	110.8	111.8	112.8	111.9	112.1	112.8	111.8	111.8
56 Business equipment excluding autos and trucks	12.0	127.7	125.7	127.2	128.2	128.3	129.3	130.7	131.2	132.4	133.6	135.3	136.0	138.3	138.8
57 Business equipment excluding computer and office equipment	12.1	115.8	114.7	115.8	116.8	116.1	116.3	116.6	117.5	118.2	119.2	120.5	120.8	121.8	122.1
58 Materials excluding energy	29.8	125.4	124.9	125.4	126.1	127.0	126.6	127.1	127.8	129.0	129.4	130.3	131.0	132.0	133.1

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

Group	SIC[2] code	1992 proportion	1996 avg.	1996 May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.	Feb.[r]	Mar.[r]	Apr.	May[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**115.2**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.8**	**118.4**	**118.8**	**119.2**	**119.7**
60 Manufacturing	...	85.4	116.3	115.7	116.4	117.0	117.2	117.4	117.6	118.5	119.2	119.3	120.1	120.5	120.8	121.4
61 Primary processing	...	26.5	112.2	111.7	112.6	113.0	113.1	113.5	113.8	113.8	114.0	113.8	114.8	115.5	115.5	116.2
62 Advanced processing	...	58.9	118.4	117.6	118.3	118.9	119.2	119.3	119.5	120.8	121.7	122.0	122.6	123.0	123.4	124.0
63 Durable goods	...	45.0	125.7	125.2	126.3	126.9	127.5	127.2	127.1	128.4	128.8	129.5	130.8	131.7	132.4	133.4
64 Lumber and products	24	2.0	109.7	110.4	112.4	109.3	111.4	110.7	109.2	113.1	108.0	108.6	112.0	113.2	113.9	114.6
65 Furniture and fixtures	25	1.4	108.9	110.3	109.5	108.1	108.8	108.8	110.4	110.5	110.5	109.7	110.3	110.9	112.4	113.4
66 Stone, clay, and glass products	32	2.1	111.0	109.8	111.3	114.1	111.8	113.1	111.7	111.8	111.3	112.7	112.5	113.1	114.3	113.9
67 Primary metals	33	3.1	117.2	116.3	117.0	118.0	118.3	119.5	122.1	118.5	118.8	117.8	120.0	120.5	120.9	122.5
68 Iron and steel	331.2	1.7	116.4	115.7	117.1	118.0	118.2	117.4	123.2	115.9	116.7	118.0	118.2	117.8	120.1	122.2
69 Raw steel	331PT	.1	112.2	112.9	114.9	113.3	113.6	112.6	111.5	108.7	112.5	111.7	112.3	114.2	115.5	117.8
70 Nonferrous	333–6.9	1.4	118.0	116.9	116.8	117.9	118.5	121.8	120.7	121.4	121.2	117.6	122.1	123.6	121.8	122.7
71 Fabricated metal products	34	5.0	118.6	118.4	118.9	119.1	119.4	119.3	119.3	119.1	119.5	119.2	119.5	120.5	120.5	120.6
72 Industrial machinery and equipment	35	8.0	156.4	154.3	156.1	157.7	159.6	159.4	159.9	161.7	162.9	164.7	166.6	167.3	170.9	172.2
73 Computer and office equipment	357	1.8	296.9	284.7	294.3	306.5	310.8	319.0	323.6	328.3	332.5	340.3	347.8	354.7	362.2	370.1
74 Electrical machinery	36	7.3	163.3	161.8	164.0	163.8	164.6	165.2	165.6	167.2	168.8	168.6	172.5	175.3	177.2	179.8
75 Transportation equipment	37	9.5	106.1	106.8	107.1	109.5	109.3	107.3	105.3	109.5	109.6	111.9	111.5	111.9	110.6	111.6
76 Motor vehicles and parts	371	4.9	126.9	130.5	130.4	134.1	132.8	127.0	121.2	128.9	127.9	132.0	129.6	128.9	125.5	127.0
77 Autos and light trucks	371PT	2.6	124.6	127.6	130.4	137.3	131.0	127.4	117.3	125.7	125.6	128.8	129.4	129.5	119.1	121.3
78 Aerospace and miscellaneous transportation equipment	372–6.9	4.6	85.6	83.8	84.3	85.7	86.5	87.9	89.4	90.3	91.5	92.2	93.5	94.8	95.5	96.0
79 Instruments	38	5.4	102.8	102.4	103.3	102.3	103.0	103.0	103.4	103.0	104.1	103.3	104.6	105.0	105.0	105.3
80 Miscellaneous	39	1.3	112.9	112.2	113.1	113.0	112.9	113.0	113.0	114.1	116.6	116.3	117.1	116.3	116.6	116.1
81 Nondurable goods	...	40.4	106.3	105.5	105.9	106.4	106.2	106.9	107.4	107.9	108.8	108.5	108.6	108.7	108.5	108.8
82 Foods	20	9.4	106.3	105.6	106.1	106.5	105.5	106.2	107.1	107.6	108.2	108.2	108.4	109.2	108.1	107.9
83 Tobacco products	21	1.6	105.6	103.7	105.1	102.5	104.1	104.9	104.0	105.4	108.9	104.6	105.7	107.1	105.6	104.5
84 Textile mill products	22	1.8	106.6	106.1	108.0	108.7	107.7	107.2	107.6	108.2	106.3	106.3	106.9	108.3	107.0	107.8
85 Apparel products	23	2.2	98.2	99.0	99.0	98.3	98.5	98.2	97.8	97.3	97.2	96.2	95.8	96.3	95.9	95.3
86 Paper and products	26	3.6	108.0	107.8	108.5	110.2	108.1	108.8	107.6	110.1	111.6	110.3	111.1	112.2	111.3	111.9
87 Printing and publishing	27	6.7	98.4	97.9	97.1	97.6	97.9	99.1	99.7	100.0	99.8	100.5	100.6	99.6	99.7	100.2
88 Chemicals and products	28	9.9	108.9	107.2	107.9	109.0	108.7	109.7	111.3	111.8	114.0	113.7	112.8	112.1	113.1	113.1
89 Petroleum products	29	1.4	106.5	106.2	106.3	105.3	107.8	106.9	108.4	107.4	107.3	107.4	108.6	108.1	108.4	111.3
90 Rubber and plastic products	30	3.5	120.5	119.8	120.9	120.7	122.0	122.8	121.4	121.7	122.6	121.1	123.1	124.1	123.4	124.1
91 Leather and products	31	.3	80.0	80.7	81.0	80.0	79.5	79.4	78.4	77.3	80.1	78.3	77.6	78.6	76.8	76.4
92 Mining	...	6.9	102.9	103.2	104.4	103.1	104.5	103.4	103.4	103.5	104.5	103.6	106.3	107.6	107.1	109.2
93 Metal	10	.5	102.0	100.9	101.7	103.1	104.0	105.3	105.6	102.5	106.3	105.7	105.7	105.2	103.0	102.8
94 Coal	12	1.0	105.9	108.0	108.9	102.7	109.6	106.2	107.5	108.8	109.5	106.4	109.6	105.5	106.2	117.4
95 Oil and gas extraction	13	4.8	100.3	100.5	101.5	100.9	101.1	100.5	100.0	100.2	100.7	100.8	103.1	105.4	105.3	105.8
96 Stone and earth minerals	14	.6	118.7	117.4	120.6	120.6	121.7	118.5	120.0	120.2	122.9	117.2	125.0	129.5	124.9	126.3
97 Utilities	...	7.7	112.8	114.6	114.0	109.4	110.8	111.1	111.9	114.5	112.6	112.7	110.2	109.9	112.4	110.2
98 Electric	491,493PT	6.2	112.7	114.8	114.2	110.1	111.5	110.9	112.0	112.7	112.6	113.2	110.9	110.3	112.2	109.7
99 Gas	492,493PT	1.6	113.2	113.6	113.6	107.1	108.5	111.8	111.3	120.9	112.7	110.9	107.6	108.4	112.9	112.2
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	115.7	114.8	115.6	116.0	116.3	116.8	117.3	117.9	118.6	118.6	119.5	120.0	120.5	121.1
101 Manufacturing excluding office and computing machines	...	83.6	113.7	113.2	113.8	114.3	114.4	114.5	114.7	115.5	116.1	116.2	116.9	117.3	117.5	118.0
				Gross value (billions of 1992 dollars, annual rates)												
MAJOR MARKETS																
102 **Products, total**	...	**2,001.9**	**2,258.7**	**2,255.7**	**2,274.2**	**2,276.1**	**2,272.9**	**2,273.4**	**2,270.7**	**2,303.5**	**2,301.1**	**2,302.9**	**2,315.3**	**2,327.1**	**2,319.9**	**2,328.4**
103 Final	...	1,552.1	1,760.9	1,761.9	1,775.7	1,782.8	1,773.6	1,771.6	1,771.8	1,795.1	1,796.8	1,798.4	1,808.8	1,820.7	1,812.8	1,819.3
104 Consumer goods	...	1,049.6	1,162.2	1,165.5	1,172.5	1,171.6	1,165.5	1,163.0	1,164.7	1,182.2	1,182.3	1,176.3	1,177.7	1,185.5	1,174.6	1,176.4
105 Equipment	...	502.5	598.0	595.7	602.4	610.5	607.4	607.8	606.3	612.1	613.7	621.4	630.4	634.5	637.6	642.4
106 Intermediate	...	449.9	498.2	494.4	499.0	494.3	499.7	502.1	499.3	508.6	504.9	505.1	507.2	507.2	507.8	509.7

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

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1994	1995	1996	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997[r] Jan.	1997[r] Feb.	1997[r] Mar.	1997[r] Apr.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,426	1,454	1,405	1,391	1,349	1,391	1,405	1,395	1,438	1,457	1,442
2 One-family	1,069	997	1,070	1,077	1,061	1,029	1,003	1,016	999	1,052	1,069	1,034	1,060
3 Two-family or more	303	335	356	377	344	362	346	375	406	343	369	423	382
4 Started	1,457	1,354	1,477	1,492	1,515	1,470	1,407	1,486	1,353	1,375	1,554	1,479	1,468
5 One-family	1,198	1,076	1,161	1,164	1,222	1,148	1,104	1,133	1,024	1,125	1,237	1,142	1,116
6 Two-family or more	259	278	316	328	293	322	303	353	329	250	317	337	352
7 Under construction at end of period[1]	755	775	819	825	820	825	825	828	815	818	821	817	817
8 One-family	584	554	584	593	593	592	588	584	571	573	574	568	566
9 Two-family or more	171	221	235	232	227	233	237	244	244	245	247	249	251
10 Completed	1,346	1,319	1,407	1,463	1,449	1,356	1,375	1,431	1,484	1,362	1,572	1,451	1,449
11 One-family	1,161	1,073	1,124	1,161	1,153	1,097	1,129	1,151	1,177	1,109	1,267	1,152	1,153
12 Two-family or more	185	246	283	302	296	259	246	280	307	253	305	299	296
13 Mobile homes shipped	305	341	362	366	369	372	364	354	338	339	353	353	372
Merchant builder activity in one-family units													
14 Number sold	670	667	757	782	814	768	706	788	794	822	820	836	772
15 Number for sale at end of period[1]	340	374	326	352	343	331	330	327	322	308	300	287	286
Price of units sold (thousands of dollars)[2]													
16 Median	130.0	133.9	140.0	144.2	137.0	139.0	143.8	143.5	144.9	145.0	141.8	145.0	151.6
17 Average	154.5	158.7	166.4	168.4	159.7	167.4	168.4	172.0	171.8	171.9	170.1	171.7	183.2
EXISTING UNITS (one-family)													
18 Number sold	3,967	3,812	4,087	4,150	4,100	4,020	4,000	4,060	3,950	3,910	4,230	4,160	4,060
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	121.5	122.3	117.8	116.6	117.4	118.8	120.6	117.5	120.0	120.7
20 Average	136.8	139.1	145.5	149.6	149.9	144.7	143.6	144.1	147.1	149.6	144.7	147.5	150.4
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**525,968**	**547,105**	**567,313**	**559,312**	**564,715**	**572,262**	**582,537**	**594,043**	**588,146**	**588,889**	**602,710**	**603,063**	**596,905**
22 Private	399,427	410,643	426,518	419,293	426,703	428,361	437,034	446,059	445,439	446,646	455,613	453,677	450,204
23 Residential	238,531	236,916	246,090	244,931	246,019	246,407	246,935	249,167	250,297	250,126	255,441	257,816	258,246
24 Nonresidential	160,896	173,727	180,428	174,362	180,684	181,954	190,099	196,892	195,142	196,520	200,172	195,861	191,958
25 Industrial buildings	28,908	32,317	29,981	28,770	27,082	29,656	33,043	31,583	29,413	30,395	30,176	28,412	28,952
26 Commercial buildings	59,506	67,513	70,011	68,262	72,146	70,672	74,530	77,669	75,735	77,996	79,688	78,184	73,941
27 Other buildings	27,025	26,902	29,235	28,514	29,764	29,812	30,469	32,636	32,452	33,362	34,548	34,975	35,646
28 Public utilities and other	45,457	46,994	51,201	48,816	51,692	51,814	52,057	55,004	57,542	54,767	55,760	54,290	53,419
29 Public	126,541	136,462	140,795	140,020	138,012	143,901	145,503	147,983	142,707	142,244	147,097	149,386	146,701
30 Military	2,314	2,977	2,906	2,439	2,307	2,583	2,774	2,350	2,423	2,524	2,614	2,320	2,405
31 Highway	37,127	37,820	39,399	39,194	36,507	40,485	39,326	40,160	41,711	41,320	42,374	43,196	43,452
32 Conservation and development	6,378	6,412	5,753	5,793	5,660	5,473	6,095	5,974	5,708	5,838	5,534	6,129	5,519
33 Other	80,723	89,253	92,737	92,594	93,538	95,360	97,308	99,499	92,865	92,562	96,575	97,741	95,325

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

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

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, May 1997[1]
	1996 May	1997 May	1996 June	1996 Sept.	1996 Dec.	1997 Mar.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.	1997 May	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.9**	**2.2**	**2.9**	**3.1**	**3.3**	**1.8**	**.1**	**.3**	**.1**	**.1**	**.1**	**160.1**
2 Food	2.5	3.0	4.3	5.3	3.4	.3	−.3	.3	.0	−.2	.4	156.6
3 Energy items	6.2	−2.7	4.9	1.1	16.2	−2.8	.8	.3	−1.7	−1.5	−2.4	109.9
4 All items less food and energy	2.7	2.5	2.5	2.7	2.4	2.4	.1	.2	.2	.3	.2	169.3
5 Commodities	1.5	1.1	.0	1.1	.9	1.1	.1	.1	.1	.3	.1	143.3
6 Services	3.2	3.2	3.4	3.4	3.1	2.7	.1	.3	.3	.3	.3	184.1
PRODUCER PRICES (1982=100)												
7 Finished goods	2.3	.3	2.5	2.5	4.3	−3.0	−.3	−.4	−.1	−.6	−.3	131.5
8 Consumer foods	2.7	2.7	5.3	4.6	2.4	−1.8	−1.0	−.4[r]	.9	−.4	.4	135.0
9 Consumer energy	5.2	−3.1	2.5	7.0	26.2	−17.3	−.2[r]	−1.0[r]	−3.4	−2.6	−2.1	82.0
10 Other consumer goods	1.8	.3	2.2	.6	.6	.6	−.1	−.1	.3	.0	−.3	144.7
11 Capital equipment	1.2	−.1	.6	1.2	−.6	1.2	.1	−.1	.3	−.4	−.2	138.1
Intermediate materials												
12 Excluding foods and feeds	.0	−.6	.6	1.0	2.2	−2.2	.2	−.1	−.6	−.3	−.2	125.2
13 Excluding energy	−1.1	.1	.0	.0	−.3	.6	.1	.1[r]	.0	.0	.0	134.2
Crude materials												
14 Foods	28.2	−8.1	47.4	−9.4	−28.5	−3.1	−1.2[r]	−1.6[r]	2.1	3.3	−.3	117.4
15 Energy	15.1	−2.3	−14.1	18.7	235.2	−67.1	8.9[r]	−14.0[r]	−19.2	−5.2	3.4	81.4
16 Other	−12.4	−.4	−9.3	−2.6	−1.3	15.2	2.3[r]	.7[r]	.6	−2.3	1.2	157.4

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

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

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1994	1995	1996	1996				1997
				Q1	Q2	Q3	Q4	Q1[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,935.7**	**7,253.8**	**7,576.1**	**7,426.8**	**7,545.1**	**7,616.3**	**7,716.1**	**7,867.7**
By source								
2 Personal consumption expenditures	4,700.9	4,924.9	5,151.4	5,060.5	5,139.4	5,165.4	5,240.3	5,337.3
3 Durable goods	580.9	606.4	632.1	625.2	637.6	630.5	635.2	659.5
4 Nondurable goods	1,429.7	1,485.9	1,545.1	1,522.1	1,544.7	1,546.5	1,566.8	1,594.9
5 Services	2,690.3	2,832.6	2,974.3	2,913.2	2,957.1	2,988.5	3,038.3	3,082.9
6 Gross private domestic investment	1,014.4	1,065.3	1,117.0	1,068.9	1,096.0	1,156.2	1,146.6	1,207.3
7 Fixed investment	954.9	1,028.2	1,101.5	1,070.7	1,088.0	1,119.6	1,127.8	1,149.9
8 Nonresidential	667.2	738.5	791.1	769.0	773.8	807.0	814.5	831.4
9 Structures	180.2	199.7	214.3	208.4	207.4	213.5	227.8	232.5
10 Producers' durable equipment	487.0	538.8	576.8	560.6	566.3	593.5	586.7	598.9
11 Residential structures	287.7	289.8	310.5	301.7	314.2	312.6	313.3	318.6
12 Change in business inventories	59.5	37.0	15.4	−1.7	8.0	36.6	18.8	57.3
13 Nonfarm	48.0	39.6	17.3	2.7	11.3	35.4	19.7	56.7
14 Net exports of goods and services	−94.4	−94.7	−98.7	−86.3	−99.2	−120.2	−89.1	−106.7
15 Exports	719.1	807.4	855.2	839.5	850.0	844.3	887.0	904.8
16 Imports	813.5	902.0	953.9	925.8	949.2	964.5	976.0	1,011.5
17 Government consumption expenditures and gross investment	1,314.7	1,358.3	1,406.4	1,383.7	1,408.8	1,414.8	1,418.3	1,429.9
18 Federal	516.4	516.6	523.1	518.6	529.6	525.5	518.5	520.5
19 State and local	798.4	841.7	883.3	865.1	879.2	889.3	899.8	909.4
By major type of product								
20 Final sales, total	6,876.2	7,216.7	7,560.7	7,428.6	7,537.1	7,579.6	7,697.4	7,810.4
21 Goods	2,534.4	2,662.2	2,784.4	2,749.3	2,782.0	2,785.0	2,821.1	2,867.7
22 Durable	1,086.2	1,147.3	1,219.6	1,192.1	1,219.1	1,225.5	1,241.7	1,267.0
23 Nondurable	1,448.3	1,515.0	1,564.8	1,557.1	1,562.9	1,559.5	1,579.5	1,600.7
24 Services	3,746.5	3,926.9	4,105.2	4,027.9	4,087.0	4,122.0	4,183.8	4,239.8
25 Structures	595.3	627.6	671.1	651.4	668.0	672.6	692.5	703.0
26 Change in business inventories	59.5	37.0	15.4	−1.7	8.0	36.6	18.8	57.3
27 Durable goods	31.9	34.9	12.7	12.3	9.9	34.7	−6.0	28.4
28 Nondurable goods	27.7	2.2	2.7	−14.0	−1.9	2.0	24.8	28.9
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,608.4**	**6,742.2**	**6,906.8**	**6,813.8**	**6,892.1**	**6,928.1**	**6,993.3**	**7,092.1**
NATIONAL INCOME								
30 **Total**	**5,535.2**	**5,828.9**	**6,164.2**	**6,027.5**	**6,132.2**	**6,216.6**	**6,280.6**	**6,435.0**
31 Compensation of employees	4,009.8	4,222.7	4,448.5	4,344.3	4,420.9	4,482.9	4,546.0	4,638.1
32 Wages and salaries	3,257.3	3,433.2	3,630.1	3,540.2	3,606.5	3,659.6	3,714.2	3,795.0
33 Government and government enterprises	602.5	621.7	641.2	634.0	638.9	644.6	647.2	655.7
34 Other	2,654.8	2,811.5	2,988.9	2,906.1	2,967.5	3,015.1	3,067.0	3,139.3
35 Supplement to wages and salaries	752.4	789.5	818.4	804.1	814.4	823.3	831.8	843.1
36 Employer contributions for social insurance	350.2	365.5	382.2	375.0	380.4	384.6	388.8	397.0
37 Other labor income	402.2	424.0	436.2	429.1	434.0	438.6	442.9	446.1
38 Proprietors' income[1]	464.4	486.1	527.3	508.1	524.6	535.6	540.9	548.4
39 Business and professional[1]	430.0	458.2	482.6	471.5	480.5	485.5	493.1	502.9
40 Farm[1]	34.3	27.9	44.7	36.6	44.1	50.1	47.9	45.6
41 Rental income of persons[2]	112.1	111.7	115.0	114.5	112.4	115.2	117.9	116.8
42 Corporate profits[1]	554.1	604.8	670.2	661.2	672.1	677.3	670.1	716.8
43 Profits before tax[3]	531.2	598.9	639.9	642.2	644.6	635.6	637.1	672.3
44 Inventory valuation adjustment	−13.3	−28.1	−8.9	−17.4	−11.0	2.0	−9.2	.0
45 Capital consumption adjustment	36.2	34.0	39.2	36.4	38.6	39.7	42.2	44.6
46 Net interest	394.9	403.6	403.3	399.5	402.3	405.6	405.7	414.9

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1994	1995	1996	1996				1997
				Q1	Q2	Q3	Q4	Q1[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,762.0**	**6,112.4**	**6,449.5**	**6,304.5**	**6,409.6**	**6,498.9**	**6,584.9**	**6,702.1**
2 Wage and salary disbursements	3,241.8	3,430.6	3,630.1	3,538.2	3,606.5	3,659.6	3,716.1	3,793.0
3 Commodity-producing industries	824.9	863.5	902.7	878.7	900.3	911.0	920.9	935.7
4 Manufacturing	621.1	648.4	672.5	654.8	671.8	678.5	685.0	693.3
5 Distributive industries	739.2	783.7	827.9	810.5	822.3	832.4	846.5	864.3
6 Service industries	1,075.2	1,161.6	1,258.3	1,215.1	1,244.9	1,271.6	1,301.5	1,337.4
7 Government and government enterprises	602.5	621.7	641.2	634.0	638.9	644.6	647.2	655.7
8 Other labor income	402.2	424.0	436.2	429.1	434.0	438.6	442.9	446.1
9 Proprietors' income[1]	464.4	486.1	527.3	508.1	524.6	535.6	540.9	548.4
10 Business and professional[1]	430.0	458.2	482.6	471.5	480.5	485.5	493.1	502.9
11 Farm[1]	34.3	27.9	44.7	36.6	44.1	50.1	47.9	45.6
12 Rental income of persons[2]	112.1	111.7	115.0	114.5	112.4	115.2	117.9	116.8
13 Dividends	199.6	214.8	230.6	226.6	229.3	231.5	234.8	240.0
14 Personal interest income	663.7	717.1	738.2	726.1	733.1	742.9	750.5	758.3
15 Transfer payments	956.3	1,022.6	1,079.7	1,063.0	1,075.6	1,085.1	1,095.0	1,120.3
16 Old-age survivors, disability, and health insurance benefits	472.9	507.4	539.1	529.9	536.3	541.7	548.2	562.3
17 LESS: Personal contributions for social insurance	278.1	294.5	307.5	301.0	305.8	309.7	313.4	320.9
18 EQUALS: Personal income	5,762.0	6,112.4	6,449.5	6,304.5	6,409.6	6,498.9	6,584.9	6,702.1
19 LESS: Personal tax and nontax payments	731.4	794.3	863.8	824.9	870.6	872.5	887.2	919.1
20 EQUALS: Disposable personal income	5,030.6	5,318.1	5,585.7	5,479.6	5,539.0	5,626.4	5,697.7	5,783.0
21 LESS: Personal outlays	4,832.3	5,071.5	5,314.0	5,218.1	5,300.7	5,329.8	5,407.5	5,506.3
22 EQUALS: Personal saving	198.3	246.6	271.6	261.5	238.3	296.6	290.2	276.7
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,348.8[r]	25,625.9[r]	26,014.5[r]	25,751.4	25,988.4	26,065.0	26,251.3	26,572.2
24 Personal consumption expenditures	17,158.2[r]	17,399.6[r]	17,667.3[r]	17,570.2	17,675.7	17,657.9	17,764.8	17,979.4
25 Disposable personal income	18,362.0	18,789.0	19,158.0	19,028.0	19,053.0	19,233.0	19,315.0	19,481.0
26 Saving rate (percent)	3.9	4.6	4.9	4.8	4.3	5.3	5.1	4.8
GROSS SAVING								
27 **Gross saving**	**1,055.9**	**1,152.3**	**1,275.9**	**1,218.4**	**1,245.0**	**1,314.6**	**1,325.7**	**1,377.3**
28 Gross private saving	1,006.3	1,072.3	1,161.0	1,134.3	1,122.1	1,196.7	1,190.6	1,212.5
29 Personal saving	198.3	246.6	271.6	261.5	238.3	296.6	290.2	276.7
30 Undistributed corporate profits[1]	147.8	158.7	192.9	187.9	192.6	198.6	192.5	216.9
31 Corporate inventory valuation adjustment	-13.3	-28.1	-8.9	-17.4	-11.0	2.0	-9.2	.0
Capital consumption allowances								
32 Corporate	416.4	435.9	457.9	449.6	454.7	461.1	466.1	471.2
33 Noncorporate	228.3	228.5	238.6	233.5	236.5	240.5	243.7	245.8
34 Gross government saving	49.6	80.0	115.0	84.1	122.9	117.8	135.0	164.8
35 Federal	-119.6	-87.9	-54.6	-82.0	-54.1	-48.4	-34.0	-9.6
36 Consumption of fixed capital	70.6	73.8	72.5	73.2	72.6	72.3	71.9	72.2
37 Current surplus or deficit (-), national accounts	-190.2	-161.7	-127.1	-155.2	-126.7	-120.8	-105.9	-81.8
38 State and local	169.2	167.9	169.6	166.1	177.0	166.3	169.0	174.4
39 Consumption of fixed capital	69.4	72.9	76.6	75.1	76.0	77.1	78.1	79.1
40 Current surplus or deficit (-), national accounts	99.7	95.0	93.0	91.0	101.0	89.2	90.9	95.3
41 **Gross investment**	**1,090.4**	**1,150.9**	**1,200.8**	**1,167.9**	**1,187.0**	**1,215.9**	**1,232.5**	**1,279.0**
42 Gross private domestic investment	1,014.4	1,065.3	1,117.0	1,068.9	1,096.0	1,156.2	1,146.6	1,207.3
43 Gross government investment	212.3	221.9	233.4	228.8	235.1	234.2	235.3	234.1
44 Net foreign investment	-136.4	-136.3	-149.5	-129.9	-144.2	-174.6	-149.4	-162.3
45 **Statistical discrepancy**	**34.5**	**-1.5**	**-75.1**	**-50.6**	**-58.1**	**-98.7**	**-93.2**	**-98.2**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1994	1995	1996	1995	1996			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	−148,405	−148,154	−165,095	−30,435	−35,274	−40,593	−47,853	−41,380
2 Merchandise trade balance[2]	−166,121	−173,424	−187,674	−38,026	43,127	−47,370	−51,869	−45,308
3 Merchandise exports	502,463	575,940	611,669	149,422	150,032	153,120	150,144	158,373
4 Merchandise imports	−668,584	−749,364	−799,343	−187,448	−193,159	−200,490	−202,013	−203,681
5 Military transactions, net	1,963	3,585	2,809	978	489	725	515	1,080
6 Other service transactions, net	59,779	64,776	70,658	17,657	18,008	17,687	17,075	17,883
7 Investment income, net	−4,159	−8,016	−8,416	−1,890	311	−2,215	−4,098	−2,414
8 U.S. government grants	15,816	−10,959	−14,634	−2,799	−4,259	−2,364	−2,580	−5,431
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,233	−731	−1,012	−1,081	−1,064	−1,076
10 Private remittances and other transfers	−19,506	−20,696	−23,605	−5,624	−5,684	−5,975	−5,832	−6,114
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−341	−280	−665	−199	−152	−353	166	−326
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	147	−199	−133	848	−146
15 Reserve position in International Monetary Fund	494	2,466	−1,280	−163	−849	−220	−183	−28
16 Foreign currencies	5,293	−6,468	7,578	501	1,065	−170	6,824	−141
17 Change in U.S. private assets abroad (increase, −)	−155,700	−297,834	−312,833	−98,206	−68,588	−49,823	−80,968	−113,454
18 Bank-reported claims[3]	−8,161	−69,146	−88,219	−7,272	1,714	−74	−33,196	−56,663
19 Nonbank-reported claims	−32,804	−34,219	...	−14,278	−12,707	−3,374	−15,696	...
20 U.S. purchases of foreign securities, net	−60,270	−98,960	−104,533	−32,539	−34,420	−20,200	−22,933	−26,980
21 U.S. direct investments abroad, net	−54,465	−95,509	88,304	−44,117	−23,175	−26,175	9,143	−29,811
22 Change in foreign official assets in United States (increase, +)	40,253	109,757	122,778	11,369	52,021	13,566	24,235	32,956
23 U.S. Treasury securities	30,745	68,813	111,151	12,984	55,600	−3,384	25,472	33,463
24 Other U.S. government obligations	6,077	3,734	4,331	764	52	1,258	1,217	1,804
25 Other U.S. government liabilities[4]	2,344	1,082	1,404	1,249	−156	220	1,061	279
26 Other U.S. liabilities reported by U.S. banks[3]	3,560	32,862	4,614	−3,908	−3,264	14,187	−1,930	−4,379
27 Other foreign official assets[5]	−2,473	3,266	1,278	280	−211	1,285	−1,585	1,789
28 Change in foreign private assets in United States (increase, +)	245,123	314,705	402,268	87,860	47,454	86,987	118,735	149,092
29 U.S. bank-reported liabilities[3]	111,842	25,283	−1,558	32,765	−35,571	1,925	−1,151	33,239
30 U.S. nonbank-reported liabilities	−7,710	34,578	...	11,272	6,506	7,296	20,608	...
31 Foreign private purchases of U.S. Treasury securities, net	34,225	99,340	153,784	1,734	11,832	31,212	43,402	67,338
32 Foreign purchases of other U.S. securities, net	57,006	95,268	131,682	27,321	35,993	29,122	34,820	31,747
33 Foreign direct investments in United States, net	49,760	60,236	83,950	14,768	28,694	17,432	21,056	16,768
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	13,724	31,548	−53,122	29,420	4,522	−9,261	−21,804	−26,573
36 Due to seasonal adjustment	...	...	...	1,153	6,653	−449	8,318	2,119
37 Before seasonal adjustment	13,724	31,548	−53,121	28,267	−2,131	−8,812	−13,486	−28,692
MEMO *Changes in official assets*								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
39 Foreign official assets in United States, excluding line 25 (increase, +)	37,909	108,675	121,374	10,120	52,177	13,346	23,174	32,677
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	1,529	3,959	13,573	−1,435	−992	5,555	5,479	3,531

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

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

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

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

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

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

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994[r]	1995[r]	1996[r]	1996[r]			1997			
				Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Apr.[p]
1 Goods and services, balance	−104,416	−101,857	−111,040	−7,935	−7,665	−10,601	−11,474	−9,884	−7,755	−8,360
2 Merchandise	−166,192	−173,560	−191,170	−15,320	−15,176	−17,695	−18,148	−16,761	−14,877	−15,111
3 Services	61,776	71,703	80,130	7,385	7,511	7,094	6,674	6,877	7,122	6,751
4 Goods and services, exports	699,646	794,610	848,833	73,088	73,969	72,444	71,957	74,370	78,193	78,356
5 Merchandise	502,398	575,871	612,069	52,503	53,209	52,133	51,686	53,687	57,155	57,623
6 Services	197,248	218,739	236,764	20,585	20,760	20,311	20,271	20,683	21,038	20,733
7 Goods and services, imports	−804,062	−896,467	−959,873	−81,023	−81,634	−83,045	−83,431	−84,254	−85,948	−86,716
8 Merchandise	−668,590	−749,431	−803,239	−67,823	−68,385	−69,828	−69,834	−70,448	−72,032	−72,734
9 Services	−135,472	−147,036	−156,634	−13,200	13,249	−13,217	−13,597	−13,806	−13,916	−13,982

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

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

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1993	1994	1995	1996			1997				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**	**73,442**	**74,335**	**85,832**	**75,558**	**75,444**	**75,090**	**68,200**	**67,482**	**67,222**	**65,873**	**68,054**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,049	11,049	11,049	11,048	11,051	11,050	11,051	11,051
3 Special drawing rights[2,3]	9,039	10,039	11,037	10,226	10,386	10,312	9,793	9,866	9,879	9,726	10,050
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	15,517	15,516	15,435	14,372	14,037	13,846	13,660	13,962
5 Foreign currencies[4]	41,532	41,215	49,096	38,765	38,493	38,294	32,987	32,528	32,447	31,436	32,991

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.
3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

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

Millions of dollars, end of period

Asset	1993	1994	1995	1996			1997				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **Deposits**	**386**	**250**	**386**	**176**	**170**	**167**	**167**	**229**	**16**	**169**	**176**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	619,987	634,165	638,049	646,130	662,375	672,059	668,536	662,747
3 Earmarked gold[3]	12,327	12,033	11,702	11,204	11,198	11,197	11,197	11,175	11,034	10,944	10,868

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1994	1995	1996[r]			1997			
			Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Apr.[p]
1 **Total**[1]	**520,934**	**630,918**	**722,761**	**737,524**	**752,618**	**763,068**	**772,026**	**780,907**	**777,545**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,394	109,995	107,071	112,182	119,681	116,712	119,920	117,377
3 U.S. Treasury bills and certificates[3]	139,571	168,534	186,180	197,692	193,435	188,076	191,090	191,548	183,628
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,690	363,063	366,903	380,565	388,587	398,630	405,443	413,169
5 Nonmarketable[4]	6,109	6,491	5,892	5,929	5,968	6,007	6,043	6,084	5,692
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,809	57,631	59,929	60,468	60,717	59,551	57,912	57,679
By area									
7 Europe[1]	215,374	222,406	246,542	250,872	253,099	262,145	261,052	265,524	265,300
8 Canada	17,235	19,473	21,764	21,360	21,343	21,151	21,237	21,983	19,913
9 Latin America and Caribbean	41,492	66,721	70,481	76,977	81,807	77,557	79,478	80,444	77,237
10 Asia	236,824	311,016	371,268	375,311	383,062	390,671	399,082	400,264	402,752
11 Africa	4,180	6,296	6,587	7,034	7,379	6,717	7,411	7,908	7,765
12 Other countries	5,827	5,004	6,117	5,968	5,926	4,825	3,764	4,782	4,576

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996			1997
				June	Sept.	Dec.	Mar.
1 Banks' liabilities	78,259	89,258	109,713	111,651	111,140	103,820	109,170
2 Banks' claims	62,017	60,711	74,016	65,825	68,120	66,455	72,669
3 Deposits	20,993	19,661	22,696	20,890	24,026	22,904	24,706
4 Other claims	41,024	41,050	51,320	44,935	44,094	43,551	47,963
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	7,554	7,390	14,613	8,915

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1994	1995	1996	1996			1997			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.p
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,742r**	**1,124,315**	**1,116,775**	**1,137,742r**	**1,135,728r**	**1,158,707r**	**1,154,162**	**1,161,165**
2 Banks' own liabilities	718,591	753,461	759,017r	757,645	740,998	759,017r	765,216r	782,741r	782,825	794,412
3 Demand deposits	23,386	24,448	27,034	23,858	27,637	27,034	26,228	25,084r	28,013	29,869
4 Time deposits[2]	186,512	192,558	187,613r	197,388	192,543	187,613r	186,725r	189,754r	189,377	183,467
5 Other[3]	113,215	140,165	142,842r	150,302	143,690	142,842r	158,871	161,843r	151,921	160,959
6 Own foreign offices[4]	395,478	396,290	401,528	386,097	377,128	401,528	393,392	406,060r	413,514	420,117
7 Banks' custodial liabilities[5]	296,405	346,088	378,725	366,670	375,777	378,725	370,512	375,966	371,337	366,753
8 U.S. Treasury bills and certificates[6]	162,938	197,355	220,575	214,609	225,046	220,575	214,727	217,817	218,271	211,148
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	64,040	54,045	54,568	64,040	62,971	59,668	55,843	59,341
10 Other	90,928	96,533	94,110	98,016	96,163	94,110	92,814	98,481	97,223	96,264
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,864	16,666	14,772	13,864	14,849	14,626	12,192	12,053
12 Banks' own liabilities	8,176	10,347	13,355	15,835	13,434	13,355	14,170	14,297	11,793	11,801
13 Demand deposits	29	21	29	67	46	29	55	51	49	30
14 Time deposits[2]	3,298	4,656	5,784r	6,005	4,906	5,784r	5,792	5,035	6,952	5,238
15 Other[3]	4,849	5,670	7,542r	9,763	8,482	7,542r	8,323	9,211	4,792	6,533
16 Banks' custodial liabilities[5]	430	692	509	831	1,338	509	679	329	399	252
17 U.S. Treasury bills and certificates[6]	281	350	244	600	1,088	244	494	219	226	154
18 Other negotiable and readily transferable instruments[7]	149	341	265	231	226	265	185	110	158	98
19 Other	0	1	0	0	24	0	0	0	15	0
20 Official institutions[9]	212,957	275,928	305,617r	296,175	304,763	305,617r	307,757r	307,802r	311,468	301,005
21 Banks' own liabilities	59,935	83,447	79,406r	83,706	82,714	79,406r	88,230r	87,357r	90,740	86,834
22 Demand deposits	1,564	2,098	1,511	1,316	2,180	1,511	1,290	1,378	2,390	2,345
23 Time deposits[2]	23,511	30,717	33,377r	35,551	35,292	33,377r	32,727r	34,538r	32,773	33,510
24 Other[3]	34,860	50,632	44,518r	46,839	45,242	44,518r	54,213	51,441	55,577	50,979
25 Banks' custodial liabilities[5]	153,022	192,481	226,211	212,469	222,049	226,211	219,527	220,445	220,728	214,171
26 U.S. Treasury bills and certificates[6]	139,571	168,534	193,435	186,180	197,692	193,435	188,076	191,090	191,548	183,628
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	32,350	25,085	24,000	32,350	31,291	29,008	28,797	30,396
28 Other	206	344	426	1,204	357	426	160	347	383	147
29 Banks[10]	678,532	691,412	680,946r	678,993	667,700	680,946r	669,269r	683,180r	687,908	699,102
30 Banks' own liabilities	563,617	567,834	562,935r	554,577	547,106	562,935r	553,694r	562,690r	567,818	578,910
31 Unaffiliated foreign banks	168,139	171,544	161,407r	168,480	169,978	161,407r	160,302r	156,630r	154,304	158,793
32 Demand deposits	10,633	11,758	13,692	11,156	13,304	13,692	12,898	11,642	13,312	14,865
33 Time deposits[2]	111,171	103,471	90,384r	96,223	94,345	90,384r	89,557r	89,197r	88,260	83,092
34 Other[3]	46,335	56,315	57,331r	61,101	62,329	57,331r	57,847	55,791r	52,732	60,836
35 Own foreign offices[4]	395,478	396,290	401,528	386,097	377,128	401,528	393,392	406,060r	413,514	420,117
36 Banks' custodial liabilities[5]	114,915	123,578	118,011	124,416	120,594	118,011	115,575	120,490r	120,090	120,192
37 U.S. Treasury bills and certificates[6]	11,264	15,872	13,886	16,865	14,227	13,886	13,969	13,289	13,996	14,177
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	12,321	12,455	13,295	12,321	11,142	11,210	11,204	12,169
39 Other	89,145	94,671	91,804	95,096	93,072	91,804	90,464	95,991r	94,890	93,846
40 Other foreigners	114,901	121,170	137,315	132,481	129,540	137,315	143,853r	153,099r	142,594	149,005
41 Banks' own liabilities	86,863	91,833	103,321	103,527	97,744	103,321	109,122r	118,397	112,474	116,867
42 Demand deposits	11,160	10,571	11,802	11,319	12,107	11,802	11,985	12,013r	12,262	12,629
43 Time deposits[2]	48,532	53,714	58,068	59,609	58,000	58,068	58,649r	60,984r	61,392	61,627
44 Other[3]	27,171	27,548	33,451	32,599	27,637	33,451	38,488	45,400	38,820	42,611
45 Banks' custodial liabilities[5]	28,038	29,337	33,994	28,954	31,796	33,994	34,731	34,702r	30,120	32,138
46 U.S. Treasury bills and certificates[6]	11,822	12,599	13,010	10,964	12,039	13,010	12,188	13,219	12,501	13,189
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	19,104	16,274	17,047	19,104	20,353	19,340	15,684	16,678
48 Other	1,577	1,517	1,880	1,716	2,710	1,880	2,190	2,143r	1,935	2,271
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	9,934	11,657	10,540	9,934	9,035	8,745	9,332	10,658

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

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

Item	1994	1995	1996	1996			1997			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.p
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,549**	**1,137,742r**	**1,124,315**	**1,116,775**	**1,137,742r**	**1,135,728r**	**1,158,707r**	**1,154,162**	**1,161,165**
51 **Foreign countries**	**1,006,390**	**1,088,510**	**1,123,878r**	**1,107,649**	**1,102,003**	**1,123,878r**	**1,120,879r**	**1,144,081r**	**1,141,970**	**1,149,112**
52 Europe	390,869	362,819	368,352	374,418	381,204	368,352	379,630	379,556	374,993	375,061
53 Austria	3,588	3,537	5,101	6,816	6,250	5,101	4,794	4,010	4,589	3,069
54 Belgium and Luxembourg	21,877	24,792	23,576	23,232	21,006	23,576	22,842	23,537	22,106	18,764
55 Denmark	2,884	2,921	2,450	1,801	2,790	2,450	2,213	1,594	1,691	1,647
56 Finland	1,436	2,831	1,463	1,509	1,557	1,463	1,583	1,338	1,017	1,747
57 France	44,365	39,218	34,365	42,346	40,021	34,365	34,558	35,457	34,860	40,228
58 Germany	27,109	24,035	24,554	23,522	21,650	24,554	24,871	24,142	25,400	25,691
59 Greece	1,400	2,014	1,810	1,666	2,222	1,810	2,080	1,930	2,392	1,740
60 Italy	10,885	10,868	10,701	12,793	10,262	10,701	10,366	10,610	8,674	9,405
61 Netherlands	16,033	13,745	10,995	12,017	11,132	10,995	9,760	10,946	11,005	11,971
62 Norway	2,338	1,394	1,288	1,552	1,882	1,288	1,860	1,538	1,891	1,357
63 Portugal	2,846	2,761	1,865	1,388	1,723	1,865	1,741	1,661	1,756	1,993
64 Russia	2,726	7,948	7,571	5,602	8,215	7,571	7,160	6,819	7,771	7,863
65 Spain	14,675	10,011	16,922	17,665	18,228	16,922	20,411	17,963	18,789	17,673
66 Sweden	3,094	3,246	1,291	1,424	1,656	1,291	2,269	1,527	1,921	2,224
67 Switzerland	40,724	43,625	44,215	32,541	37,981	44,215	43,266	46,681	43,319	41,802
68 Turkey	3,341	4,124	6,723	8,019	7,311	6,723	7,051	6,749	7,177	6,585
69 United Kingdom	163,733	139,183	151,385	159,878	165,814	151,385	157,357	157,265	154,211	156,741
70 Yugoslavia[11]	245	177	206	216	232	206	212	239	248	271
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	21,871	20,431	21,272	21,871	25,236	25,550	26,176	24,290
72 Canada	24,768	30,468	38,111	35,147	33,035	38,111	34,830	33,985	37,116	39,572
73 Latin America and Caribbean	423,847	440,213	465,709r	444,847	438,574	465,709r	455,458r	472,601r	464,170	475,523
74 Argentina	17,203	12,235	13,794	11,701	13,860	13,794	16,475	17,018	16,739	14,021
75 Bahamas	104,014	94,991	88,304r	101,414	91,494	88,304r	90,460	98,120r	89,417	104,847
76 Bermuda	8,424	4,897	5,299	4,910	6,443	5,299	5,103	8,803	8,196	7,197
77 Brazil	9,145	23,797	27,663	24,083	26,920	27,663	22,468	23,859	23,694	23,419
78 British West Indies	229,599	239,083	250,761	229,493	226,502	250,761	244,633	248,571	253,685	249,007
79 Chile	3,127	2,826	2,915	2,767	2,728	2,915	2,987	3,459	3,278	3,114
80 Colombia	4,615	3,659	3,256	2,968	2,838	3,256	2,791	2,855	2,807	3,185
81 Cuba	13	8	21	17	18	21	19	19	19	52
82 Ecuador	875	1,314	1,767	1,383	1,574	1,767	1,617	1,633	1,484	1,469
83 Guatemala	1,121	1,276	1,282	1,207	1,235	1,282	1,348	1,410	1,378	1,514
84 Jamaica	529	481	628	580	564	628	576	576r	585	525
85 Mexico	12,227	24,560	31,230	27,673	27,981	31,230	27,139	27,442	26,594	27,718
86 Netherlands Antilles	5,217	4,673	5,977	5,076	4,437	5,977	6,401	6,085	3,474	5,334
87 Panama	4,551	4,264	4,077	4,056	4,002	4,077	3,849	4,135r	3,847	3,711
88 Peru	900	974	834	1,024	942	834	967	917	926	881
89 Uruguay	1,597	1,836	1,888	1,841	1,753	1,888	1,915	1,857	1,843	1,756
90 Venezuela	13,986	11,808	17,361	16,369	17,377	17,361	18,119	18,125r	18,454	18,968
91 Other	6,704	7,531	8,652	8,285	7,906	8,652	8,591r	7,717r	7,750	8,805
92 Asia	154,346	240,595	236,716	239,416	233,804	236,716	236,418	244,509r	250,688	242,323
China										
93 Mainland	10,066	33,750	30,441	26,998	29,411	30,441	27,917	31,634	31,374	28,582
94 Taiwan	9,844	11,714	15,990	15,449	16,613	15,990	16,682	15,621	15,797	14,617
95 Hong Kong	17,104	20,197	18,742	17,052	18,712	18,742	19,873	20,065	20,105	18,990
96 India	2,338	3,373	3,936	3,709	3,832	3,936	4,329	4,752	5,435	4,756
97 Indonesia	1,587	2,708	2,297	2,436	2,401	2,297	2,159	2,473	2,671	2,440
98 Israel	5,157	4,041	6,042	7,162	5,723	6,042	6,597	6,197	5,955	6,082
99 Japan	62,981	109,193	107,014	112,602	103,680	107,014	106,421	108,705	116,054	114,925
100 Korea (South)	5,124	5,749	5,973	5,545	5,897	5,973	6,048	6,276	6,534	7,153
101 Philippines	2,714	3,092	3,378	3,191	3,264	3,378	2,340	2,437	2,389	2,335
102 Thailand	6,466	12,279	10,912	11,972	12,729	10,912	9,873	10,752	9,394	10,361
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	14,303	13,032	13,145	14,303	12,924	12,767	13,408	13,826
104 Other	15,471	18,917	17,688	20,268	18,397	17,688	21,255	22,830r	21,572	18,256
105 Africa	6,524	7,641	8,063	7,058	7,671	8,063	8,443	8,110	8,536	9,014
106 Egypt	1,879	2,136	2,012	1,904	1,901	2,012	1,933	2,033	2,001	2,059
107 Morocco	97	104	112	74	66	112	111	97	107	129
108 South Africa	433	739	458	435	641	458	610	720	827	783
109 Zaire	9	10	10	11	10	10	5	7	9	5
110 Oil-exporting countries[14]	1,343	1,797	2,608	1,940	2,384	2,608	3,095	2,467	2,931	3,344
111 Other	2,763	2,855	2,863	2,694	2,669	2,863	2,689	2,786	2,661	2,694
112 Other	6,036	6,774	6,927	6,763	7,715	6,927	6,100	5,320	6,467	7,619
113 Australia	5,142	5,647	5,468	4,786	6,196	5,468	4,866	4,072	5,096	6,370
114 Other	894	1,127	1,459	1,977	1,519	1,459	1,234	1,248	1,371	1,249
115 Nonmonetary international and regional organizations	8,606	11,039	13,864	16,666	14,772	13,864	14,849	14,626	12,192	12,053
116 International[15]	7,537	9,300	11,991	14,887	12,974	11,991	13,230	13,000r	10,272	10,685
117 Latin American regional[16]	613	893	1,339	1,304	1,172	1,339	1,103	1,220r	1,459	1,050
118 Other regional[17]	456	846	534	475	626	534	516	406	461	318

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1994	1995	1996	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.	1997 Apr.[p]
1 **Total, all foreigners**	**485,432**	**532,444**	**600,692**	**563,454**	**574,920**	**600,692**	**608,506**	**634,694[r]**	**637,597**	**641,924**
2 **Foreign countries**	**480,841**	**530,513**	**598,088**	**560,325**	**573,447**	**598,088**	**606,734**	**632,439[r]**	**636,091**	**639,636**
3 Europe	124,124	132,150	166,501	165,634	168,794	166,501	179,495	194,236	205,803	184,159
4 Austria	692	565	1,662	1,197	1,097	1,662	1,643	1,284	1,911	1,541
5 Belgium and Luxembourg	6,923	7,624	6,727	6,828	6,403	6,727	7,611	6,855	8,439	8,054
6 Denmark	1,129	403	492	480	651	492	678	571	546	888
7 Finland	512	1,055	971	1,068	1,228	971	1,144	976	1,684	1,198
8 France	12,149	15,033	15,246	12,792	12,198	15,246	18,111	20,576	24,929	15,306
9 Germany	7,623	9,263	8,472	8,546	7,195	8,472	9,659	9,077	11,971	9,537
10 Greece	604	469	568	426	571	568	636	530	755	453
11 Italy	6,044	5,370	6,457	5,007	5,957	6,457	5,419	5,587	6,427	6,119
12 Netherlands	2,960	5,346	7,080	7,386	7,350	7,080	8,119	8,658	7,616	8,900
13 Norway	504	665	808	1,617	1,894	808	1,058	766	1,226	846
14 Portugal	938	888	418	517	341	418	420	310	421	326
15 Russia	973	660	1,669	1,413	1,533	1,669	1,673	1,704	2,028	1,799
16 Spain	3,536	2,166	3,211	3,885	4,181	3,211	6,507	5,407	6,633	6,301
17 Sweden	4,098	2,080	2,673	2,919	2,882	2,673	3,028	3,323	3,320	2,966
18 Switzerland	5,747	7,474	19,798	16,110	18,071	19,798	21,457	25,258	20,855	21,301
19 Turkey	878	803	1,109	962	1,131	1,109	1,029	1,221	1,238	1,216
20 United Kingdom	66,863	67,784	85,057	89,961	92,143	85,057	86,711	96,988	99,130	90,948
21 Yugoslavia[2]	265	147	115	118	112	115	108	107	87	78
22 Other Europe and other former U.S.S.R.[3]	1,686	4,355	3,968	4,402	3,856	3,968	4,484	5,038	6,587	6,382
23 Canada	18,490	20,874	26,436	23,066	22,013	26,436	26,348	27,881	35,773	33,569
24 Latin America and Caribbean	224,229	256,944	274,127	243,634	253,761	274,127	271,654	275,255	261,138	282,264
25 Argentina	5,854	6,439	7,400	7,057	7,212	7,400	6,987	6,952	6,995	6,869
26 Bahamas	66,410	58,818	71,871	61,991	64,911	71,871	62,679	66,771	67,727	68,219
27 Bermuda	8,533	5,741	4,103	4,438	5,019	4,103	4,444	5,980	6,216	8,125
28 Brazil	9,583	13,297	17,259	15,417	16,141	17,259	17,620	17,758	17,752	17,429
29 British West Indies	96,373	124,037	105,510	105,891	105,234	105,510	108,643	110,143	98,762	111,236
30 Chile	3,820	4,864	5,136	4,288	4,554	5,136	5,509	5,602	5,784	5,636
31 Colombia	4,004	4,550	6,247	4,811	4,960	6,247	6,166	6,033	6,099	6,026
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	957	952	1,031	1,079	1,134	1,155	995
34 Guatemala	366	457	620	546	568	620	612	634	629	633
35 Jamaica	258	323	345	362	365	345	336	336	366	325
36 Mexico	17,749	18,024	18,425	17,742	17,993	18,425	18,323	18,297	19,516	20,292
37 Netherlands Antilles	1,404	9,229	25,209	9,406	15,074	25,209	27,675	24,250	18,926	25,235
38 Panama	2,198	3,008	2,786	2,354	2,621	2,786	2,796	2,911	3,110	3,243
39 Peru	997	1,829	2,720	2,563	2,629	2,720	2,867	2,944	2,510	2,473
40 Uruguay	503	466	589	547	551	589	623	766	741	682
41 Venezuela	1,832	1,661	1,702	1,636	1,626	1,702	1,599	1,452	1,516	1,558
42 Other	3,663	3,376	3,174	3,628	3,351	3,174	3,696	3,292	3,334	3,288
43 Asia	107,800	115,336	122,538	120,007	120,285	122,538	121,362	127,103[r]	124,299	129,442
China										
44 Mainland	836	1,023	1,401	1,420	1,292	1,401	2,035	1,766	1,456	2,418
45 Taiwan	1,448	1,713	1,894	1,305	1,413	1,894	1,249	1,201	1,709	1,276
46 Hong Kong	9,222	12,821	12,802	12,984	13,550	12,802	11,764	11,877[r]	14,147	13,348
47 India	994	1,846	1,946	2,181	2,027	1,946	1,824	1,957	2,194	2,147
48 Indonesia	1,472	1,696	1,762	1,577	1,636	1,762	1,749	1,896	2,081	2,182
49 Israel	688	739	633	1,017	624	633	692	617	635	542
50 Japan	59,569	61,468	59,967	59,343	59,886	59,967	59,843	64,199[r]	56,409	59,063
51 Korea (South)	10,286	13,975	18,961	16,947	18,080	18,961	20,214	20,054[r]	19,943	20,863
52 Philippines	663	1,318	1,697	1,335	1,519	1,697	1,492	1,794	1,600	1,746
53 Thailand	2,902	2,612	2,679	2,699	2,820	2,679	3,003	3,092	3,441	3,245
54 Middle Eastern oil-exporting countries[4]	13,982	9,639	10,424	11,372	10,311	10,424	8,582	8,889	10,078	11,320
55 Other	5,738	6,486	8,372	7,827	7,127	8,372	8,915	9,761	10,606	11,292
56 Africa	3,053	2,742	2,777	2,638	2,557	2,777	2,731	2,772	2,735	3,282
57 Egypt	225	210	247	204	212	247	246	245	244	231
58 Morocco	429	514	524	543	587	524	489	522	473	478
59 South Africa	674	465	584	614	551	584	572	564	470	452
60 Zaire	2	1	0	1	0	0	0	0	0	1
61 Oil-exporting countries[5]	856	552	420	414	427	420	408	474	605	1,177
62 Other	867	1,000	1,002	862	780	1,002	1,016	967	943	943
63 Other	3,145	2,467	5,709	5,346	6,037	5,709	5,144	5,192	6,343	6,920
64 Australia	2,192	1,622	4,577	3,798	4,336	4,577	3,743	3,176	4,101	5,000
65 Other	953	845	1,132	1,548	1,701	1,132	1,401	2,016	2,242	1,920
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	3,129	1,473	2,604	1,772	2,255	1,506	2,288

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1994	1995	1996	1996			1997			
				Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.	Apr.[p]
1 **Total**	**601,814**	**655,211**	**744,136**	...	...	**744,136**	...	...	**799,569**	...
2 Banks' claims	485,432	532,444	600,692	563,454	574,920	600,692	608,506	634,694	637,597	641,924
3 Foreign public borrowers	23,416	22,518	22,220	25,185	20,420	22,220	26,039	24,755	28,864	29,176
4 Own foreign offices[2]	283,015	307,427	342,511	330,377	335,089	342,511	331,276	361,573	361,360	363,485
5 Unaffiliated foreign banks	110,410	101,595	113,523	108,701	107,928	113,523	121,203	118,074	118,444	116,178
6 Deposits	59,368	37,771	33,841	36,142	32,420	33,841	39,271	38,155	37,286	34,594
7 Other	51,042	63,824	79,682	72,559	75,508	79,682	81,932	79,919	81,158	81,584
8 All other foreigners	68,591	100,904	122,438	99,191	111,483	122,438	129,988	130,292	128,929	133,085
9 Claims of banks' domestic customers[3]	116,382	122,767	143,444	...	...	143,444	...	...	161,972	...
10 Deposits	64,829	58,519	77,650	...	...	77,650	...	...	95,147	...
11 Negotiable and readily transferable instruments[4]	36,111	44,161	50,659	...	...	50,659	...	...	49,518	...
12 Outstanding collections and other claims	15,442	20,087	15,135	...	...	15,135	...	...	17,307	...
MEMO										
13 Customer liability on acceptances	8,427	8,410	9,624	...	...	9,624	...	...	11,247	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	40,326	41,581	42,679	43,452	47,270	38,426	39,721

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

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

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996			1997
				June	Sept.	Dec.	Mar.[p]
1 **Total**	**202,566**	**202,282**	**224,932**	**228,534**	**232,997**	**257,935**	**276,136**
By borrower							
2 Maturity of one year or less	172,662	170,411	178,857	185,881	189,047	211,717	223,838
3 Foreign public borrowers	17,828	15,435	14,995	14,982	16,003	15,390	19,876
4 All other foreigners	154,834	154,976	163,862	170,899	173,044	196,327	203,962
5 Maturity of more than one year	29,904	31,871	46,075	42,653	43,950	46,218	52,298
6 Foreign public borrowers	10,874	7,838	7,522	8,126	6,922	6,815	8,861
7 All other foreigners	19,030	24,033	38,553	34,527	37,028	39,403	43,437
By area							
Maturity of one year or less							
8 Europe	57,413	56,381	55,622	57,138	58,545	55,490	75,019
9 Canada	7,727	6,690	6,751	6,806	8,811	8,339	10,404
10 Latin America and Caribbean	60,490	59,583	72,504	78,622	79,622	103,253	96,875
11 Asia	41,418	40,567	40,296	38,078	37,199	38,136	36,500
12 Africa	1,820	1,379	1,295	1,279	1,320	1,316	1,451
13 All other[3]	3,794	5,811	2,389	3,958	3,550	5,183	3,589
Maturity of more than one year							
14 Europe	5,310	4,358	4,995	8,193	7,117	6,963	9,483
15 Canada	2,581	3,505	2,751	3,689	3,533	2,645	2,956
16 Latin America and Caribbean	14,025	15,717	27,681	19,564	21,382	24,917	26,786
17 Asia	5,606	5,323	7,941	9,201	9,808	9,391	10,785
18 Africa	1,935	1,583	1,421	1,410	1,349	1,361	1,204
19 All other[3]	447	1,385	1,286	596	761	941	1,084

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

2. Maturity is time remaining until maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1993	1994	1995				1996				1997
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.[p]
1 **Total**	**409.5**	**499.5**	**545.0**	**531.9**	**535.3**	**551.9**	**574.6**	**612.8**	**586.0**	**645.0**	**657.0**
2 G-10 countries and Switzerland	161.9	191.2	212.1	206.5	203.0	206.0	203.4	226.9	220.0	228.1	239.9
3 Belgium and Luxembourg	7.4	7.2	10.4	9.7	11.0	13.6	11.0	11.4	11.3	11.7	14.3
4 France	12.0	19.1	19.9	19.9	18.0	19.4	17.9	18.0	17.4	16.6	20.6
5 Germany	12.6	24.7	31.2	30.0	27.5	27.3	31.5	31.4	33.9	29.8	32.3
6 Italy	7.7	11.8	10.6	10.7	12.6	11.5	13.2	14.9	15.2	16.0	14.6
7 Netherlands	4.7	3.6	3.5	4.3	4.5	3.7	3.0	4.7	5.9	3.9	4.7
8 Sweden	2.7	2.7	3.1	3.1	2.9	2.7	3.3	2.7	3.0	2.6	3.4
9 Switzerland	5.9	5.1	5.7	6.2	6.6	6.7	5.2	6.3	6.2	5.3	6.3
10 United Kingdom	84.4	85.8	90.1	87.1	80.4	82.4	84.7	101.6	90.5	104.6	105.7
11 Canada	6.9	10.0	10.8	11.3	12.9	10.3	10.8	12.2	14.8	14.0	16.4
12 Japan	17.6	21.1	26.7	24.4	26.6	28.5	22.7	23.6	21.7	23.6	21.6
13 Other industrialized countries	26.5	45.7	44.4	43.3	50.5	50.2	61.3	55.5	62.1	65.7	66.9
14 Austria	.7	1.1	.9	.7	1.2	.9	1.3	1.2	1.0	1.1	1.9
15 Denmark	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3	1.7	1.5	1.8
16 Finland	.4	.9	1.1	.5	.7	.8	.7	.6	.6	.8	.7
17 Greece	3.2	4.5	4.9	5.0	5.1	5.7	5.6	5.6	6.1	6.7	6.4
18 Norway	1.7	2.0	2.4	1.8	2.3	3.2	2.1	2.3	3.0	8.0	5.3
19 Portugal	.8	1.2	1.0	1.2	1.9	1.3	1.6	1.6	1.4	.9	1.0
20 Spain	9.9	13.6	14.1	13.0	13.3	11.6	17.5	13.6	16.1	13.2	14.5
21 Turkey	2.1	1.6	1.4	1.4	2.0	1.9	2.0	2.3	2.8	2.7	2.7
22 Other Western Europe	3.2	3.2	2.8	2.9	3.3	4.7	3.8	3.4	4.8	4.7	6.3
23 South Africa	1.1	1.0	1.5	1.4	1.3	1.2	1.7	2.0	1.7	2.0	2.0
24 Australia	2.3	15.4	12.6	14.3	17.4	16.4	21.7	19.6	22.8	24.0	24.4
25 OPEC[2]	17.6	24.1	19.5	20.3	22.7	22.1	21.2	20.1	19.2	19.7	21.9
26 Ecuador	.5	.5	.5	.7	.7	.7	.8	.9	.9	1.1	1.1
27 Venezuela	5.1	3.7	3.5	3.5	3.0	2.7	2.9	2.3	2.3	2.4	1.9
28 Indonesia	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9	5.4	5.2	4.9
29 Middle East countries	7.6	15.3	10.8	11.5	13.9	13.3	12.3	11.5	10.1	10.6	13.2
30 African countries	1.2	.9	.7	.6	.6	.6	.6	.5	.4	.4	.7
31 Non-OPEC developing countries	83.2	96.0	98.5	103.7	104.1	112.6	118.6	126.4	124.1	130.1	128.9
Latin America											
32 Argentina	7.7	11.2	11.4	12.3	10.9	12.9	12.7	14.1	15.0	14.3	14.4
33 Brazil	12.0	8.4	9.2	10.0	13.6	13.7	18.3	21.7	17.8	20.7	22.4
34 Chile	4.7	6.1	6.4	7.1	6.4	6.8	6.4	6.7	6.6	7.0	6.8
35 Colombia	2.1	2.6	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1	3.7
36 Mexico	17.9	18.4	17.9	17.6	16.3	17.3	16.1	15.4	16.1	16.2	17.5
37 Peru	.4	.5	.6	.8	.7	.8	.9	1.2	1.3	1.6	1.6
38 Other	3.1	2.7	2.4	2.6	2.6	2.8	3.1	3.0	3.0	3.3	3.5
Asia											
China											
39 Mainland	2.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5	2.7
40 Taiwan	7.3	9.2	8.5	9.0	9.0	9.4	9.7	9.8	10.3	10.2	10.2
41 India	3.2	4.2	3.8	4.0	4.4	4.4	4.7	4.2	3.8	4.3	4.9
42 Israel	.5	.4	.6	.7	.5	.5	.5	.6	.5	.5	.7
43 Korea (South)	6.7	16.2	16.9	18.7	18.0	19.1	19.3	21.7	21.9	21.5	14.6
44 Malaysia	4.4	3.1	3.9	4.1	4.3	4.4	5.2	5.3	5.5	5.9	6.6
45 Philippines	3.1	3.3	3.0	3.6	3.3	4.1	3.9	4.7	5.4	5.8	6.0
46 Thailand	3.1	2.1	3.3	3.8	3.9	4.9	5.2	5.4	4.8	5.7	6.8
47 Other Asia	3.1	4.7	4.9	3.5	3.7	4.5	4.3	4.8	4.1	4.1	4.2
Africa											
48 Egypt	.4	.3	.4	.4	.4	.4	.5	.5	.6	.7	.9
49 Morocco	.7	.6	.6	.9	.9	.7	.7	.8	.7	.7	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0
51 Other Africa[3]	.8	.8	.7	.6	.8	.9	.8	.8	1.0	.9	.9
52 Eastern Europe	3.2	2.7	2.3	1.8	3.4	4.2	6.3	5.1	5.3	6.9	9.3
53 Russia[4]	1.6	.8	.7	.4	.6	1.0	1.4	1.0	1.8	3.7	3.7
54 Other	1.6[r]	1.9[r]	1.7[r]	1.3[r]	2.8[r]	3.2[r]	4.9[r]	4.1[r]	3.5[r]	3.2[r]	5.6
55 Offshore banking centers	73.5[r]	72.9[r]	85.7[r]	83.8[r]	87.5[r]	99.2[r]	101.3[r]	106.2[r]	105.3[r]	134.9[r]	130.6
56 Bahamas	10.9[r]	10.2[r]	12.5[r]	8.4	12.6[r]	11.0[r]	13.9[r]	17.3[r]	14.2[r]	20.3[r]	20.0
57 Bermuda	8.9[r]	8.4[r]	8.7[r]	8.4[r]	6.1[r]	6.3[r]	5.3[r]	4.1[r]	4.0[r]	4.5[r]	6.7
58 Cayman Islands and other British West Indies	18.4[r]	21.4[r]	20.7[r]	25.3[r]	25.1[r]	32.4[r]	28.8[r]	26.1[r]	32.0[r]	37.2[r]	33.0
59 Netherlands Antilles	2.8[r]	1.6[r]	1.2[r]	2.8[r]	5.7[r]	10.3[r]	11.1[r]	13.2[r]	11.7[r]	26.1[r]	19.9
60 Panama[5]	2.4[r]	1.3[r]	1.1[r]	1.2[r]	1.3[r]	1.4[r]	1.6[r]	1.7[r]	1.7[r]	2.0[r]	1.9
61 Lebanon	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1
62 China, Hong Kong	18.8[r]	20.0[r]	22.5[r]	23.1[r]	23.7[r]	25.0[r]	25.3[r]	27.8[r]	26.2[r]	28.1[r]	30.8
63 Singapore	11.2[r]	10.1[r]	19.2[r]	14.8[r]	13.3[r]	13.1[r]	15.4[r]	15.9[r]	15.4[r]	16.7[r]	17.9
64 Other[6]	.1[r]	.1[r]	.0[r]	.0[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1[r]	.1
65 Miscellaneous and unallocated[7]	43.6[r]	66.9[r]	82.5[r]	72.6[r]	64.2[r]	57.6[r]	62.6[r]	72.7[r]	50.0[r]	59.5[r]	59.8

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. Includes Canal Zone.
6. Foreign branch claims only.
7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1993	1994	1995	1995		1996			
				Sept.	Dec.	Mar.	June	Sept.[r]	Dec.
1 **Total**	**50,597**	**54,309**	**46,448**	**47,673**	**46,448**	**49,907**	**48,990**	**51,695**	**54,822**
2 Payable in dollars	38,728	38,298	33,903	33,908	33,903	36,273	35,385	36,465	39,003
3 Payable in foreign currencies	11,869	16,011	12,545	13,765	12,545	13,634	13,605	15,230	15,819
By type									
4 Financial liabilities	29,226	32,954	24,241	26,237	24,241	26,570	24,844	25,492	26,089
5 Payable in dollars	18,545	18,818	12,903	13,872	12,903	13,831	12,212	11,319	11,374
6 Payable in foreign currencies	10,681	14,136	11,338	12,365	11,338	12,739	12,632	14,173	14,715
7 Commercial liabilities	21,371	21,355	22,207	21,436	22,207	23,337	24,146	26,203	28,733
8 Trade payables	8,802	10,005	11,013	10,061	11,013	10,815	11,081	11,791	12,720
9 Advance receipts and other liabilities	12,569	11,350	11,194	11,375	11,194	12,522	13,065	14,412	16,013
10 Payable in dollars	20,183	19,480	21,000	20,036	21,000	22,442	23,173	25,146	27,629
11 Payable in foreign currencies	1,188	1,875	1,207	1,400	1,207	895	973	1,057	1,104
By area or country									
Financial liabilities									
12 Europe	18,810	21,703	15,622	16,401	15,622	16,950	16,434	16,133	16,242
13 Belgium and Luxembourg	175	495	369	347	369	483	498	547	632
14 France	2,539	1,727	999	1,365	999	1,679	1,011	1,220	1,091
15 Germany	975	1,961	1,974	1,670	1,974	2,161	1,850	2,276	1,834
16 Netherlands	534	552	466	474	466	479	444	519	556
17 Switzerland	634	688	895	948	895	1,260	1,156	830	699
18 United Kingdom	13,332	15,543	10,138	10,518	10,138	10,246	10,790	9,884	10,224
19 Canada	859	629	632	797	632	1,166	951	973	1,401
20 Latin America and Caribbean	3,359	2,034	1,783	1,904	1,783	1,876	969	1,169	1,668
21 Bahamas	1,148	101	59	79	59	78	31	50	236
22 Bermuda	0	80	147	144	147	126	28	25	50
23 Brazil	18	207	57	111	57	57	8	52	78
24 British West Indies	1,533	998	866	930	866	946	826	764	1,030
25 Mexico	17	0	12	3	12	16	11	13	17
26 Venezuela	5	5	2	3	2	2	1	1	1
27 Asia	5,956	8,403	5,988	6,947	5,988	6,390	6,351	6,969	6,400
28 Japan	4,887	7,314	5,436	6,308	5,436	5,980	6,051	6,602	5,846
29 Middle Eastern oil-exporting countries[1]	23	35	27	25	27	26	26	25	25
30 Africa	133	135	150	149	150	131	72	153	38
31 Oil-exporting countries[2]	123	123	122	122	122	122	61	121	0
32 All other[3]	109	50	66	39	66	57	67	95	340
Commercial liabilities									
33 Europe	6,827	6,773	7,700	7,263	7,700	8,425	7,916	8,702	9,767
34 Belgium and Luxembourg	239	241	331	349	331	370	326	427	479
35 France	655	728	481	528	481	648	678	657	680
36 Germany	684	604	767	660	767	867	839	959	1,002
37 Netherlands	688	722	500	566	500	659	617	668	766
38 Switzerland	375	327	413	255	413	428	516	409	624
39 United Kingdom	2,039	2,444	3,568	3,351	3,568	3,525	3,266	3,664	4,303
40 Canada	879	1,037	1,040	1,219	1,040	959	998	1,145	1,090
41 Latin America and Caribbean	1,658	1,857	1,740	1,607	1,740	2,110	2,301	2,396	2,574
42 Bahamas	21	19	1	1	1	28	35	33	63
43 Bermuda	350	345	205	219	205	570	509	355	297
44 Brazil	214	161	98	143	98	128	119	203	196
45 British West Indies	27	23	56	5	56	10	10	15	14
46 Mexico	481	574	416	357	416	468	475	451	665
47 Venezuela	123	276	221	175	221	243	283	341	328
48 Asia	10,980	10,741	10,421	10,275	10,421	10,474	11,389	12,238	13,422
49 Japan	4,314	4,555	3,315	3,475	3,315	3,725	3,943	4,150	4,614
50 Middle Eastern oil-exporting countries[1]	1,534	1,576	1,912	1,647	1,912	1,747	1,784	1,951	2,168
51 Africa	453	428	619	589	619	708	924	1,020	1,040
52 Oil-exporting countries[2]	167	256	254	241	254	254	462	490	532
53 Other[3]	574	519	687	483	687	661	618	702	840

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1993	1994	1995	1995 Sept.	1995 Dec.	1996 Mar.	1996 June	1996 Sept.[p]	1996 Dec.
1 **Total**	**49,159**	**57,888**	**52,509**	**53,424**	**52,509**	**55,406**	**60,195[r]**	**59,048**	**63,604**
2 Payable in dollars	45,161	53,805	48,711	49,696	48,711	51,007	55,350[r]	53,884	58,592
3 Payable in foreign currencies	3,998	4,083	3,798	3,728	3,798	4,399	4,845	5,164	5,012
By type									
4 Financial claims	27,771	33,897	27,398	29,891	27,398	30,772	35,251[r]	34,200	35,268
5 Deposits	15,717	18,507	15,133	17,974	15,133	17,595	19,507[r]	19,877	21,404
6 Payable in dollars	15,182	18,026	14,654	17,393	14,654	17,044	19,069[r]	19,182	20,631
7 Payable in foreign currencies	535	481	479	581	479	551	438	695	773
8 Other financial claims	12,054	15,390	12,265	11,917	12,265	13,177	15,744[r]	14,323	13,864
9 Payable in dollars	10,862	14,306	10,976	10,689	10,976	11,290	13,347[r]	12,234	12,069
10 Payable in foreign currencies	1,192	1,084	1,289	1,228	1,289	1,887	2,397	2,089	1,795
11 Commercial claims	21,388	23,991	25,111	23,533	25,111	24,634	24,944[r]	24,848	28,336
12 Trade receivables	18,425	21,158	22,998	21,409	22,998	22,123	22,353[r]	22,410	25,713
13 Advance payments and other claims	2,963	2,833	2,113	2,124	2,113	2,511	2,591[r]	2,438	2,623
14 Payable in dollars	19,117	21,473	23,081	21,614	23,081	22,673	22,934[r]	22,468	25,892
15 Payable in foreign currencies	2,271	2,518	2,030	1,919	2,030	1,961	2,010	2,380	2,444
By area or country									
Financial claims									
16 Europe	7,299	7,936	7,609	7,840	7,609	8,929	10,498[r]	9,777	9,282
17 Belgium and Luxembourg	134	86	193	160	193	159	151	126	185
18 France	826	800	803	753	803	1,015	679	733	694
19 Germany	526	540	436	301	436	320	296	272	276
20 Netherlands	502	429	517	522	517	486	488	520	493
21 Switzerland	530	523	498	530	498	470	461	432	474
22 United Kingdom	3,585	4,649	4,303	4,924	4,303	5,568	7,426[r]	6,603	6,119
23 Canada	2,032	3,581	2,851	3,526	2,851	5,269	4,773	4,502	3,445
24 Latin America and Caribbean	16,224	19,536	14,500	15,345	14,500	13,827	17,644	17,241	19,577
25 Bahamas	1,336	2,424	1,965	1,552	1,965	1,538	2,168	1,746	1,452
26 Bermuda	125	27	81	35	81	77	84	113	140
27 Brazil	654	520	830	851	830	1,019	1,242	1,438	1,468
28 British West Indies	12,699	15,228	10,393	11,816	10,393	10,100	13,024	12,809	15,182
29 Mexico	872	723	554	487	554	461	392	413	457
30 Venezuela	161	35	32	50	32	40	23	20	31
31 Asia	1,657	1,871	1,579	2,160	1,579	1,890	1,571	1,834	2,221
32 Japan	892	953	871	1,404	871	1,171	852	1,001	1,035
33 Middle Eastern oil-exporting countries[1]	3	141	3	4	3	13	9	13	22
34 Africa	99	373	276	188	276	277	197	177	174
35 Oil-exporting countries[2]	1	0	5	6	5	5	5	13	14
36 All other[3]	460	600	583	832	583	580	568	669	569
Commercial claims									
37 Europe	9,105	9,540	9,824	8,862	9,824	9,776	9,842[r]	9,266	10,424
38 Belgium and Luxembourg	184	213	231	224	231	247	239	213	225
39 France	1,947	1,881	1,830	1,706	1,830	1,803	1,659[r]	1,532	1,644
40 Germany	1,018	1,027	1,070	997	1,070	1,410	1,335	1,240	1,336
41 Netherlands	423	311	452	338	452	442	481	424	561
42 Switzerland	432	557	520	438	520	579	602	590	642
43 United Kingdom	2,377	2,556	2,656	2,479	2,656	2,607	2,658[r]	2,515	2,946
44 Canada	1,781	1,988	1,951	1,971	1,951	2,045	2,074	2,082	2,165
45 Latin America and Caribbean	3,274	4,117	4,364	4,359	4,364	4,151	4,347[r]	4,399	5,264
46 Bahamas	11	9	30	26	30	30	28	14	35
47 Bermuda	182	234	272	245	272	273	264	290	275
48 Brazil	460	612	898	745	898	809	838[r]	963	1,291
49 British West Indies	71	83	79	66	79	106	103	119	190
50 Mexico	990	1,243	993	1,026	993	870	1,021	931	1,128
51 Venezuela	293	348	285	325	285	308	313	316	357
52 Asia	6,014	6,982	7,312	6,826	7,312	7,100	6,939[r]	7,278	8,372
53 Japan	2,275	2,655	1,870	1,998	1,870	2,010	1,877	1,918	2,003
54 Middle Eastern oil-exporting countries[1]	704	708	974	775	974	1,024	903[r]	945	971
55 Africa	493	454	654	544	654	667	688	731	745
56 Oil-exporting countries[2]	72	67	87	74	87	107	83	142	166
57 Other[3]	721	910	1,006	971	1,006	895	1,054	1,092	1,366

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996	1997	1996			1997			
			Jan.–Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	623,760	284,748	57,758	65,571	57,051	73,003	73,051r	68,450	70,244
2 Foreign sales	451,710	610,332	271,900	56,751	63,436	56,629	70,132	69,191r	68,153	64,424
3 **Net purchases, or sales (−)**	**11,240**	**13,428**	**12,848**	**1,007**	**2,135**	**422**	**2,871**	**3,860r**	**297**	**5,820**
4 **Foreign countries**	**11,445**	**13,502**	**12,861**	**1,013**	**2,138**	**451**	**2,872**	**3,860r**	**289**	**5,840**
5 Europe	4,912	6,546	17,514	447	270	−229	3,238	5,486r	2,116	6,674
6 France	−1,099	−2,354	1,329	−219	−248	−1,064	532	427	−309	679
7 Germany	−1,837	1,104	3,392	116	−5	−18	959	1,086	699	648
8 Netherlands	3,507	1,389	744	−132	163	160	322	−334	378	378
9 Switzerland	−2,283	2,710	2,180	144	686	−470	289	784r	304	803
10 United Kingdom	8,066	4,119	6,545	909	658	1,487	−167	2,950	492	3,270
11 Canada	−1,517	2,221	1,242	742	704	−9	422	308	373	139
12 Latin America and Caribbean	5,814	5,563	−1,646	−653	964	994	1,364	405r	−1,433	−1,982
13 Middle East[1]	−337	−1,598	238	15	−53	−7	−1	26r	10	203
14 Other Asia	2,503	906	−4,889	511	267	−232	−2,175	−2,549r	−894	729
15 Japan	−2,725	372	−1,018	313	−579	−343	−1,559	−500	−253	1,294
16 Africa	2	−81	139	5	−23	10	−8	58	96	−7
17 Other countries	68	−55	263	−54	9	−76	32	126r	21	84
18 **Nonmonetary international and regional organizations**	**−205**	**−74**	**−13**	**−6**	**−3**	**−29**	**−1**	**0**	**8**	**−20**
BONDS[2]										
19 Foreign purchases	293,533	421,474	182,843	40,668	46,440	43,054	48,955	47,977r	43,693	42,218
20 Foreign sales	206,951	294,536	143,586	30,277	34,235	32,825	36,603	37,087r	38,104	31,792
21 **Net purchases, or sales (−)**	**86,582**	**126,938**	**39,257**	**10,391**	**12,205**	**10,229**	**12,352**	**10,890r**	**5,589**	**10,426**
22 **Foreign countries**	**87,036**	**126,767**	**39,238**	**10,406**	**12,215**	**10,229**	**12,356**	**10,877r**	**5,575**	**10,430**
23 Europe	70,318	74,997	25,126	6,279	5,578	4,770	6,620	8,934r	4,810	4,762
24 France	1,143	5,174	1,118	713	72	252	73	103	340	602
25 Germany	5,938	5,164	233	−260	237	−27	−274	184	493	−170
26 Netherlands	1,463	2,440	634	93	533	148	337	125	105	67
27 Switzerland	494	882	40	59	−132	−30	−58	−189	98	189
28 United Kingdom	57,591	54,644	22,124	5,316	4,232	4,498	6,443	8,738r	2,987	3,956
29 Canada	2,569	4,197	2,440	181	402	391	379	1,055	390	616
30 Latin America and Caribbean	6,141	22,901	2,678	2,954	2,201	2,940	3,189	−627r	−2,434	2,550
31 Middle East[1]	1,869	1,637	1,667	211	513	412	480	691	480	16
32 Other Asia	5,659	22,765	6,416	787	3,384	1,644	1,661	405r	2,165	2,185
33 Japan	2,250	13,694	3,748	1,037	2,245	1,395	1,597	−291r	1,213	1,229
34 Africa	234	600	569	45	132	79	89	243	47	190
35 Other countries	246	−330	342	−51	5	−7	62	176	117	111
36 **Nonmonetary international and regional organizations**	**−454**	**171**	**19**	**−15**	**−10**	**0**	**−4**	**13**	**14**	**−4**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−50,291	−58,606	−15,933	−2,473	2,161	−5,902	−3,643	−4,353	−3,827	−4,110
38 Foreign purchases	345,540	456,826	194,713	40,185	46,838	41,850	47,084	50,139	47,780	49,710
39 Foreign sales	395,831	515,432	210,646	42,658	48,999	47,752	50,727	54,492	51,607	53,820
40 Bonds, net purchases, or sales (−)	−48,405	−48,793	888	−5,948	2,973	−10,947	−710	−1,626r	−2,979	6,203
41 Foreign purchases	889,541	1,118,678	469,284	117,032	104,662	99,095	109,567	110,510	131,453	117,754
42 Foreign sales	937,946	1,167,471	468,396	122,980	107,635	110,042	110,277	112,136r	134,432	111,551
43 **Net purchases, or sales (−), of stocks and bonds**	**−98,696**	**−107,399**	**−15,045**	**−8,421**	**−5,134**	**−16,849**	**−4,353**	**−5,979r**	**−6,806**	**2,093**
44 **Foreign countries**	**−97,891**	**−106,528**	**−15,255**	**−8,443**	**−5,166**	**−16,838**	**−4,401**	**−6,061r**	**−6,872**	**2,079**
45 Europe	−48,125	−57,432	1,447	−6,318	−3,174	−10,740	741	−2,030	−3,005	5,741
46 Canada	−7,812	−6,279	2,032	−642	−667	−2,269	526	1,855r	−110	−239
47 Latin America and Caribbean	−7,634	9,503	−8,066	886	3,571	−2,020	−2,264	−3,417r	−1,574	−811
48 Asia	−34,056	−27,745	−10,256	−796	−4,135	−773	−2,829	−2,284	−1,517	−3,626
49 Japan	−25,072	−5,888	−5,624	696	−633	2,218	−332	−2,269	−674	−2,349
50 Africa	327	−1,529	−168	−468	−115	36	34	−7	−74	−121
51 Other countries	63	−4,040	−244	−1,105	−646	−1,072	−609	−178	−592	1,135
52 **Nonmonetary international and regional organizations**	**−805**	**−871**	**210**	**22**	**32**	**−11**	**48**	**82**	**66**	**14**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1995	1996	1997	1996			1997			
			Jan.– Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[p]
1 **Total estimated**	**134,115**	**244,725**	**93,703**	**24,321**	**21,283**	**47,662**	**22,225**	**25,561[r]**	**20,929**	**24,988**
2 Foreign countries	133,676	246,567	93,111	23,784	22,475	46,519	22,691	24,653[r]	21,239	24,528
3 Europe	49,976	118,345	37,056	12,992	9,312	14,778	4,410	11,365[r]	11,872	9,409
4 Belgium and Luxembourg	591	1,486	1,701	−320	335	370	38	659	67	937
5 Germany	6,136	17,647	−5,275	2,813	3,024	1,499	556	−1,227	−3,124	−1,480
6 Netherlands	1,891	−582	1,630	−423	676	855	−671	546	343	1,412
7 Sweden	358	2,343	−1,268	169	−52	26	−255	−346	−581	−86
8 Switzerland	−472	327	828	−599	−207	−517	241	992	−1,438	1,033
9 United Kingdom	34,754	65,381	28,824	10,121	801	7,265	2,914	7,828	12,503	5,579
10 Other Europe and former U.S.S.R.	6,718	31,743	10,616	1,231	4,735	5,280	1,587	2,913[r]	4,102	2,014
11 Canada	252	2,389	682	−1,744	−23	−780	667	−92[r]	−215	322
12 Latin America and Caribbean	48,609	25,379	7,842	1,479	12,745	15,228	10,243	−505[r]	−3,285	1,389
13 Venezuela	−2	−69	68	−29	−68	212	−3	69[r]	10	−8
14 Other Latin America and Caribbean	25,152	13,026	9,460	926	2,715	5,292	6,461	1,834	3,814	−2,649
15 Netherlands Antilles	23,459	12,422	−1,686	582	10,098	9,724	3,785	−2,408	−7,109	4,046
16 Asia	32,467	98,001	48,865	9,889	1,337	16,744	8,540	14,348[r]	12,538	13,439
17 Japan	16,979	41,390	19,555	6,629	1,219	7,593	4,264	6,528	2,063	6,700
18 Africa	1,464	1,085	48	−13	−12	−2	29	57	−22	−16
19 Other	908	1,368	−1,382	1,181	−884	551	−1,198	−520	351	−15
20 Nonmonetary international and regional organizations	439	−1,842	592	537	−1,192	1,143	−466	908	−310	460
21 International	9	−1,390	129	338	−1,146	773	−484	530	−384	467
22 Latin American regional	261	−779	465	−4	−2	252	−1	362	80	24
MEMO										
23 Foreign countries	133,676	246,567	93,111	23,784	22,475	46,519	22,691	24,653[r]	21,239	24,528
24 Official institutions	39,631	86,875	32,604	4,838	3,840	13,662	8,022	10,043	6,813	7,726
25 Other foreign	94,045	159,692	60,507	18,946	18,635	32,857	14,669	14,610[r]	14,426	16,802
Oil-exporting countries										
26 Middle East[2]	3,075	10,227	9,286	−1,876	332	2,279	1,242	2,519	2,536	2,989
27 Africa[3]	2	1	0	0	0	0	0	−1	0	1

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on June 30, 1997		Country	Rate on June 30, 1997	
	Percent	Month effective		Percent	Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	6.25	June 1997
Canada	3.5	June 1997	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.1	Jan. 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1996	1997					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	4.63	5.93	5.38	5.43	5.44	5.36	5.50	5.70	5.69	5.66
2 United Kingdom	5.45	6.63	5.99	6.31	6.28	6.16	6.17	6.35	6.41	6.63
3 Canada	5.57	7.14	4.49	3.16	3.18	3.16	3.25	3.49	3.35[r]	3.30
4 Germany	5.25	4.43	3.21	3.13	3.03	3.08	3.16	3.14	3.09	3.05
5 Switzerland	4.03	2.94	1.92	1.99	1.72	1.61	1.77	1.76	1.51[r]	1.25
6 Netherlands	5.09	4.30	2.91	2.99	2.94	2.95	3.12	3.15	3.15	3.14
7 France	5.72	6.43	3.81	3.33	3.23	3.22	3.26	3.28	3.37	3.30
8 Italy	8.45	10.43	8.79	7.22	7.21	7.33	7.40	7.09	6.82	6.85
9 Belgium	5.65	4.73	3.19	3.01	3.00	3.10	3.40	3.22	3.22	3.23
10 Japan	2.24	1.20	.58	.51	.53	.54	.55	.55	.58	.60

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1997					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[2]	73.161	74.073	78.283	77.756	76.768	78.747	77.868	77.510	75.422
2 Austria/schilling	11.409	10.076	10.589	11.289	11.785	11.932	12.050	11.998	12.158
3 Belgium/franc	33.426	29.472	30.970	33.087	34.556	34.961	35.328	35.188	35.659
4 Canada/dollar	1.3664	1.3725	1.3638	1.3494	1.3556	1.3725	1.3942	1.3804	1.3842
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3260	8.3227	8.3258	8.3257	8.3229	8.3224
6 Denmark/krone	6.3561	5.5999	5.8003	6.1199	6.3867	6.4628	6.5226	6.4926	6.5804
7 Finland/markka	5.2340	4.3763	4.5948	4.7766	4.9792	5.0632	5.1375	5.1444	5.1794
8 France/franc	5.5459	4.9864	5.1158	5.4145	5.6536	5.7154	5.7672	5.7482	5.8307
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.6047	1.6747	1.6946	1.7119	1.7048	1.7281
10 Greece/drachma	242.50	231.68	240.82	251.54	262.42	266.86	270.58	271.95	273.83
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7397	7.7474	7.7460	7.7483	7.7431	7.7445
12 India/rupee	31.394	32.418	35.506	35.904	35.891	35.885	35.828	35.825	35.820
13 Ireland/pound[2]	149.69	160.35	159.95	163.11	158.60	156.57	155.05	151.11	150.60
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,567.91	1,655.00	1,691.21	1,694.52	1,684.33	1,694.99
15 Japan/yen	102.18	93.96	108.78	117.91	122.96	122.77	125.64	119.19	114.35
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.4900	2.4866	2.4773	2.5028	2.5070	2.5167
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.8023	1.8812	1.9071	1.9256	1.9173	1.9443
18 New Zealand/dollar[2]	59.358	65.625	68.765	70.088	69.084	69.789	69.220	69.097	68.713
19 Norway/krone	7.0553	6.3355	6.4594	6.4589	6.6323	6.7915	6.9932	7.0797	7.2240
20 Portugal/escudo	165.93	149.88	154.28	160.53	168.24	170.35	171.77	171.72	174.56
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4061	1.4193	1.4378	1.4417	1.4368	1.4271
22 South Africa/rand	3.5526	3.6284	4.3011	4.6402	4.4557	4.4319	4.4417	4.4668	4.5005
23 South Korea/won	806.93	772.69	805.00	854.07	868.39	882.62	895.57	894.67	891.40
24 Spain/peseta	133.88	124.64	126.68	134.79	141.85	143.72	144.48	143.93	145.98
25 Sri Lanka/rupee	49.170	51.047	55.289	57.278	57.772	57.873	58.826	58.862	58.531
26 Sweden/krona	7.7161	7.1406	6.7082	7.0692	7.4069	7.6502	7.6942	7.6856	7.7518
27 Switzerland/franc	1.3667	1.1812	1.2361	1.3913	1.4541	1.4634	1.4618	1.4331	1.4427
28 Taiwan/dollar	26.465	26.495	27.468	27.477	27.554	27.551	27.629	27.791	27.903
29 Thailand/baht	25.161	24.921	25.359	25.726	25.957	25.959	26.064	25.751	24.534
30 United Kingdom/pound[2]	153.19	157.85	156.07	165.85	162.56	160.96	162.93	163.22	164.47
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	91.01	94.52	95.60	96.39	95.29	95.44

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) 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

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1997[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets[4]**	**862,812**	**275,074**	**677,364**	**229,559**	**65,181**	**19,367**	**73,637**	**14,913**
2 Claims on nonrelated parties	750,457	140,737	582,825	115,917	60,888	8,346	66,607	9,336
3 Cash and balances due from depository institutions	110,898	80,460	98,237	70,463	1,828	1,218	8,839	7,504
4 Cash items in process of collection and unposted debits	2,508	0	2,434	0	12	0	54	0
5 Currency and coin (U.S. and foreign)	21	n.a.	14	n.a.	2	n.a.	1	n.a.
6 Balances with depository institutions in United States	60,284	38,599	54,946	35,360	1,321	780	3,295	2,247
7 U.S. branches and agencies of other foreign banks (including IBFs)	56,010	37,200	51,345	34,020	1,133	780	3,004	2,197
8 Other depository institutions in United States (including IBFs)	4,274	1,399	3,601	1,340	188	0	291	50
9 Balances with banks in foreign countries and with foreign central banks	47,555	41,861	40,400	35,103	461	439	5,471	5,258
10 Foreign branches of U.S. banks	1,621	1,223	1,156	776	0	0	443	443
11 Other banks in foreign countries and foreign central banks	45,934	40,638	39,244	34,328	461	439	5,027	4,814
12 Balances with Federal Reserve Banks	530	n.a.	442	n.a.	33	n.a.	19	n.a.
13 **Total securities and loans**	**473,376**	**49,437**	**339,347**	**36,961**	**53,616**	**5,552**	**43,771**	**1,421**
14 Total securities, book value	116,171	8,330	107,240	7,200	3,142	719	5,095	362
15 U.S. Treasury	34,334	n.a.	32,884	n.a.	591	n.a.	726	n.a.
16 Obligations of U.S. government agencies and corporations	35,139	n.a.	34,234	n.a.	364	n.a.	396	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	46,699	8,330	40,122	7,200	2,187	719	3,973	362
18 Securities of foreign governmental units	15,888	3,927	14,718	3,479	584	200	491	203
19 All Other	30,811	4,403	25,404	3,721	1,603	520	3,482	159
20 Federal funds sold and securities purchased under agreements to resell	52,609	8,185	46,597	6,246	1,848	1,382	3,330	274
21 U.S. branches and agencies of other foreign banks	14,130	4,284	12,647	3,776	488	182	709	256
22 Commercial banks in United States	4,926	8	4,451	8	69	0	109	0
23 Other	33,553	3,892	29,499	2,462	1,290	1,200	2,512	18
24 Total loans, gross	357,451	41,124	232,257	29,772	50,528	4,835	38,682	1,059
25 LESS: Unearned income on loans	246	17	150	11	55	2	6	0
26 EQUALS: Loans, net	357,205	41,107	232,107	29,761	50,474	4,833	38,676	1,059
Total loans, gross, by category								
27 Real estate loans	30,035	166	19,501	39	7,740	126	1,319	0
28 Loans to depository institutions	36,593	23,131	24,962	14,906	4,812	3,377	913	649
29 Commercial banks in United States (including IBFs)	12,244	6,213	8,301	4,085	3,110	1,907	306	150
30 U.S. branches and agencies of other foreign banks	10,884	6,010	7,079	3,882	3,064	1,907	236	150
31 Other commercial banks in United States	1,360	203	1,222	203	46	0	70	0
32 Other depository institutions in United States (including IBFs)	152	138	152	138	0	0	0	0
33 Banks in foreign countries	24,196	16,781	16,509	10,682	1,702	1,470	608	499
34 Foreign branches of U.S. banks	651	534	519	412	0	0	0	0
35 Other banks in foreign countries	23,546	16,247	15,990	10,271	1,702	1,470	608	499
36 Loans to other financial institutions	45,034	1,112	37,602	815	2,921	159	3,835	48
37 Commercial and industrial loans	224,312	14,490	132,177	11,912	34,120	1,139	31,528	360
38 U.S. addressees (domicile)	191,731	150	108,260	104	31,144	45	30,081	0
39 Non-U.S. addressees (domicile)	32,581	14,340	23,917	11,808	2,976	1,094	1,447	360
40 Acceptances of other banks	585	42	333	42	93	0	141	0
41 U.S. banks	29	0	17	0	3	0	0	0
42 Foreign banks	556	42	316	42	90	0	141	0
43 Loans to foreign governments and official institutions (including foreign central banks)	3,280	1,949	2,791	1,840	252	34	68	3
44 Loans for purchasing or carrying securities (secured and unsecured)	11,603	182	10,493	182	244	0	65	0
45 All other loans	5,692	52	4,100	36	346	0	794	0
46 Lease financing receivables (net of unearned income)	317	0	298	0	0	0	18	0
47 U.S. addressees (domicile)	311	0	293	0	0	0	18	0
48 Non-U.S. addressees (domicile)	5	0	5	0	0	0	0	0
49 Trading assets	78,401	326	69,559	320	215	3	8,614	2
50 All other assets	35,173	2,330	29,085	1,926	3,382	191	2,053	134
51 Customers' liabilities on acceptances outstanding	8,979	n.a.	6,198	n.a.	2,061	n.a.	492	n.a.
52 U.S. addressees (domicile)	6,631	n.a.	4,380	n.a.	1,846	n.a.	320	n.a.
53 Non-U.S. addressees (domicile)	2,348	n.a.	1,817	n.a.	215	n.a.	172	n.a.
54 Other assets including other claims on nonrelated parties	26,194	2,330	22,888	1,926	1,321	191	1,561	134
55 Net due from related depository institutions[5]	112,355	134,337	94,539	113,642	4,293	11,020	7,030	5,578
56 Net due from head office and other related depository institutions[5]	112,355	n.a.	94,539	n.a.	4,293	n.a.	7,030	n.a.
57 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	134,337	n.a.	113,642	n.a.	11,020	n.a.	5,578
58 **Total liabilities[4]**	**862,812**	**275,074**	**677,364**	**229,559**	**65,181**	**19,367**	**73,637**	**14,913**
59 Liabilities to nonrelated parties	714,648	248,850	617,664	212,312	35,427	18,458	40,828	9,297

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1997[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
60 Total deposits and credit balances	238,450	193,232	208,403	179,044	6,015	2,975	15,342	4,643
61 Individuals, partnerships, and corporations	175,703	13,191	149,914	8,657	4,389	685	13,327	65
62 U.S. addressees (domicile)	151,637	830	132,541	822	2,466	0	12,630	1
63 Non-U.S. addressees (domicile)	24,066	12,361	17,373	7,834	1,923	685	697	64
64 *Commercial banks in United States (including IBFs)*	34,180	39,562	32,077	37,849	441	888	1,352	684
65 U.S. branches and agencies of other foreign banks	16,492	35,880	15,679	34,365	118	812	641	598
66 Other commercial banks in United States	17,687	3,682	16,398	3,485	323	76	711	86
67 Banks in foreign countries	11,423	107,061	10,125	101,831	945	822	216	2,623
68 Foreign branches of U.S. banks	3,838	4,739	2,947	4,191	855	125	35	424
69 Other banks in foreign countries	7,585	102,322	7,178	97,640	90	697	181	2,199
70 Foreign governments and official institutions (including foreign central banks)	5,661	33,353	4,913	30,644	213	580	395	1,270
71 All other deposits and credit balances	11,168	65	11,100	63	10	0	44	1
72 Certified and official checks	315		273		18		9	
73 Transaction accounts and credit balances (excluding IBFs)	8,490		6,853		410		328	
74 Individuals, partnerships, and corporations	6,552		5,148		352		312	
75 U.S. addressees (domicile)	4,429		3,795		236		306	
76 Non-U.S. addressees (domicile)	2,123		1,352		117		6	
77 Commercial banks in United States (including IBFs)	312		306		3		0	
78 U.S. branches and agencies of other foreign banks	288		287		0		0	
79 Other commercial banks in United States	24		18		3		0	
80 Banks in foreign countries	734		616		20		2	
81 Foreign branches of U.S. banks	14		13		0		0	
82 *Other banks in foreign countries*	720		603		20		2	
83 Foreign governments and official institutions (including foreign central banks)	383		336		6		2	
84 All other deposits and credit balances	192		174		10		2	
85 Certified and official checks	315		273		18		9	
86 Demand deposits (included in transaction accounts and credit balances)	8,014		6,671		307		315	
87 Individuals, partnerships, and corporations	6,169		5,035		262		300	
88 U.S. addressees (domicile)	4,321		3,748		196		294	
89 Non-U.S. addressees (domicile)	1,848		1,287		66		6	
90 Commercial banks in United States (including IBFs)	308		304		0		0	
91 U.S. branches and agencies of other foreign banks	288	n.a.	287	n.a.	0	n.a.	0	n.a.
92 Other commercial banks in United States	19		16		0		0	
93 Banks in foreign countries	710		594		19		2	
94 Foreign branches of U.S. banks	11		10		0		0	
95 Other banks in foreign countries	698		583		19		2	
96 *Foreign governments and official institutions* (including foreign central banks)	372		332		6		2	
97 All other deposits and credit balances	140		133		1		2	
98 Certified and official checks	315		273		18		9	
99 Nontransaction accounts (including MMDAs, excluding IBFs)	229,960		201,549		5,606		15,015	
100 Individuals, partnerships, and corporations	169,151		144,766		4,036		13,015	
101 U.S. addressees (domicile)	147,208		128,746		2,230		12,324	
102 Non-U.S. addressees (domicile)	21,943		16,021		1,806		691	
103 Commercial banks in United States (including IBFs)	33,868		31,772		438		1,351	
104 U.S. branches and agencies of other foreign banks	16,204		15,391		118		641	
105 Other commercial banks in United States	17,664		16,380		320		710	
106 Banks in foreign countries	10,689		9,509		925		214	
107 Foreign branches of U.S. banks	3,824		2,934		855		35	
108 Other banks in foreign countries	6,865		6,575		70		179	
109 Foreign governments and official institutions (including foreign central banks)	5,278		4,577		206		393	
110 All other deposits and credit balances	10,975		10,926		0		42	
111 IBF deposit liabilities		193,232		179,044		2,975		4,643
112 *Individuals, partnerships, and corporations*		13,191		8,657		685		65
113 U.S. addressees (domicile)		830		822		0		1
114 Non-U.S. addressees (domicile)		12,361		7,834		685		64
115 Commercial banks in United States (including IBFs)		39,562		37,849		888		684
116 U.S. branches and agencies of other foreign banks		35,880		34,365		812		598
117 Other commercial banks in United States	n.a.	3,682	n.a.	3,485	n.a.	76	n.a.	86
118 Banks in foreign countries		107,061		101,831		822		2,623
119 Foreign branches of U.S. banks		4,739		4,191		125		424
120 Other banks in foreign countries		102,322		97,640		697		2,199
121 Foreign governments and official institutions (including foreign central banks)		33,353		30,644		580		1,270
122 All other deposits and credit balances		65		63		0		1

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1997[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
123 Federal funds purchased and securities sold under agreements to repurchase	93,103	11,932	83,254	9,295	4,456	1,915	4,665	594
124 U.S. branches and agencies of other foreign banks	15,231	3,814	11,908	2,189	2,184	1,280	910	285
125 Other commercial banks in United States	11,121	319	8,921	252	1,264	47	857	13
126 Other	66,751	7,800	62,426	6,855	1,007	588	2,898	296
127 Other borrowed money	97,670	40,835	63,813	21,431	18,980	13,404	10,704	3,977
128 Owed to nonrelated commercial banks in United States (including IBFs)	24,845	9,857	13,550	4,248	7,365	4,174	2,535	902
129 Owed to U.S. offices of nonrelated U.S. banks	8,841	1,116	5,346	624	1,829	356	1,176	67
130 Owed to U.S. branches and agencies of nonrelated foreign banks	16,004	8,741	8,204	3,624	5,536	3,818	1,359	835
131 Owed to nonrelated banks in foreign countries	31,083	28,147	17,638	15,093	9,074	8,847	3,066	3,060
132 Owed to foreign branches of nonrelated U.S. banks	1,601	1,394	636	543	856	789	22	22
133 Owed to foreign offices of nonrelated foreign banks	29,482	26,753	17,002	14,550	8,219	8,058	3,044	3,038
134 Owed to others	41,742	2,831	32,625	2,089	2,540	383	5,103	15
135 All other liabilities	92,193	2,851	83,151	2,542	3,001	164	5,473	83
136 Branch or agency liability on acceptances executed and outstanding	9,442	n.a.	6,618	n.a.	2,066	n.a.	495	n.a.
137 Trading liabilities	60,985	103	56,935	100	148	2	3,891	0
138 Other liabilities to nonrelated parties	21,766	2,748	19,598	2,442	787	162	1,087	83
139 Net due to related depository institutions[5]	148,164	26,225	59,700	17,247	29,754	908	32,809	5,616
140 Net owed to head office and other related depository institutions[5]	148,164	n.a.	59,700	n.a.	29,754	n.a.	32,809	n.a.
141 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	26,225	n.a.	17,247	n.a.	908	n.a.	5,616
MEMO								
142 Non-interest-bearing balances with commercial banks in United States	734	0	546	0	72	0	74	0
143 Holding of own acceptances included in commercial and industrial loans	5,087		3,596		1,221		164	
144 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	123,922		72,538		18,950		18,739	
145 Predetermined interest rates	75,282	n.a.	45,616	n.a.	10,055	n.a.	13,797	n.a.
146 Floating interest rates	48,640		26,922		8,895		4,943	
147 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	99,161		58,919		15,068		12,405	
148 Predetermined interest rates	21,734		14,346		2,447		3,523	
149 Floating interest rates	77,427		44,573		12,621		8,882	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, March 31, 1997[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
150 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, excluding IBFs	225,482	n.a.	200,216	n.a.	3,591	n.a.	14,910	n.a.
151 Time deposits of $100,000 or more	214,125	n.a.	189,225	n.a.	3,484	n.a.	14,727	n.a.
152 *Time CDs in denominations of $100,000 or more* with remaining maturity of more than 12 months	11,358	n.a.	10,991	n.a.	107	n.a.	183	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
153 Immediately available funds with a maturity greater than one day included in other borrowed money	53,347	n.a.	31,110	n.a.	15,604	n.a.	3,976	n.a.
154 Number of reports filed[6]	476	0	240	0	103	0	38	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. *Related depository institutions* includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

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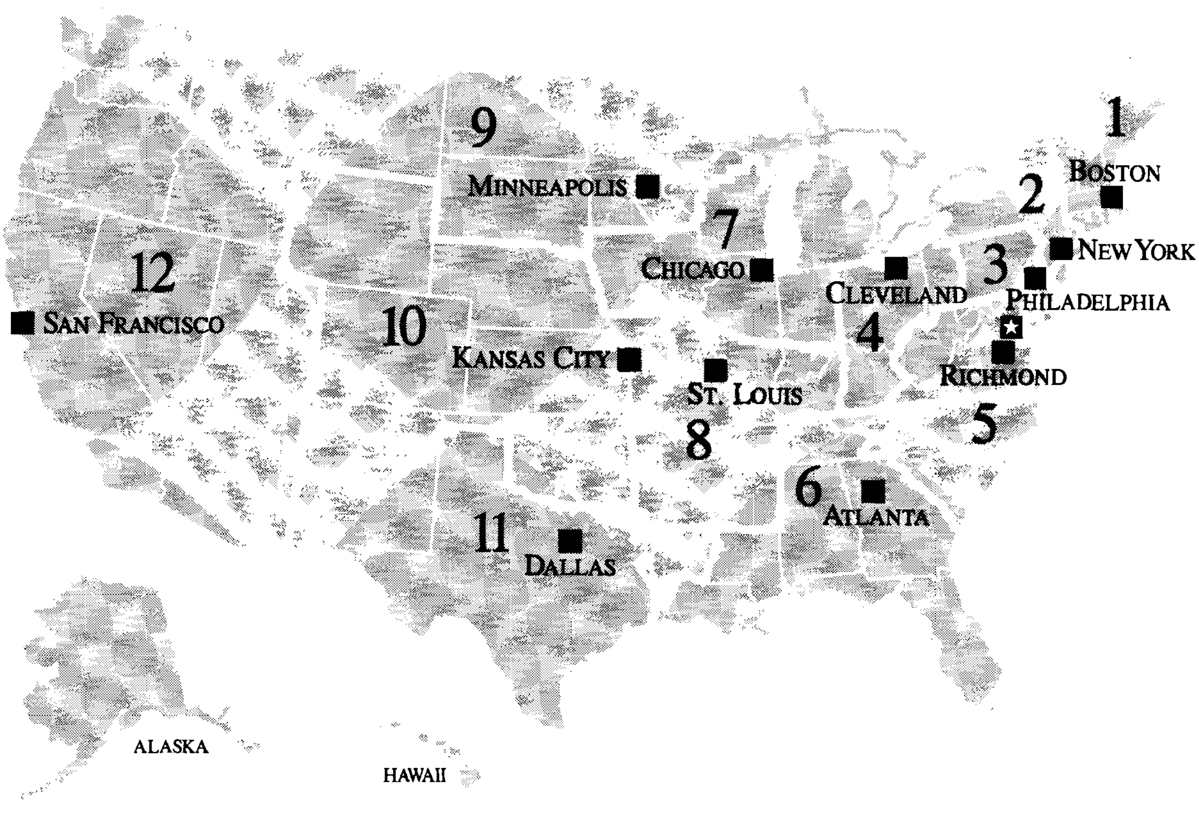
Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

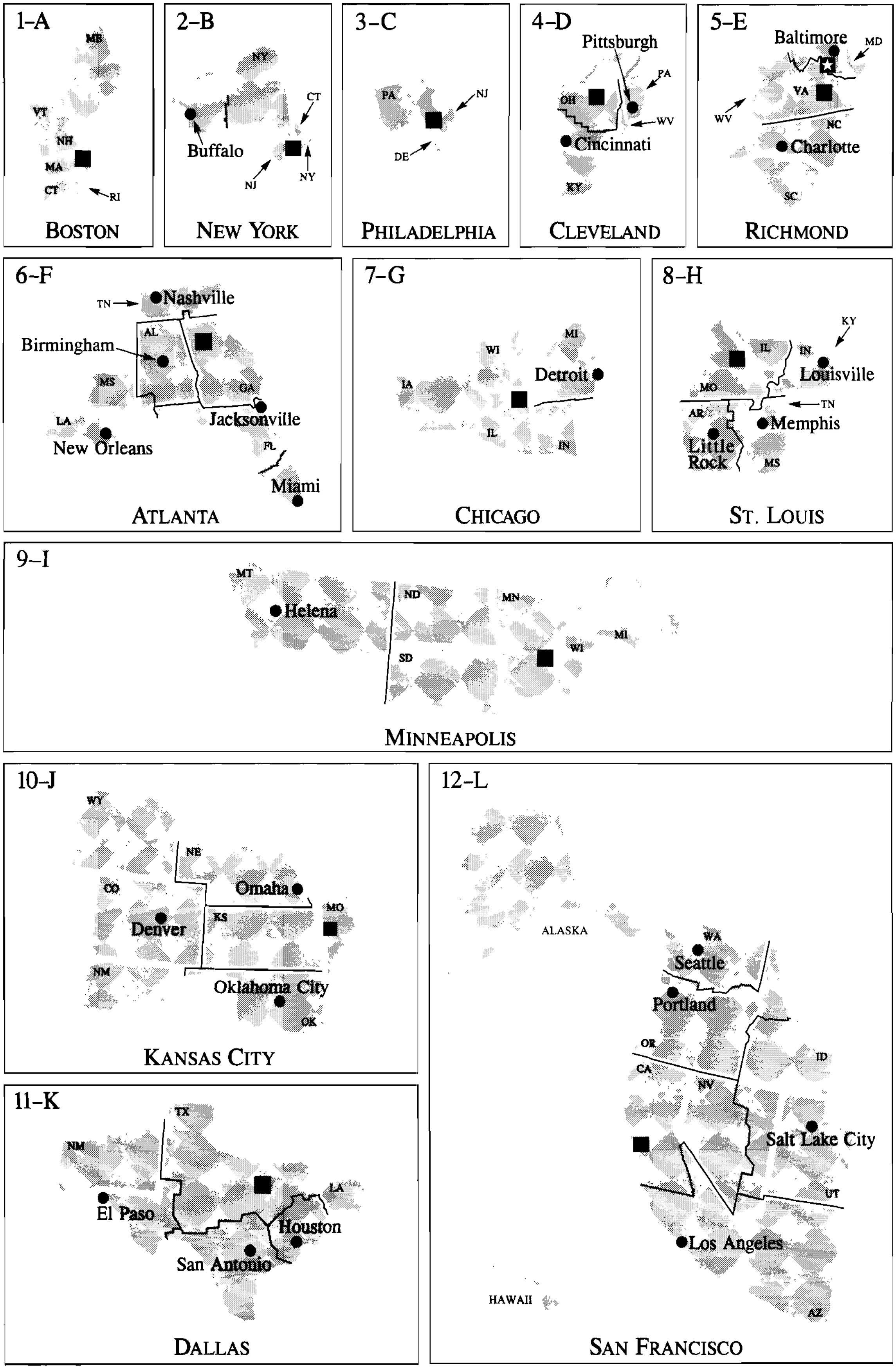
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

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


1-A
ME
VT
NH
MA
CT
RI
BOSTON
2-B
NY
CT
Buffalo
NJ
NY
NEW YORK
3-C
PA
NJ
DE
PHILADELPHIA
4-D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5-E
Baltimore
MD
VA
WV
NC
Charlotte
SC
RICHMOND
6-F
TN
Nashville
AL
Birmingham
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7-G
MI
WI
Detroit
IA
IL
IN
CHICAGO
8-H
KY
IL
IN
Louisville
MO
TN
AR
Memphis
Little Rock
MS
ST. LOUIS
9-I
MT
Helena
ND
MN
SD
WI
MI
MINNEAPOLIS
10-J
WY
NE
Omaha
CO
MO
KS
Denver
NM
Oklahoma City
OK
KANSAS CITY
11-K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12-L
ALASKA
WA
Seattle
Portland
OR
CA
NV
ID
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard Frederick J. Mancheski	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Ernest T. Patrikis	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy Joan Carter	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan, III		Harold J. Swart[1]
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Rebecca Hahn Windsor		William J. Tignanelli[1]
Charlotte	28230	Dennis D. Lowery		Dan M. Bechter[1]
ATLANTA	30303	Hugh M. Brown David R. Jones	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	D. Bruce Carr		Fred R. Herr[1]
Jacksonville	32231	Patrick C. Kelly		James D. Hawkins[1]
Miami	33152	Kaaren Johnson-Street		James T. Curry III
Nashville	37203	James E. Dalton, Jr.		Melvyn K. Purcell
New Orleans	70161	Jo Ann Slaydon		Robert J. Musso
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	Thomas C. Melzer W. LeGrande Rives	
Little Rock	72203	Robert D. Nabholz, Jr.		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		Martha L. Perine
MINNEAPOLIS	55480	Jean D. Kinsey David A. Koch	Gary H. Stern Colleen K. Strand	
Helena	59601	Matthew J. Quinn		John D. Johnson
KANSAS CITY	64198	A. Drue Jennings Jo Marie Dancik	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	Arthur L. Shoener		Bradley C. Cloverdyke
DALLAS	75201	Roger R. Hemminghaus Cece Smith	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Alvin T. Johnson		Sammie C. Clay
Houston	77252	I. H. Kempner, III		Robert Smith, III[1]
San Antonio	78295	H. B. Zachry, Jr.		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad Gary G. Michael	Robert T. Parry John F. Moore	
Los Angeles	90051	Anne L. Evans		Mark L. Mullinix[1]
Portland	97208	Carol A. Whipple		Raymond H. Laurence[1]
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President