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# Monetary Policy Report to the Congress

*Report submitted to the Congress on February 24, 1998, pursuant to the Full Employment and Balanced Growth Act of 1978*

## MONETARY POLICY AND THE ECONOMIC OUTLOOK

The U.S. economy turned in another excellent performance in 1997. Growth was strong, the unemployment rate declined to its lowest level in nearly a quarter-century, and inflation slowed further. Impressive gains were also made in other important respects: The federal budget moved toward balance much more quickly than almost anyone had anticipated; capital investment, a critical ingredient for long-run growth, rose sharply further; and labor productivity, the ultimate key to rising living standards, displayed notable vigor.

Among the influences that have brought about this favorable performance are the sound fiscal and monetary policies that have been pursued in recent years. Budgetary restraint at the federal level has raised national saving, easing the competition for funds in our capital markets and thereby encouraging greater private investment. Monetary policy, for its part, has sought to foster an environment of subdued inflation and sustainable growth. The experience of recent years has provided additional evidence that the less households and businesses need to cope with a rising price level, or worry about the sharp fluctuations in employment and production that usually accompany inflationary instability, the more long-term investment, innovation, and enterprise are enhanced.

The circumstances that prevailed through most of 1997 required that the Federal Reserve remain especially attentive to the risk of a pickup in inflation. Labor markets were already tight when the year began, and nominal wages had started to rise faster than previously. Persistent strength in demand over the year led to economic growth in excess of the expansion of the economy's potential, intensifying the pressures on labor supplies. In earlier business expansions, such developments had usually produced an adverse turn in the inflation trend that, more often than not, was accompanied by a worsening of economic performance on a variety of fronts, culminating in recession.

Robust growth of spending early in the year heightened concerns among members of the Federal Open Market Committee (FOMC) that growing strains on productive resources might touch off a faster rate of cost and price rise that could eventually undermine the expansion. Financial market participants seemed to share these concerns: Intermediate- and long-term interest rates began moving up in December 1996, effectively anticipating Federal Reserve action. When the FOMC firmed policy slightly at its March meeting by raising the intended federal funds rate from 5¼ percent to 5½ percent, the market response was small.

The economy slowed a bit during the second and third quarters, and inflation moderated further. In addition, the progress being made by the federal government in reducing the size of the deficit was becoming more apparent. As a consequence, by the end of September, longer-term interest rates fell ¾ percentage point from their peaks in mid-April, leaving them about ¼ percentage point below their levels at the end of 1996. The decline in interest rates, along with continued reports of brisk growth in corporate profits, sparked increases in broad indexes of equity prices of 20 percent to 35 percent between April and September.

Even with a more moderate pace of growth, labor markets continued to tighten, generating concern among the FOMC members over this period that rising costs might trigger a rise in inflation. Consequently, at its meetings from May through November, the Committee adopted directives for the conduct of policy that assigned greater likelihood to the possibility of a tightening of policy than to the possibility of an easing of policy. Even though the Committee kept the nominal federal funds rate unchanged, it saw the rise in the real funds rate resulting from declining inflation expectations, together with the increase in the exchange value of the dollar, as providing some measure of additional restraint against the possible emergence of greater inflation pressures.

In the latter part of the year, developments in other parts of the world began to alter the perceived risks

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.

attending the U.S. economic outlook. Foreign economies generally had seemed to be on a strengthening growth path when the Federal Reserve presented its midyear monetary policy report to the Congress last July. But over the remainder of the summer and during the autumn, severe financial strains surfaced in a number of advanced developing countries in Asia, weakening somewhat the outlook for growth abroad and thus the prospects for U.S. exports. Although the circumstances in individual countries varied, the problems they encountered generally resulted in severe downward pressures on the foreign exchange values of their currencies; in many cases, steep depreciations occurred despite substantial upward movement of interest rates. Asset values in Asia, notably equity and real estate prices, also declined appreciably in some instances, leading to losses by financial institutions that had either invested in those assets or lent against them; nonfinancial firms began to encounter problems servicing their obligations. In many instances the debts of nonfinancial and financial firms were denominated in dollars and unhedged. Concerted international efforts to bring economic and financial stability to the region are under way, and some progress has been made, but it is evident that in several of the affected economies the process of adjustment will be painful. Meanwhile, economic activity in Japan stagnated, in part because of the developments elsewhere in East Asia, and the weaknesses in the Japanese financial system became more apparent.

The steep depreciations of many Asian currencies contributed to a substantial further appreciation of the U.S. dollar. Measured against a broad set of currencies that includes those of the advanced developing countries of Asia, the exchange value of the dollar, adjusted for relative consumer prices, has moved up about 8 percent since October and has increased about 16 percent from its level at the end of 1996. The dollar has also appreciated, on balance, against an index of currencies of the G-10 (Group of Ten) industrial countries; this G-10 trade-weighted index of dollar exchange rates is up about 13 percent in nominal terms since the end of 1996.

The difficulties in Asia contributed to additional declines of ¼ to ½ percentage point in the yields on intermediate- and long-term Treasury securities in the United States between mid-autumn and the end of the year. These decreases were due in part to an international flight to the safe haven of dollar assets, but they also reflected expectations that these difficulties would exert a moderating influence on the growth of aggregate demand and inflation in the United States. Equity prices were quite volatile but showed little trend in the fourth quarter. In light of the ongoing difficulties in Asia and the possible effects on the United States, the FOMC not only left interest rates unchanged in December, but shifted its instructions to the Manager of the System Open Market Account to symmetry between ease and tightening in the near term.

Some spillover from the problems in Asia has recently begun to appear in reports on business activity in the United States. Customers in the advanced developing countries reportedly have canceled some of the orders they had previously placed with U.S. firms, and companies more generally are expressing concerns about the possibilities of both reduced sales to Asia and more intense price competition here as the result of the sharp changes in exchange rates. Nonetheless, the available statistics suggest on balance that overall growth of output and employment has remained brisk in the early part of 1998.

Confronted with the marked crosscurrents described above—involving both upside and downside risks to the growth of output and prospects for inflation—the FOMC earlier this month once again chose to hold its federal funds rate objective unchanged. In credit markets, interest rates have fallen further this year as the effects of the Asian turmoil seemed even more likely to restrain any tendencies toward unsustainable growth and greater inflation in the United States. With interest rates lower and the negative effects of the Asian problems seen by market participants as mostly limited to particular sectors, broad indexes of equity prices have risen appreciably, many to new highs.

## *Economic Projections for 1998*

The outlook for 1998 is clouded with a greater-than-usual degree of uncertainty. Part of that uncertainty is a reflection of the financial and economic stresses that have developed in Asia, the full consequences of which are difficult to judge. But there are some other significant question marks as well, many of them growing out of the surprising performance of the U.S. economy in 1997: Growth was considerably stronger and inflation considerably lower than Federal Reserve officials and most private analysts had anticipated.

Some of the key forces that gave rise to this favorable performance can be readily identified. An ongoing capital spending boom, encouraged in part by declining prices of high-technology equipment, provided stimulus to aggregate demand and at the same time created the additional capacity to help meet that demand. A further jump in labor productivity that was fueled partly by the buildup of capital helped firms overcome the production and pricing challenges posed by tight labor markets. A surprisingly robust stock market bolstered the finances of households and enabled them to spend more freely. Falling world oil prices reduced the prices of petroleum products and helped hold down the prices of other energy-intensive goods. Finally, a rising dollar imposed additional restraint on inflation, as prices of imported goods fell appreciably. Circumstances as favorable as those of 1997 are not likely to persist, although several elements in the recent mix could help maintain, for some time, a more favorable economic performance than historical relationships would suggest.

In assessing the situation, the members of the Board of Governors and the Reserve Bank presidents, all of whom participate in the deliberations of the FOMC, think that the most likely outcome for 1998 will be one of moderate growth, low unemployment, and low inflation. Most of them have placed their point estimates of the rise in real gross domestic product from the fourth quarter of 1997 to the fourth quarter of 1998 in the range of 2 percent to 2¾ percent. The civilian unemployment rate in the fourth quarter of 1998 is expected to be at about its recent level. For the most part, the forecasts have the total consumer price index for all urban consumers rising between 1¾ percent and 2¼ percent this year. These predictions do not differ appreciably from those recently put forth by the Administration.

Although developments in Asia over the past few months have not yet affected aggregate U.S. economic performance in a measurable way, these influences will likely become more visible in coming months. Growth of U.S. exports is expected to be restrained by weaknesses in Asian economies and by the lagged effects of the appreciation of the dollar since 1995. Moreover, with the rise in the dollar's value making imports less expensive, some U.S. businesses and consumers will likely switch from domestic to foreign sources for some of their purchases. But the timing and magnitude of these developments are hard to predict.

In contrast to the slower growth that seems to be in prospect for exports, domestic spending seems likely to maintain considerable strength in coming quarters. Households as a group are quite upbeat in their assessments of their personal finances—as might be expected in conjunction with expanding job opportunities, rising incomes, and huge gains in wealth. Recently, many households have taken advantage of lower long-term interest rates by refinancing their home mortgages, and this will provide a little additional wherewithal for spending. Moreover, the decline in mortgage rates is also bolstering housing construction.

Business outlays for fixed investment seem likely to advance at a relatively brisk pace in the coming year, although gains as large as those of the past couple of years may be difficult to match. Outlays for computers, which have dominated the investment surge of the past few years, should climb substantially further as businesses press ahead with new investment in the latest technologies, encouraged in part by ongoing price declines. With labor markets tight, firms continue to see capital investment as the key in efforts to increase efficiency and maintain competitiveness. Internally generated funds remain adequate to cover the bulk of businesses' investment outlays, and those firms turning to the debt and equity markets are most often finding financing generously available on good terms. Inventory growth will likely put less pressure on business cash flow this year; after adding to stocks at a substantial clip in 1997, businesses seem likely to scale back such investment somewhat, especially as they perceive a moderation in sales increases.

The Federal Reserve policymakers' forecasts of the average unemployment rate in the fourth quarter of 1998 are mostly around 4¾ percent. The persistence for another year of this degree of tightness in the labor market means that firms will likely continue to face difficulties in finding workers and that hiring and retaining workers could become more costly. Indeed, there are indications that wage inflation picked up further at the end of last year. Improvements in labor productivity have become more sizable in the past couple of years, and if such gains can be extended, wage increases of the magnitude of those of 1997 need not translate into greater price

1 Economic projections for 1998

Percent

| Indicator | Federal Reserve governors and Reserve Bank presidents | | Administration |
|---|---|---|---|
| | Range | Central tendency | |
| *Change, fourth quarter to fourth quarter*[1] | | | |
| Nominal GDP | 3½–5 | 3¼–4½ | 4.0 |
| Real GDP[2] | 1¼–3 | 2–2¼ | 2.0 |
| Consumer price index[3] | 1½–2½ | 1¾–2¼ | 2.2 |
| *Average level, fourth quarter* | | | |
| Civilian unemployment rate | 4½–5 | about 4¾ | 5.0 |

1. Change from average for fourth quarter of 1997 to average for fourth quarter of 1998.

2. Chain-weighted.

3. All urban consumers.

inflation. The more rapid growth in productivity is consistent with the high level of capital investment in recent years, but the extent to which the trend in productivity has picked up is still uncertain. Furthermore, if momentum in nominal wages continues to build, the pay increases will eventually squeeze profit margins and place upward pressures on prices, even with exceptional productivity gains. The strains in labor markets therefore constitute an ongoing inflationary risk that will have to be monitored closely.

In the near term, however, there are several factors that should lessen the risk of a step-up in inflation. Manufacturing capacity remains ample, and bottlenecks are not hampering production. The recent appreciation of the dollar should damp inflation both because of falling import prices and because the added competition from imports may induce domestic producers to hold down prices. Oil prices have weakened considerably since the latter part of 1997 in response to abundant supplies, the softening of demand in Asia, and a mild winter. Ample supplies and the prospect of softer global demand have been depressing the prices of many other commodities, both in agriculture and in industry. Perhaps most important, as the low level of inflation that has prevailed in recent years gets built into wage agreements, other contracts, and individuals' inflation expectations, it will provide an inertial force helping sustain the favorable price performance for a time.

Although many of the factors currently placing restraint on inflation are not necessarily long lasting, the Committee judged that their effect in 1998 would about offset the pressures from tight labor markets. Consequently, the Board members and Reserve Bank presidents anticipate that the rate of price inflation will change little this year. Again in 1998, the FOMC will be monitoring a variety of price measures in addition to the CPI for indications of changes in inflation and will be assessing movements in the CPI in the context of ongoing technical improvements by the Bureau of Labor Statistics that are likely to damp the reported 1998 rise in that index.

### *Money and Debt Ranges for 1998*

In establishing the ranges for growth of broad measures of money over 1998, the Committee recognized the considerable uncertainty that still exists about the behavior of the velocities of these aggregates. The velocity of M3 (the ratio of nominal GDP to the monetary aggregate) in particular has proved difficult to predict. Last year, the growth of this aggregate relative to spending was affected by the rapid increase in depository credit and by the way in which that increase was funded, as well as by the changing cash management practices of corporations, which have been using the services of institution-only money funds in M3. These factors boosted M3 growth last year to 8¾ percent, 3 percentage points faster than nominal GDP—an unusually large decline in M3 velocity. Going forward, it seems likely that M3 growth will continue to be buoyed by robust credit growth at depositories and continuing shifts in cash management. Thus, its velocity is likely to decline further, though the amount of decline is difficult to predict.

The relationship of M2 to spending in recent years has come back more into line with historical patterns in which the velocity of M2 tended to be fairly constant, except for the effects of the changing opportunity cost of M2—the spread between yields that savers could earn holding short-term market instruments and those that they could earn holding M2. In the early 1990s, M2 velocity departed from this pattern, rising substantially and atypically. Even after the unusual shift of the early 1990s died out, M2 velocity continued to drift somewhat higher from 1994 into 1997. That drift probably reflected some continued, albeit more moderate, redirection of savings into bond and equity markets, especially through the purchase of mutual funds. However, last year the drift abated. There was little change, on balance, in the opportunity cost of holding M2, and M2 velocity also was about unchanged, as M2 grew 5½ percent, nearly the same as nominal GDP. Nevertheless, the upward drift could resume in the years ahead as financial innovations or perceptions of attractive returns lead households to further shift their savings away from M2 balances. Or velocity might be pushed downward if volatility or setbacks in bond and stock markets were to lead investors to seek the safety of M2 assets, which have stable principal.

In light of the uncertainties about the behavior of velocities, the Committee followed its practice of recent years and established the ranges for 1998 not as expectations for actual money growth, but rather as benchmarks for M2 and M3 behavior that would

2. Ranges for growth of monetary and debt aggregates
Percent

| Aggregate | 1996 | 1997 | 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.

be consistent with sustained price stability, assuming velocity change in line with pre-1990 historical experience. Thus, the ranges for fourth-quarter to fourth-quarter growth are unchanged from those in 1997: 1 percent to 5 percent for M2, and 2 percent to 6 percent for M3. Given the central tendency of the Committee's forecast for growth of nominal GDP of 3¾ percent to 4½ percent, M2 is likely to be in the range, perhaps in the upper half, if short-term interest rates do not change much and velocity continues recent patterns. For M3, however, a continuation of recent velocity behavior could imply growth around the upper end of, if not above, the price-stability range.

Debt of the nonfinancial sectors grew 4¾ percent in 1997, near the middle of the range of 3 percent to 7 percent established by the Committee last February. As with the monetary aggregates, the Committee has left the range for debt unchanged for 1998. The range it has chosen encompasses the likely growth of debt given Committee members' forecasts of nominal GDP. Except for the 1980s, the growth of debt has tended to be reasonably in line with the growth of nominal GDP.

Although the ranges for money and debt are not set as targets for monetary policy in 1998, the behavior of these variables, interpreted carefully, can at times provide useful information about the economy and the workings of the financial markets. The Committee will continue to monitor the movements of money and debt—along with a wide variety of other financial and economic indicators—to inform its policy deliberations.

## *Economic and Financial Developments in 1997 and Early 1998*

The past year has been an exceptionally good one for the U.S. economy. Initial estimates indicate that real GDP increased nearly 4 percent over the four quarters of 1997. Household and business expenditures continued to rise rapidly, owing in part to supportive financial conditions, including a strong stock market, ample availability of credit, and, from April onward, declining intermediate- and long-term interest rates. In the aggregate, private domestic spending on consumption and investment rose nearly 5 percent on an inflation-adjusted basis. The strength of spending, along with a further sizable appreciation of the foreign exchange value of the U.S. dollar, brought a surge of imports, the largest in many years. Export growth, while lagging that of imports, also was substantial despite the appreciation of the dollar and the emergence after midyear of severe financial difficulties in several foreign economies, particularly among the advanced developing countries in Asia.

Meanwhile, inflation slowed from the already reduced rates of the previous few years. Although wages and total hourly compensation accelerated in a tight labor market, the inflationary impulse from that source was more than offset by other factors, including rising competition from imports, the price restraint from increased manufacturing capacity, and a sizable gain in labor productivity.

### *The Household Sector*

#### Consumption Spending, Income, and Saving

Bolstered by increases in income and wealth, personal consumption expenditures rose substantially during 1997—about 3¾ percent, according to the initial estimate. Expenditures strengthened for a wide variety of durable goods. Real outlays on home computers continued to soar, rising even faster than they did over the previous few years. Strength also was reported in purchases of furniture and home appliances—products that tend to do well when home sales are strong. Consumer expenditures on motor vehicles rose moderately, on net, more than reversing the small declines of the previous two years. Real expenditures on services increased more than 4 percent in 1997, the largest gain of recent years. Personal service categories such as recreation, transportation, and education recorded large increases. Consumers also boosted their outlays for business services, including outlays related to financial transactions.

Real disposable personal income—after-tax income adjusted for inflation—is estimated to have increased about 3¾ percent during 1997, a gain that was exceeded on only one occasion in the previous decade. Income was boosted this past year by sizable gains in wages and salaries and by another year of large increases in dividends.

Measured in terms of annual averages, the personal saving rate fell further in 1997, according to current estimates. The 1997 average of 3.8 percent was about ½ percentage point below the 1996 average and roughly a full percentage point below the 1995 average. It also was the lowest annual reading in several decades. Various surveys of households show consumers to have become increasingly optimistic about prospects for the economy, and this rising degree of optimism may have led them to spend more freely from current income. Support for additional spending came from the further rise in the stock market, as the capital gains accruing to households increased the chances of their meeting longer-run net worth objectives even as they consumed a larger proportion of current income.

### Residential Investment

Preliminary data indicate that real residential investment increased nearly 6 percent during 1997. Real outlays for the construction of new single-family structures rose moderately, and outlays for the construction of multifamily units continued to recover from the extreme lows that were reached earlier in the decade. Real outlays for home improvements and brokers' commissions, categories that have a combined weight of more than 35 percent in total residential investment, moved up substantially from the final quarter of 1996 to the final quarter of 1997. Spending on mobile homes, a small part of the total, also advanced.

The indicators of single-family housing activity were almost uniformly strong during the year. Sales of houses surged, driven by declines in mortgage interest rates and the increasingly favorable economic circumstances of households. Annual sales of new single-family houses were up about 5½ percent from the number sold in the preceding year, and sales of existing homes moved up about 3 percent. House prices moved up more quickly than prices in general. Responding to the strong demand, starts of new single-family units remained at a high level, only a touch below that of 1996; the annual totals for single-family units have now exceeded 1 million units for six consecutive years, putting the current expansion in single-family housing construction nearly on a par with that of the 1980s in terms of longevity and strength. In January of this year, starts of and permits for single-family units were both quite strong.

Starts of multifamily units increased in 1997 for the fourth year in a row and were about double the record low of 1993. The increased construction of these units was supported by a firming of rents, abundant supplies of credit, and a reduction in vacancy rates in some markets. The national vacancy rate came down only slightly, however, and it has reversed only a portion of the sharp run-up that took place in the 1980s. This January, starts of multifamily units fell back to about the 1997 average after having surged to an exceptionally high level in the fourth quarter.

The home-ownership rate—the number of households that own their dwellings divided by the total number of households—moved up further in 1997, to about 65¾ percent, a historical high. The rate had fallen in the 1980s but has risen almost 2 percentage points in this decade.

### Household Finance

Household net worth appears to have grown roughly $3½ trillion during 1997, ending at its highest multiple relative to disposable personal income on record. Most of this increase in net worth was the result of upward revaluations of household assets rather than additional saving. In particular, capital gains on corporate equities accounted for about three-fourths of the increase in net worth. Flows of household assets into mutual funds, pensions, and other vehicles for holding equities indirectly were exceeded by outflows from directly held equities.

Household borrowing not backed by real estate, including credit card balances, auto loans, and other consumer credit, increased 4¾ percent in 1997. These obligations grew at double-digit rates in 1994 and 1995, but their growth has slowed fairly steadily since then. Mortgage borrowing, by contrast, has experienced relatively muted swings in growth during the current expansion. Home mortgages are estimated to have grown 7 percent last year, only a bit slower than in 1996. Within this category of credit, however, home equity loans have advanced sharply, reflecting in part the use of these loans in refinancing and consolidating credit card and other consumer obligations.

An element in the slowing of consumer credit growth may have been assessments by some households that they were reaching the limits of their capacity for carrying debt and by some lenders that they needed to tighten selectively their standards for granting new loans. In the mid-1990s, the percentage of household income required to meet debt obligations rose to the upper end of its historical range, in large part because of a sharp rise in credit card debt. Between 1994 and 1996 personal bankruptcies grew at more than a 20 percent annual rate, to some extent because of households' rising debt burden; a change in the federal bankruptcy law and a secular trend toward associating less social stigma with bankruptcy also may have contributed. Over the same period, delinquency and charge-off rates on consumer loans increased significantly.

Last year, however, because the growth of household debt only slightly outpaced that of income while interest rates drifted lower, the household debt-service burden did not change. Reflecting in part the stability of the aggregate household debt burden, delinquency rates on many segments of consumer credit plateaued, although charge-off rates generally continued to rise somewhat. Personal bankruptcies advanced again last year but showed some signs of leveling off in the third quarter.

Some of the apparent leveling out of household debt-repayment problems may also have resulted from efforts by lenders to stem the growth of losses on consumer loans. For the past two years, a large percentage of the respondents to the Federal Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices have reported tightened standards on consumer loans. But the percentages reporting tightening have fallen a bit in the last few surveys, suggesting that many banks feel that they have now altered their standards sufficiently.

Although banks pulled back a bit from consumer lending, most households had little trouble obtaining credit in 1997. Bank restraint has most commonly taken the form of imposing lower credit limits or raising finance charges on outstanding balances; credit card solicitations continued at a record pace. Furthermore, many respondents to the Federal Reserve's January 1998 survey of loan officers said their banks had eased terms and standards on home equity loans, providing consumers easier access to an alternative source of finance.

Mortgage rates fell last month to levels that led many households to apply for loan refinancing. When households refinance, they may choose among options that have differing implications for cash flow, household balance sheets, and spending. Some households may decide to reduce their monthly payments, keeping the size of their mortgages unchanged. Others may keep their monthly payments unchanged, either speeding up their repayments or increasing their mortgages and taking out cash in the process, perhaps to augment current expenditures. In any case, the wave of refinancings is likely having only a small effect on the overall economy because the current difference between the average rate on outstanding mortgages and the rate on new ones is not very large.

## *The Business Sector*

### Investment Expenditures

Adjusted for inflation, businesses' outlays for fixed investment rose about 8 percent during 1997 after gaining about 12 percent during 1996. Spending continued to be spurred by rapid growth of the economy, favorable financial conditions, attractive purchase prices for new equipment, and optimism about the future. Business outlays for equipment, which account for more than three-fourths of total business fixed investment, moved up about 12 percent this past year, making it the fourth year of the last five in which the annual gains have exceeded 10 percent. As in previous years of the expansion, real investment rose fastest for computers, the power of which continued to advance rapidly at the same time their prices continued to decline. Spending also moved up briskly for many other types of equipment, including communications equipment, commercial aircraft, industrial machinery, and construction machinery.

Real outlays for nonresidential construction, the remaining portion of business fixed investment, declined somewhat in 1997 after moving up in each of the four previous years. Construction of office buildings continued to increase in 1997, but sluggishness was apparent in the expenditure data for many other types of structures. Nonetheless, a tone of underlying firmness was apparent in other indicators of market conditions. Vacancy rates declined, for example, and rents seemed to be picking up. In some areas of the country, more builders have been putting up new office buildings on "spec"—that is, undertaking new construction before occupants have been lined up. The new projects are apparently being spurred to some degree by the ready availability of financing.

Business inventory investment picked up considerably in 1997. According to the initial estimate, the level of inventories held by nonfarm businesses rose about 5 percent in real terms over the course of the year after increasing roughly 2 percent in 1996. Accumulation was especially rapid in the commercial aircraft industry, in which production has been ramped up in response to a huge backlog of orders for new jets. With the rate of inventory growth outpacing the growth of final sales last year, the stock-to-sales ratio in the nonfarm sector ticked up slightly, after a small decline in the preceding year. Although inventory accumulation does not seem likely to persist at the pace of 1997, businesses in general do not appear to be uncomfortable with the levels of stocks they have been carrying.

### Corporate Profits and Business Finance

The economic profits of U.S. corporations (book profits after inventory valuation and capital consumption adjustments) increased at more than a 14 percent annual rate over the first three quarters of 1997, and the profits of nonfinancial corporations from their domestic operations grew at a 13½ percent annual rate. In the third quarter, nonfinancial corporate profits amounted to nearly 14 percent of that sector's nominal output, up from 7¼ percent in 1982 and the highest share since 1969. The elevated profit share reflects both the high level of cash flow before interest costs, which also stands at a multiyear peak relative to output, and the reductions in interest costs that have taken place in the 1990s. Fourth-quarter profit announcements indicate that year-over-year growth in earnings was fairly strong; few corporations reported that they had experienced much fallout yet from the events in Asia, but many warned that profits in the first half of 1998 will be significantly affected.

Despite the rapid growth in profits, the financing gap for nonfinancial corporations—capital expenditures less internal cash flow—widened, reflecting the strong expansion of spending on capital equipment and inventories. Furthermore, on net, firms continued to retire a large volume of equity, adding further to borrowing needs, as substantial gross issuance was swamped by stock repurchases and merger-related retirements. Given these financing requirements, the growth of nonfinancial corporate debt picked up to more than a 7 percent rate last year.

With the debt of nonfinancial corporations advancing briskly, the ratio of their interest payments to cash flow was about unchanged last year, after several years of decline that had left it at quite a low level. Consequently, measures of debt-repayment difficulties also were very favorable last year: The default rate on corporate bonds remained extremely low, and the number of upgrades of debt about equaled the number of downgrades. Similarly, only small percentages of business loans at banks were delinquent or charged off. The rate of business bankruptcies increased a bit but was still fairly low.

Businesses continued to find credit amply supplied at advantageous terms last year. The spread between yields on investment-grade bonds and yields on Treasury securities of similar maturities remained narrow, varying only a little during the year. The spreads on below-investment-grade bonds fell over the year, touching new lows before widening a bit in the fall and early this year; the widening occurred in large part because these securities benefited less from the flight to U.S. assets in response to events in Asia than did Treasury securities. Banks also appeared eager to lend to businesses. Large percentages of the respondents to the Federal Reserve's surveys, citing stiff competition as the reason, said they had eased terms—particularly spreads—on business loans last year. Much smaller percentages reported having eased standards on these loans. The high ratios of stock prices to earnings suggest that equity finance was also quite cheap last year. Nevertheless, the market for initial public offerings of equity was cooler than in 1996—new issues were priced below the expected range more often than above it, and first-day trading returns were smaller on average.

The pickup in business borrowing was widespread across funding sources. Outstanding commercial paper, which had declined a bit in 1996, posted strong growth in 1997, as did bank business loans. Gross issuance of bonds was extremely high, particularly bonds with ratings below investment grade. Such lower-rated bonds made up nearly half of all issuance, a new record. Although sales of new investment-grade bonds slowed a bit in the fall, corporations were apparently waiting out the market volatility at that time, and issuance picked back up in January. Banks, real estate investment trusts, and commercial-mortgage-backed securities were the most significant sources of funds for income properties—residential apartments and commercial buildings—the financing of which expanded further last year.

## *The Government Sector*

### Federal Expenditures, Receipts, and Finance

Nominal outlays in the unified budget increased about 2½ percent in fiscal year 1997 after moving up 3 percent in fiscal 1996. Fiscal 1997 was the sixth consecutive year that the growth of spending was less than the growth of nominal GDP. During that period, spending as a percentage of nominal GDP fell from about 22½ percent to just over 20 percent. The set of factors that have combined to bring about this result includes implementation of fiscal policies aimed at reducing the deficit, which has helped slow the growth of discretionary spending and spending on some social and health services programs, and the strength of the economy, which has reduced outlays for income support.

In nominal terms, small to moderate increases were recorded in most major expenditure categories in fiscal 1997. Net interest outlays, which have been accounting for about 15 percent of total unified outlays in recent years, rose only a small amount in 1997, as did nominal outlays for defense and those for income security. Expenditures on Medicaid rose moderately for a second year after having grown very rapidly for many years; spending in this category has been restrained of late by the strong economy, the low rate of inflation in the medical area, and policy changes in the Medicaid program. Policy shifts and the strong economy also cut into outlays for food stamps, which fell about 10 percent in fiscal 1997. By contrast, spending on Medicare continued to rise at about three times the rate of total federal outlays. Growth of outlays for social security also exceeded the rate of rise of total expenditures.

Real federal outlays for consumption and gross investment, the part of federal spending that is counted in GDP, were unchanged, on net, from the last quarter of 1996 to the final quarter of 1997. Real outlays for defense, which account for about two-thirds of the spending for consumption and investment, declined slightly, offsetting a small increase in nondefense outlays. Because of much larger declines in most other recent years, the level of real defense outlays at the end of 1997 was down about 22 percent from its level at the end of the 1980s; total real outlays for consumption and investment dropped about 14 percent over that period.

Federal receipts rose faster than nominal GDP for a fifth consecutive year in fiscal 1997; receipts were 19¾ percent of GDP last year, up from 17¾ percent in fiscal 1992. The ratio tends to rise during business expansions, mainly because of cyclical increases in the share of profits in nominal GDP. In the past couple of years, the ratio also has been boosted by the tax increases included in the Omnibus Reconciliation Act of 1993, by a rising income share of high-income taxpayers, and by receipts from surging capital gains realizations, which raise the numerator of the ratio but not the denominator because capital gains realizations are not part of GDP. In fiscal 1997, combined receipts from individual income taxes and social insurance taxes, which account for about 80 percent of total receipts, moved up about 9½ percent, even more than in fiscal 1996. Receipts from the taxes on corporate profits were up about 6 percent in fiscal 1997 after increasing about 9½ percent in the preceding fiscal year. The total rise in receipts in fiscal 1997, coupled with the subdued rate of increase in nominal outlays, resulted in a budget deficit of $22 billion, down from $107 billion in the preceding fiscal year.

With the budget moving close to balance, federal borrowing slowed sharply last year. The Treasury responded to the smaller-than-expected borrowing need by reducing sales of bills in order to keep its auctions of coupon securities predictable and of sufficient volume to maintain the liquidity of the secondary markets. The result was an unusually large net redemption of bills, which at times pushed yields on short-term bills down relative to yields on other Treasury securities and short-term private obligations.

Last year saw the first issuance by the Treasury of inflation-indexed securities. The Treasury sold indexed ten-year notes in January and April of last year and again this January, and sold five-year notes in July and October; it also announced that it would sell indexed thirty-year bonds this April. Investor interest in the securities at those auctions was substantial, with the ratios of received bids to accepted bids resembling those for nominal securities. As expected, most of the securities were quickly acquired by final investors, and the trading volume as a share of the outstanding amount has been much smaller than for nominal securities.

An important macroeconomic implication of the reduced federal deficit is that the federal government has ceased to be a negative influence on the level of national saving. The improvement in the federal government's saving position in recent years has more than accounted for a rise in the total gross saving of households, businesses, and governments, from about 14½ percent of gross national product earlier in the decade, when federal government saving was at a cyclical low and highly negative, to more than 17 percent in the first three quarters of 1997. This rise in domestic saving, along with increased borrowing from abroad, has financed the rise in domestic investment in this expansion. Still higher rates of saving and investment were the norm a couple of decades ago, when the personal saving rate was a good bit above its level in recent years.

### State and Local Governments

The real outlays of state and local governments for consumption and investment moved up about 2 percent over the four quarters of 1997, similar to the average since the start of the 1990s. Investment expenditures, which have grown about 2½ percent per annum this decade, rose at only half that pace in 1997, according to the initial estimate. However, real consumption expenditures increased 2¼ percent last year, a touch above the average for the decade. Compensation of government employees, which accounts for about three-fifths of real consumption and investment expenditures, rose about 1¾ percent in 1997 and has increased at an annual rate of only about 1¼ percent since the end of the 1980s.

The efforts of state and local governments to hold down their labor expenses are also reflected in the recent data on nominal wages and hourly compensation. According to the employment cost indexes, hourly compensation of the workers employed by state and local governments increased 2¼ percent in 1997, a little less than in 1996 and the smallest annual increase in the seventeen-year history of the series. The increase in the average hourly wage of state and local employees amounted to about 2¾ percent in 1997, roughly the same as the gain in 1996. The average hourly cost of the benefit packages provided to state and local employees rose only 1¼ percent, a percentage point less than the increase in 1996.

With costs contained and receipts continuing to rise with the growth of the economy, financial pressures that were evident among state and local governments earlier in the expansion have diminished. The increased breathing room in the budgets of recent years is apparent in the consolidated current account of these governments: Surpluses in that account, excluding those that are earmarked for social insurance funds, had dipped to a low of about 1½ percent of nominal receipts in 1991, but they have been larger than 3 percent of receipts in each of the past three years.

State and local debt expanded about 5¾ percent last year after changing little in 1996 and declining in the two preceding years. In those earlier years, municipal debt outstanding had been held down by the retirement of bonds that were "advance refunded" in the early 1990s. In such operations, funds that had earlier been raised and set aside were used to refund debt as it became callable. By the end of 1996, however, the stock of such debt had apparently been largely worked down.

## *External Sector*

### Trade and the Current Account

The nominal trade deficit for goods and services was $114 billion in 1997, little changed from the $111 billion deficit in 1996. For the first three quarters of the year, the current account deficit reached $160 billion at an annual rate, somewhat wider than the 1996 deficit of $148 billion. This deterioration of the current account largely reflects continued declines in net investment income, which for the first time recorded deficits in each of the first three quarters of the year.

The quantity of imports of goods and services expanded strongly during 1997—about 13 percent according to preliminary estimates—as the very rapid growth experienced during the first half of the year moderated slightly during the second half. The expansion was fueled by continued vigorous growth of U.S. GDP. Additional declines in non-oil import prices—related in large part to the appreciation of the dollar—contributed as well. Of the major trade categories, increases in imports were sharpest for capital goods and consumer goods.

Export growth was also strong in 1997, particularly during the first half of the year. The quantity of exports of goods and services rose nearly 11 percent, after a rise of 9¼ percent the preceding year. Despite further appreciation of the dollar, exports accelerated in response to the strength of economic activity abroad. Output growth in most of our industrial-country trading partners firmed in 1997 from the moderate rates observed in 1996. Among our developing-country trading partners, robust growth continued through much of the year, but the onset of crises in several Asian economies late in 1997 led to abrupt slowdowns in economic activity. Growth of exports to Latin American countries and to Canada was particularly strong. Exports to Western Europe also increased at a healthy pace.

### Capital Flows

In the first three quarters of 1997, large increases were reported in both foreign ownership of assets in the United States and U.S. ownership of assets abroad, reflecting the continued trend toward the globalization of both financial markets and the markets for goods. Little evidence of the gathering financial storm in Asia was apparent in the data on U.S. capital flows through the end of September. Foreign official assets in the United States rose $46 billion in the first three quarters of 1997. The increases were concentrated in the holdings of certain industrial countries and members of OPEC. Although substantial, these increases were below the pace for the first three quarters of 1996.

In contrast, increases in assets held by other foreigners in the first three quarters of 1997 surpassed those recorded in 1996. In particular, net purchases of U.S. Treasury securities by private foreigners rose to $130 billion, net purchases of U.S. corporate and other bonds reached $96 billion, and net purchases of U.S. stocks were a record $55 billion. In addition, foreign direct investment in the United States also posted a new high of $78 billion, as the strong pace of acquisitions of U.S. companies by foreigners continued.

U.S. direct investment abroad in the first three quarters of 1997 also exceeded the 1996 pace, with a record net outflow of $88 billion. U.S. net purchases of foreign securities in the first three quarters of 1997 were $74 billion, a little below the pace for 1996. However, net purchases of stocks in Japan and bonds in Latin America were up substantially. Banks in the United States reported a large increase in net claims on foreigners in the first quarter but only a modest increase in the next two quarters combined.

### The Labor Market

#### Employment, Productivity, and Labor Supply

More than 3 million jobs were added to nonfarm payrolls in 1997—a gain of nearly 2¾ percent, measured from December to December. Patterns of hiring mirrored the broadly based gains in output and spending. Manufacturing, construction, trade, transportation, finance, and services all exhibited appreciable strength. In manufacturing, the 1997 rise in the job count followed two years of little change. Elsewhere, the gains in 1997 came on top of substantial increases in other recent years. Especially rapid increases were posted this past year in some of the services industries, including computer services, management services, education, and recreation. Employment at suppliers of personnel, a category that includes the agencies that supply help on a temporary basis, also increased appreciably in 1997, but the gains in this category fell considerably short of those seen in previous years of the expansion. Help-supply firms reported that shortages of workers were limiting the pace of their expansion.

Labor productivity has risen rapidly over the past two years. Revised data show the 1996 gain in output per hour in the nonfarm business sector to have been about 1¾ percent, and the increase in 1997 was larger still—about 2¼ percent, according to the first round of estimates. Although the average rate of productivity increase since the end of the 1980s still is only a little above 1 percent per year, the data for the past two years provide hopeful indications that sustained high levels of investment in new technologies may finally be translating into a stronger trend.

The civilian unemployment rate fell more than ½ percentage point from the fourth quarter of 1996 to the fourth quarter of 1997, to an average of just under 4¾ percent. The rate held steady at this level in January of this year. For most of the past year, the rate has been running somewhat below the minimum that was reached in the expansion of the 1980s. A variety of survey data indicate that firms have had increased difficulty filling jobs.

After moving up a step in 1996, the labor force participation rate continued to edge higher in 1997. Without the increment to labor supply from increased participation over these two years, the unemployment rate would have fallen to an even lower level. Changes in the welfare system perhaps contributed to some extent to the small rise in participation in 1997, although this effect is difficult to disentangle from the normal tendency of participation to rise when the labor market is tight. Even though one-third of the adult population remained outside the labor force in 1997, the vast majority of those individuals likely were in pursuits that tended to preclude their workforce participation, such as retirement, schooling, or housework. The percentage of the working age population interested in work but not actively seeking it moved down further in 1997, to 2¼ percent in the fourth quarter, a record low in the history of the series, which began in 1970.

#### Wages and Hourly Compensation

According to the employment cost indexes, hourly compensation in private industry increased 3.4 percent from December of 1996 to December of 1997. This rise exceeded that of the previous year by 0.3 percentage point and was 0.8 percentage point greater than the increase of 1995. Although the patterns of change in hourly pay have varied quite a bit by industry and occupation over the past two years, the overall step-up seems to have been prompted, in large part, by the tightening of labor markets. The implementation of a higher minimum wage also seems to have been a factor in some industries and occupations, although its impact is difficult to assess precisely.

The wage and salary component of hourly compensation rose faster in 1997 than in any previous year of the expansion. Annual increases in the employment cost index for wages and salaries in private industry amounted to 2.8 percent in both 1994 and 1995, but the increases of 1996 and 1997 were 3.4 percent and 3.9 percent respectively. Wages and salaries in the service-producing industries accelerated nearly a full percentage point in 1997, pushed up, especially, by sharp pay increases in the finance, insurance, and real estate sector, in which commissions and bonuses have recently been boosted by high levels of mortgage refinancing and trading activity. By contrast, hourly wages in the goods-producing industries slowed a couple of tenths of a percentage point in 1997; the annual gains in these industries have been around 3 percent, on average, in each of the past six years.

Although the costs of the fringe benefits that companies provide to their employees also picked up in 1997, the yearly increase of 2.3 percent was not large by historical standards. As in other recent years, benefit costs in 1997 were restrained by a variety of influences. Most notably, the price of health care continued to rise at a subdued pace, and the ongoing strength of the economy limited the need for payments by firms to state unemployment trust funds. Even though some firms reported seeing renewed sharp increases in health care costs during the year, the employment cost data suggest that most firms still were keeping those costs under fairly tight control.

With nominal hourly compensation in almost all industries moving ahead at a faster pace than inflation, workers' pay generally increased in real terms, and the real gains were substantial in many occupations. Indeed, the employment cost index does not capture some of the forms of compensation that employers have been using to attract and retain workers--stock options and signing bonuses, for example.

### *Prices*

Indications of a slowing of inflation in 1997 were widespread in the various measures of aggregate price change. The consumer price index, which had picked up to more than a 3 percent rate of rise over the four quarters of 1996, increased slightly less than 2 percent over the four quarters of 1997 as energy prices turned down and increases in food prices slowed. The CPI excluding food and energy—a widely used gauge of the underlying trend of inflation—rose only 2¼ percent in 1997 after increases of 3 percent in 1995 and 2½ percent in 1996. The CPI for commodities other than food and energy rose about ½ percent over the four quarters of 1997 after moving up slightly more than 1 percent in 1996. Price increases for non-energy services, which have a much larger weight than commodities in the core CPI, also slowed a little in 1997; a 3 percent rise during the year was about ¼ percentage point less than the increase during 1996. Only small portions of the slowdowns between 1996 and 1997 in the total CPI and in the CPI excluding food and energy were the result of technical changes implemented by the Bureau of Labor Statistics.[1]

Other measures of aggregate price change also decelerated in 1997. The chain-type price index for gross domestic purchases—the broadest measure of prices paid by U.S. households, businesses, and governments—increased about 1½ percent during 1997 after moving up 2¼ percent in 1996. The chain-type price index for gross domestic product, a measure of price change for the goods and services produced in this country (rather than the goods and services purchased), increased 1¾ percent in the latest year after rising 2¼ percent in 1996. The steeper slowing of the price index for aggregate purchases relative to that for aggregate production was largely a reflection of the prices of imports, which fell faster in 1997 than in 1996. Falling computer prices were an important influence on many of these measures of aggregate price change—more so than on the CPI, which gave small weight to computers through 1997 but has started weighting them more heavily this year.

In real terms, imports of goods and services account for approximately 15 percent of the total purchases of households, businesses, and governments located in the United States. But that figure probably understates the degree of restraint that falling import prices have imposed on domestic inflation, because the lower prices for imports also make domestic producers of competing products less likely to raise prices. Prices have also been restrained by large additions to manufacturing capacity in this country, amounting to more than 5 percent in each of the past three years; this capacity growth helped to stave off the bottlenecks that so often have developed in the more advanced stages of other postwar business expansions. A gain in manufacturing production of more than 6 percent this past year was accompanied by only a moderate increase in the factory operating rate, which, at year-end, remained well

3. Alternative measures of price change

Percent

| Price measure | 1996 | 1997 |
|---|---|---|
| ***Fixed-weight*** | | |
| **Consumer price index** | 3.2 | 1.9 |
| **Excluding food and energy** | 2.6 | 2.2 |
| ***Chain-type*** | | |
| **Personal consumption expenditures** | 2.7 | 1.5 |
| **Excluding food and energy** | 2.3 | 1.6 |
| **Gross domestic purchases** | 2.3 | 1.4 |
| **Gross domestic product** | 2.3 | 1.8 |

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

1. Over the past three years, the Bureau of Labor Statistics has introduced a number of technical changes in its procedures for compiling the CPI, with the aim of obtaining a more accurate measure of price change. Typically, the changes have only a small effect on the results for any particular year, but their cumulative effects are somewhat larger and are tending to hold down the reported increases of recent years relative to what would have been reported with no changes in procedures. Apart from the procedural changes, the reported rate of rise from 1998 forward will also be affected by an updating of the CPI market basket, an action that the BLS undertakes approximately every ten years.

below the highs reached in other recent expansions and the peak for this expansion, which was recorded about three years ago.

Reflecting the ample domestic supply and the effects of competition from goods produced abroad, the producer price index for finished goods declined about ¾ percent from the fourth quarter of 1996 to the fourth quarter of 1997; excluding food and energy, it rose only fractionally. Prices of domestically produced materials (other than food and energy) also rose only slightly, on net. The prices of raw industrial commodities, many of which are traded in international markets, declined over the year; the weakness of prices in these markets was especially pronounced in late 1997, when the crises in Asia were worsening. Industrial commodity prices fell further in the first couple of weeks of 1998, but they since have changed little, on balance. The producer price index fell sharply in January of this year; the index excluding food and energy declined slightly.

After moving up more than 4 percent in 1996, the consumer price index for food increased only 1¾ percent in 1997. Impetus for the large increase of 1996 had come from a surge in the price of grain, which peaked around the middle of that year; since then, grain prices have dropped back considerably. An echo of the up-and-down price pattern for grains appeared at retail in the form of sharp price increases for meats, poultry, and dairy products in 1996 followed by small to moderate declines for most of those products in 1997. Moderate price increases were posted at retail for most other food categories last year.

The CPI for energy has traced out an even bigger swing than the price of food over the past two years—a jump of 7½ percent over the four quarters of 1996 was followed by a decline of about 1 percent over the four quarters of 1997. As is usually the case in this sector, the key to these developments was the price of crude oil, which in 1997 more than reversed the run-up of the preceding year. Prices of oil have been held down in recent months by ample world supplies, the economic problems in Asia, and a mild winter.

Survey data on inflation expectations mostly showed moderate reductions during 1997 in respondents' views of the future rate of price increase, and some of the survey data for early 1998 have shown a more noticeable downward shift in inflation expectations. A lowering of inflation expectations has long been viewed as an essential ingredient in the pursuit of price stability, and the recent data are a sign that progress is still being made in that regard.

## *Credit, Money, Interest Rates, and Equity Prices*

### Credit and Depository Intermediation

The debt of the domestic nonfinancial sectors grew at a 4¾ percent rate last year, somewhat below the midpoint of the range established by the FOMC and less than in 1996, when it grew 5¼ percent. The deceleration was accounted for entirely by the federal component, which, because of the reduced budget deficit, rose less than 1 percent last year after having risen 3¾ percent in 1996. Nonfederal debt grew 6 percent, a bit more than in 1996, as the pickup in business borrowing more than offset the deceleration of household debt.

Depository institutions increased their share of credit flows in 1997, with credit on their books expanding 5¾ percent, up appreciably from growth in 1996. The growth of bank credit, adjusted to remove the effects of mark-to-market accounting rules, accelerated to an 8¼ percent pace, the largest rise in ten years; and banks' share of domestic nonfinancial debt outstanding climbed to its highest level since 1988. Bank credit accelerated in part because banks' holdings of securities—which had run off in 1995 and had been flat in 1996—expanded at a brisk pace last year; securities account for one-fourth of total bank credit. Loans, which make up the remainder of bank credit, also advanced a bit more quickly last year than in 1996, though more slowly than in 1995.

The increase in bank loans occurred despite a net decline in consumer loans on banks' books resulting both from sharply slower growth in loans originated by banks and from continued securitization of those loans. Real estate loans at banks, by contrast, posted solid growth last year. This category of credit benefited from a pickup in home mortgages, the rapid growth in home equity loans, which were substituting in part for consumer loans, an acceleration in commercial real estate lending, and the acquisition of thrift institutions by banks. Commercial and industrial loans expanded considerably last year, reflecting both the general rise in the demand by businesses for funds and an increase in banks' share of the nonmortgage business credit market as they competed vigorously for business loans by easing terms.

The rapid growth of banks' assets was facilitated by their continued high profitability and abundance of capital; at the end of the third quarter, nearly 99 percent of bank assets were at well-capitalized institutions. Problems with the repayment performance of consumer loans—which, while not deteriorating further, remained elevated by historical standards—hurt some banks; however, overall loan delinquency and charge-off rates stayed quite low, and measures of banks' profitability persisted at the elevated levels they have occupied for several years. Profits at a few large bank holding companies were reduced in the fourth quarter by trading losses resulting from the events in Asia. Nonetheless, the profits of the industry as a whole remained robust.

The profits and capital levels of thrift institutions, like those of banks, were high last year, and the thrifts also were aggressive lenders. The outstanding amount of credit extended by thrifts grew at about a 1½ percent pace last year, but this sluggishness reflected entirely the acquisitions of thrifts by commercial banks; among thrifts not acquired during the year, asset growth was similar to that of banks.

## The Monetary Aggregates

Boosted in part by the need to fund substantial growth in depository credit, M3 shot up last year, expanding 8¾ percent; this growth was well above the 2 percent to 6 percent annual range, which was intended to suggest the rate of growth over the long run consistent with price stability. M3 was augmented by a shift in sources of funding—mostly at U.S. branches and agencies of foreign banks—from borrowings from related offices abroad, which are not included in M3, to large time deposits issued in the United States, which are. Also contributing to the strength in M3 was rapid growth in institution-only money funds, which reflected gains by these funds in the provision of corporate cash management services. Corporations that manage their own cash often keep their funds in short-term assets that are not included in M3.

Although growth of M2 did not match that of M3, it increased at a brisk 5½ percent rate last year. As the Committee had anticipated, the aggregate was somewhat above the upper bound of its 1 percent to 5 percent annual range, which also had been chosen to be consistent with expected M2 growth under conditions of price stability. Because short-term interest rates responded only slightly to System tightening in March, the opportunity cost of holding M2—the interest earnings forgone by owning M2 assets rather than money market instruments such as Treasury bills—was about unchanged over the year. As M2 grew at about the same rate as nominal GDP, velocity was also essentially unchanged. The ups and downs of M2 growth last year mirrored those of the growth in nominal output. M2 expanded much more slowly in the second quarter than in the first, consistent with the cooling of nominal GDP growth and almost unchanged opportunity costs. In the second half of the year, M2 growth picked up, again pacing the growth of nominal GDP. In the fall, M2 may also have been boosted a little by the volatility in equity markets, which may have led some households to seek the relative safety of M2 assets.

For several decades before 1990, M2 velocity responded positively to changes in its opportunity

4. Growth of money and debt

Percent

| Period | M1 | M2 | M3 | Domestic nonfinancial debt |
|---|---|---|---|---|
| *Annual*[1] | | | | |
| 1987 | 6.3 | 4.2 | 5.8 | 9.9 |
| 1988 | 4.3 | 5.7 | 6.3 | 8.9 |
| 1989 | .5 | 5.2 | 4.0 | 7.8 |
| 1990 | 4.2 | 4.1 | 1.8 | 6.8 |
| 1991 | 7.9 | 3.1 | 1.2 | 4.5 |
| 1992 | 14.4 | 1.8 | .6 | 4.7 |
| 1993 | 10.6 | 1.3 | 1.1 | 5.1 |
| 1994 | 2.5 | .6 | 1.7 | 5.1 |
| 1995 | -1.6 | 3.9 | 6.1 | 5.4 |
| 1996 | -4.5 | 4.6 | 6.9 | 5.2 |
| 1997 | -1.2 | 5.6 | 8.7 | 4.7 |
| *Quarterly (annual rate)*[2] | | | | |
| 1997:1 | -1.4 | 5.1 | 8.0 | 4.3 |
| 2 | -4.5 | 4.4 | 7.7 | 4.7 |
| 3 | .3 | 5.4 | 8.1 | 4.1 |
| 4 | .8 | 6.8 | 9.8 | 5.2 |

NOTE. M1 consists of currency, travelers checks, demand deposits, and other checkable deposits. M2 consists of M1 plus savings deposits (including money market deposit accounts), small-denomination time deposits, and balances in retail money market funds. M3 consists of M2 plus large-denomination time deposits, balances in institutional money market funds, RP liabilities (overnight and term), and Eurodollars (overnight and term). Debt consists of the outstanding credit market debt of the U.S. government, state and local governments, households and nonprofit organizations, nonfinancial businesses, and farms.

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.

costs and otherwise showed little net movement over time. This pattern was disturbed in the early 1990s in part by households' apparent decision to shift funds out of lower-yielding M2 deposits into higher-yielding stock and bond mutual funds, which raised M2 velocity even as opportunity costs were declining. The movements in the velocity of M2 from 1994 into 1997 appear to have again been explained by changes in opportunity costs, along with some residual upward drift. This drift suggests that some households may still have been in the process of shifting their portfolios toward non-M2 assets. There was no uptrend in velocity over the second half of last year, perhaps because of the declining yields on intermediate- and long-term debt and the greater volatility and lower average returns posted by stock mutual funds. However, given the aberrant behavior of velocity during the 1990s in general, considerable uncertainty remains about the relationship between the velocity and opportunity cost of M2 in the future.

M1 fell 1¼ percent last year. As has been true for the past four years, the growth of this aggregate was depressed by the adoption by banks of retail 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 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. The initiation of programs that sweep funds out of NOW accounts—until last year the most common form of retail sweep programs—appears to be slowing, but sweeps of household demand deposits have picked up, leaving the estimated total amount by which sweep account balances increased last year similar to that in 1996. Adjusted for the initial reduction in transactions accounts resulting from the introduction of new sweep programs, M1 expanded 6¼ percent, a little above its sweep-adjusted growth in 1996.

The drop in transactions accounts caused required reserves to fall 7¼ percent last year. Despite this decline, the monetary base grew 6 percent, boosted by a hefty advance in currency. Currency again benefited from foreign demand, as overseas shipments continued at the elevated levels seen in recent years. Moreover, domestic demand for currency expanded sharply in response to the strong domestic spending.

The Federal Reserve has been concerned that as the steady decline in required reserves of recent years is extended, the federal funds rate may become significantly more volatile. Required reserves are fairly predictable and must be maintained on only a two-week average basis. As a result, the unavoidable daily mismatches between reserves made available through open market operations and desired reserves typically have been fairly small, and their effect on the federal funds rate has been muted. However, banks also hold reserve balances at the Federal Reserve to avoid overdrafts after making payments for themselves and their customers. This component of the demand for reserves is difficult to predict, varies considerably from day to day, and must be fully satisfied each day. As required reserves have declined, the demand for balances at the Federal Reserve has become increasingly dominated by these more changeable daily payment-related needs. Nonetheless, federal funds volatility did not increase noticeably last year. In part this was because the Federal Reserve intervened more frequently than in the past with open market operations of overnight maturity in order to better match the supply of and demand for reserves each day. In addition, banks made greater use of the discount window, increasing the supply of reserves when the market was excessively tight. Significant further declines in reserve balances, however, do risk increased federal funds rate volatility, potentially complicating the money market operations of the Federal Reserve and of the private sector. One possible solution to this problem is to pay banks interest on their required reserve balances, reducing their incentive to avoid holding such balances.

## Interest Rates and Equity Prices

Interest rates on intermediate- and long-term Treasury securities moved lower, on balance, last year. Yields rose early in the year as market participants became concerned that strength in demand would further tighten resource utilization margins and increase inflation unless the Federal Reserve took countervailing action. Over the late spring and summer, however, as growth moderated some and inflation remained subdued, these concerns abated significantly, and longer-term interest rates declined. Further reductions came in the latter part of the year as economic problems mounted in Asia. On balance, between the end of 1996 and the end of 1997, the yields on ten-year and thirty-year Treasury bonds fell about 70 basis points. Early this year, with the economic troubles in Asia continuing, the desire of investors for less risky assets, along with further reductions in the perceived risk of strong growth and higher inflation, pushed yields on intermediate- and long-term Treasury securities down an additional 25 to 50 basis points, matching their levels of the late 1960s and the early 1970s, when the buildup of inflation expectations was in its early stages.

Survey measures of expectations for longer-horizon inflation generally did move lower last year, but by less than the drop in nominal yields. As a result, estimates of the real longer-term interest rate calculated by subtracting these measures of expected inflation from nominal yields indicate a slight decline in real rates over the year. In contrast, yields on the inflation-indexed ten-year Treasury note rose about a quarter percentage point between mid-March (when market participants seem to have become more comfortable with the new security) and the end of the year. The market for the indexed securities is sufficiently small that their yields can fluctuate temporarily as a result of moderate shifts in supply or demand. Indeed, much of the rise in the indexed yield came late in the year, when, in an uncertain global economic environment, investors' heightened desire for liquidity may have made nominal securities relatively more attractive.

With real interest rates remaining low and corporate profits growing strongly, equities had another good year in 1997, and major stock indexes rose 20 percent to 30 percent. Although stocks began the year well, they fell with the upturn in interest rates in February. As interest rates subsequently declined and earnings reports remained quite upbeat, the markets again advanced, with most broad indexes of stock prices reaching new highs in the spring. Advances were much more modest, on balance, over the second half of the year. Valuations seemed already to have incorporated very robust earnings growth, and in October, deepening difficulties in Asia evidently led investors to lower their expectations for the earnings of some U.S. firms, particularly high-technology firms and money center banks. More rapid price advances have resumed of late, as interest rates fell further and investors apparently came to see the earnings consequences of Asian difficulties as limited.

Despite the strong performance of earnings and the slower rise of stock prices since last summer, valuations seem to reflect a combination of expectations of quite rapid future earnings growth and a historically small risk premium on equities. The gap between the market's forward-looking earnings–price ratio and the real interest rate, measured by the ten-year Treasury rate less a survey measure of inflation expectations, was at the smallest sustained level last year in the eighteen-year period for which these data are available. Declines in this gap generally imply either that expected real earnings growth has increased or that the risk premium over the real rate investors use when valuing those earnings has fallen, or both. Survey estimates of stock analysts' expectations of long-term nominal earnings growth are, in fact, the highest observed in the fifteen years for which these data are available. Because inflation has trended down over the past fifteen years, the implicit forecast of the growth in real earnings departs even further from past forecasts. However, even with this forecast of real earnings growth, the current level of equity valuation suggests that investors are also requiring a lower risk premium on equities than has generally been the case in the past, a hypothesis supported by the low risk premiums evident in corporate bond yields last year.

### *International Developments*

The foreign exchange value of the dollar rose during 1997 in terms of the currencies of most of the United States' trading partners. From the end of December 1996 through the end of December 1997, the dollar on average gained 13 percent in nominal terms against the currencies of the other G-10 countries when those currencies are weighted by multilateral trade shares. In terms of a broader index of currencies that includes those of most industrial countries and several developing countries, the dollar on balance rose nearly 14 percent in real terms during 1997.[2] The trading desk of the New York Federal Reserve Bank did not intervene in foreign exchange markets during 1997.

During the first half of 1997, the dollar appreciated in terms of the currencies of the other industrial countries, as the continuing strength of U.S. economic activity raised expectations of further tightening of U.S. monetary conditions. Concerns about the implications of the transition to European Monetary Union and perceptions that monetary policy was not likely to tighten significantly in prospective member countries also contributed to the tendency for the dollar to rise in terms of the mark and other continental European currencies. In response to varying indicators of the strength of the Japanese expansion, the dollar rose against the yen early in the year but then moved back down through midyear.

The crises in Asian financial markets dominated developments during the second half of the year and

2. This index weights currencies in terms of the importance of each country in determining the global competitiveness of U.S. exports and adjusts nominal exchange rates for changes in relative consumer prices.

resulted in substantial appreciation of the dollar in terms of the currencies of Korea and several countries in Southeast Asia. The dollar also appreciated against the yen in response to evidence of financial sector fragility in Japan and faltering Japanese economic activity, which were likely to be exacerbated by the negative impact of the Asian situation on Japan. During the first weeks of 1998, the dollar has changed little, on average, in terms of the currencies of most other industrial countries, but it has moved down in terms of the yen.

Pronounced asset–price fluctuations in Southeast Asia began in early July when the Thai baht dropped sharply immediately following the decision by authorities to no longer defend the baht's peg. Downward pressure soon emerged on the currencies and equity prices of other southeast Asian countries, in particular Indonesia and Malaysia. Weakening balance sheet positions of nonfinancial firms and financial institutions, rising debt-service burdens, and financial market stresses that resulted in part from policies of pegging local currencies to the appreciating dollar prompted closer scrutiny of Asian economies. As foreign creditors came to realize the extent to which these Asian financial systems were undercapitalized and inadequately supervised, they became less willing to continue to lend, making it even more difficult for the Asian borrowers to meet their foreign currency obligations. Turbulence spread to Hong Kong in October. The depreciation of currencies elsewhere in Asia, in particular the decision by Taiwanese authorities to allow some downward adjustment of the Taiwan dollar, led market participants to question the commitment of Hong Kong authorities to the peg of the Hong Kong dollar to the U.S. dollar. In response, the Hong Kong Monetary Authority raised domestic interest rates substantially to defend the peg, driving down equity prices as a consequence. Near the end of the year, the crisis spread to Korea, whose economy and financial system were already vulnerable as a result of numerous bankruptcies of corporate conglomerates starting in January 1997; these bankruptcies of major nonfinancial firms further undermined Korean financial institutions and, combined with the depreciations in competitor countries, contributed to a loss of investor confidence. On balance, during 1997 the dollar appreciated significantly in terms of the Indonesian rupiah (139 percent), the Korean won (100 percent), and the Thai baht (82 percent), while it moved up somewhat less in terms of the Taiwan dollar (19 percent) and was unchanged in terms of the Hong Kong dollar, which remains pegged to the U.S. dollar. Since year-end, the dollar has appreciated significantly further, on balance, in terms of the Indonesian rupiah and is little changed in terms of the Korean won.

The emergence of the financial crisis is causing a marked slowdown in economic activity in these Asian economies. During the first half of last year, real output continued to expand in most of these countries at about the robust rates enjoyed in 1996. Since the onset of the crisis, domestic demand in these countries has been greatly weakened by disruption in financial markets, substantially higher domestic interest rates, sharply reduced credit availability, and heightened uncertainty. In addition, macroeconomic policy has been tightened somewhat in Thailand, the Philippines, Indonesia, and Korea in connection with international support packages from the International Monetary Fund (IMF) and other international financial institutions, and in connection with bilateral aid from individual countries. Announcement of agreement with the IMF on the support packages temporarily buoyed asset markets in each country, but concerns about the willingness or ability of governments to undertake difficult reforms and to achieve the stated macroeconomic goals remained. Additional measures to tighten the Korean program were announced in mid-December and included improved reserve management by the Bank of Korea, removal of certain interest rate ceilings, and acceleration of capital account liberalization and financial sector restructuring. With the encouragement of the authorities of the G-7 and other countries, banks in industrial countries have generally rolled over the majority of their foreign-currency-denominated claims on Korean banks during early 1998, as a plan for financing the external obligations of Korean financial institutions was being formulated. After the announcement on January 28 of an agreement in principle for the exchange of existing claims on Korean banks for restructured loans carrying a guarantee from the Korean government, the won stabilized. In the case of Indonesia, the support package was renegotiated and reaffirmed with the IMF in mid-January, though important elements of the approach of the Indonesian authorities remain in question as this report is submitted.

Signs that adjustment is proceeding within these Asian economies are already evident. For example, Thailand and Korea have registered strong improvements in their trade balances in recent months. Equity prices have recovered in Thailand, Indonesia, and Korea as well. At the same time, signs of rising inflation are beginning to emerge. In particular, consumer prices have accelerated in recent months in these three countries.

Spillover of the financial crisis to the economies of China, Hong Kong, and Taiwan has been limited to date. Steps to maintain the peg in Hong Kong have resulted in elevated interest rates, sharply lower equity prices, and increased uncertainty. However, in Taiwan, equity prices on balance rose nearly 18 percent in 1997 and have risen somewhat further so far this year. Real output growth in these three economies remained robust early in 1997 but may have slowed somewhat in China and Hong Kong in recent months.

Financial markets in some Latin American countries also came under pressure in reaction to the intensification of the crises in Asia in late 1997. After remaining quite stable earlier in the year, the Mexican peso dropped about 8 percent in terms of the U.S. dollar in late October; since then, it has changed little, on balance. In Brazil, exchange market turbulence abroad lowered market confidence in the authorities' ability to maintain that country's managed exchange rate regime; in response, short-term interest rates were raised 20 percentage points. The Brazilian exchange rate regime and the peg of the Argentine peso to the dollar have held. Real output growth in Mexico and Argentina remained healthy during 1997. In Brazil, growth fluctuated sharply during the year, with the high domestic interest rates and tighter macroeconomic policy stance that were put in place late in the year weakening domestic demand. During 1997, consumer price inflation slowed significantly in Mexico and Brazil and remained very low in Argentina.

In Japan, the economic expansion faltered in the second quarter as the effects on domestic demand of the April increase in the consumption tax exceeded expectations; in addition, crises in many of Japan's Asian trading partners late in the year weakened external demand and heightened concerns about the fragility of Japan's financial sector. The dollar rose about 10 percent against the yen during the first four months of 1997 as economic activity in the United States strengthened relative to that in Japan and as interest rate developments, including the FOMC policy move in March, favored dollar assets. These gains were temporarily reversed in May and June as market attention focused on the growing Japanese external surplus and tentative indications of improving real activity. However, subsequent evidence of disappointing output growth, revelations of additional problems in the financial sector, and concerns about the implications of turmoil elsewhere in Asia for the Japanese economy contributed to a rise in the dollar in terms of the yen during the second half of the year. On net, the dollar appreciated nearly 13 percent against the yen during 1997; so far in 1998, it has moved back down slightly, on balance.

In Germany and France, output growth rose in 1997 from its modest 1996 pace, boosted in both countries by the strong performance of net exports. Nevertheless, the dollar rose in terms of the mark and other continental European currencies through midyear, responding not only to stronger U.S. economic activity but also to concerns about the timetable for launching European Monetary Union (EMU), the process of the transition to a single currency, and the policy resolve of the prospective members. Later in the year the dollar moved back down slightly and then fluctuated narrowly in terms of the mark, as investors concluded that the transition to EMU was likely to be smooth, with the euro introduced on time on January 1, 1999, and with a broad membership. On balance, the dollar rose about 17 percent against the mark during 1997 and has varied little since then.

In the United Kingdom and Canada, real output growth was vigorous in 1997. All the components of U.K. domestic demand continued to expand strongly. In Canada, more robust private consumption spending and less fiscal restraint boosted real GDP growth from its moderate 1996 pace. Central bank official lending rates were raised in both countries during the year to address the threat of rising inflation. The value of the pound eased slightly in terms of the dollar over the year, whereas the Canadian dollar fell more than 4 percent in terms of the U.S. dollar. Much of the movement in the Canadian dollar came during the fourth quarter, as the crisis in Asia contributed to a weakening of global commodity prices and thus a likely lessening of Canadian export earnings. The Canadian dollar depreciated further early in 1998, reaching historic lows against the U.S. dollar in January, but it has rebounded with the tightening by the Bank of Canada in late January.

Long-term interest rates have generally declined in the other G-10 countries since the end of 1996. Japanese long-term rates have dropped about 90 basis points, with most of the decrease coming in the second half of last year as evidence of sluggish economic activity became more apparent. German long-term rates have also fallen about 80 basis points as expectations of tightening by the Bundesbank diminished, especially toward the end of the year. The turbulence in Asian asset markets likely contributed to inflows into bond markets in several of the industrial countries, including the United States. Long-term rates in the United Kingdom have declined about 150 basis points. Legislation to increase the independence of the Bank of England and repeated tightening of monetary policy during the year reassured markets that some slowing of the very rapid pace of economic growth was likely and that the Bank would be aggressive in resisting inflation in the future. Three-month market interest rates generally have risen in the other G-10 countries, although there have been exceptions. Rates have moved up the most in Canada (more than 180 basis points) and the United Kingdom (120 basis points), in response to several increases in official lending rates. German rates have risen about 40 basis points. Short-term rates in the countries that are expected to adopt a single currency on January 1 of next year converged toward the relatively low levels of German and French rates, with Italian rates declining more than 100 basis points over the year.

Equity prices in the foreign G-10 countries other than Japan moved up significantly in 1997. Despite some volatility in these markets, particularly in the fourth quarter following severe equity price declines in many Asian markets, increases in equity price indexes over 1997 ranged from 17 percent in the United Kingdom to almost 60 percent in Italy. In contrast, equity prices fell 20 percent in Japan. To date this year, equity prices in the industrial countries generally have risen.

The price of gold declined more than 20 percent in 1997 and fell further in early 1998, reaching lows not seen since the late 1970s. Open discussion and, in some cases, confirmation of central bank sales of gold contributed to the price decline. Downward adjustment of expectations of inflation in the industrial countries in general may have added to the selling pressure on gold. More recently, the price of gold has moved up slightly, on net. □

# Treasury and Federal Reserve Foreign Exchange Operations

*This quarterly report describes U.S. Treasury and System foreign exchange operations for the period from October through December 1997. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account. Andrew Jewell was primarily responsible for preparation of the report.*

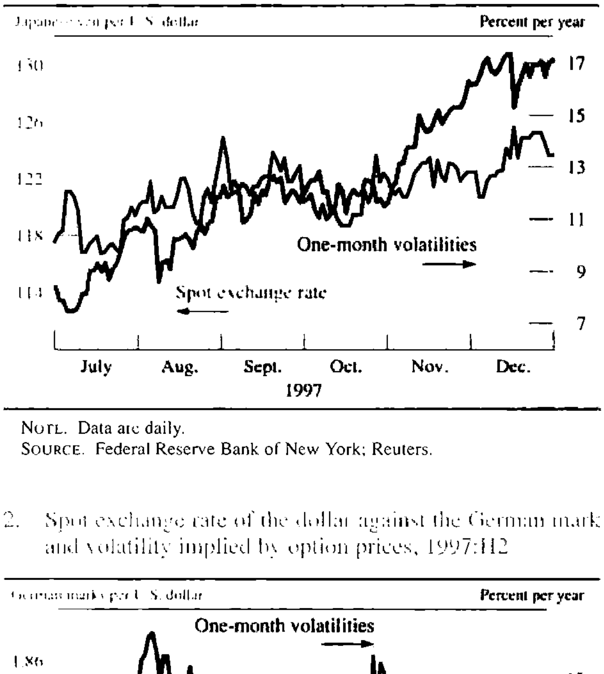
In a period marked by dramatic developments in Asia, the dollar appreciated 8.3 percent against the Japanese yen and 2.2 percent against the German mark. On a trade-weighted basis against Group of Ten (G-10) currencies, the dollar appreciated 2.7 percent.[1] Against the yen, the dollar rose to its highest levels since 1992 as market participants reacted to an increasingly pessimistic economic outlook in Japan, concern over the health of the Japanese financial sector, and spreading volatility in Asian financial markets. Against the mark, the dollar initially weakened, pressured by the effect of Asian volatility on markets in North and South America. However, the dollar later recovered amid a growing perception that European economies were more exposed to events in Asia than previously thought and as market participants scaled back expectations of further monetary tightening in Germany. The U.S. monetary authorities did not intervene in the foreign exchange markets during the quarter.

## *A Fall of the Dollar's Average Intraday Trading Range from Third-Quarter Levels and a Rise in Implied Volatility*

The dollar's average intraday trading range against the yen fell in the fourth quarter of 1997 to 1.0 percent from 1.1 percent in the third quarter but was higher than the 0.7 percent range in the fourth quarter of 1996. The dollar's average intraday trading range against the mark fell to 0.9 percent in the fourth quarter from 1.1 percent in the previous quarter, but was higher than the 0.7 percent range in the fourth quarter of 1996. The combined average intraday trading range against both the yen and the mark fell to 0.9 percent from 1.1 percent in the previous quarter, marking the first decline since the third quarter of 1996.

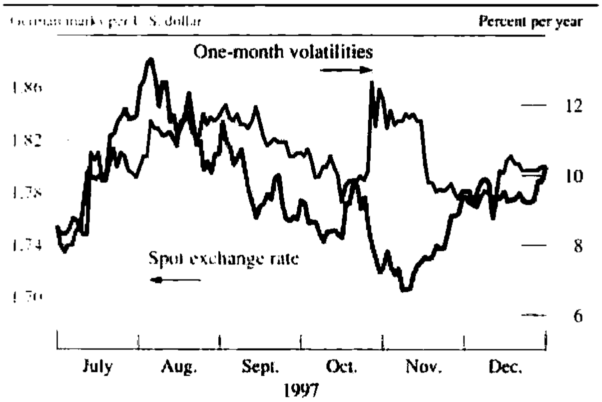
Implied volatility moved higher, reflecting expectations for potentially large dollar moves. One-month dollar–yen implied volatility peaked at more than

1. Spot exchange rate of the dollar against the Japanese yen and volatility implied by option prices, 1997:H2




NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

2. Spot exchange rate of the dollar against the German mark and volatility implied by option prices, 1997:H2




NOTE. Data are daily.
SOURCE. Federal Reserve Bank of New York; Reuters.

1. The dollar's movements on a trade-weighted basis against ten major currencies are measured using an index developed by staff members of the Board of Governors of the Federal Reserve System.

14 percent in December, approaching highs for the year, as the dollar appreciated to its strongest levels in more than five years against the yen. One-month dollar–mark implied volatility rose more than 12 percent in late October after sharp losses in the dollar's value against the mark but later returned to levels of less than 10 percent as the dollar recovered.

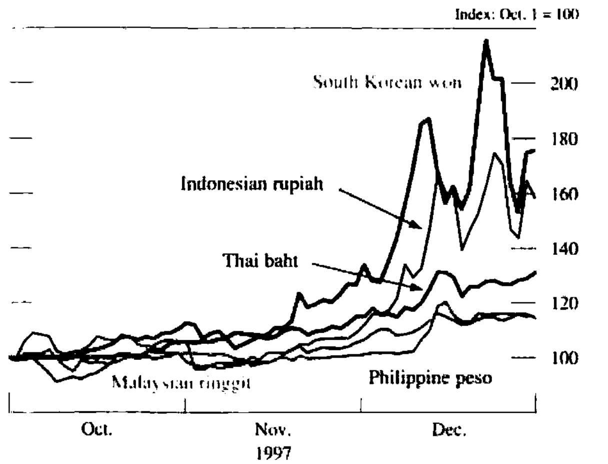
## *DEVELOPMENTS IN ASIA*

Movements in the U.S. dollar were influenced throughout the period by disruptions in Asian markets. Currency market turmoil in Southeast Asia continued, with the Thai baht, the Indonesian rupiah, the Philippine peso, the Malaysian ringgit, and the Singapore dollar reaching historic lows against the U.S. dollar. In late October, focus shifted northward to the sustainability of the Hong Kong dollar peg after the decision by monetary authorities in Taiwan to allow the new Taiwan dollar to depreciate. In response to mounting pressure on the Hong Kong dollar, the Hong Kong Monetary Authority pushed interest rates higher. With overnight rates trading as high as 150 percent and the one-month Hong Kong interbank offered rate rising to 47.5 percent on October 23, the Hong Kong dollar strengthened from HKD 7.75 to HKD 7.71 against the U.S. dollar, then stabilized in later weeks around the HKD 7.73 level. Higher interest rates, however, pressured stock prices and property values lower. On October 23, the benchmark Hang Seng index fell 10.4 percent, followed by a 13.7 percent decline on October 28.

Sharp losses in Hong Kong's stock market triggered abrupt reversals in equity markets across Asia, Europe, and the Americas. Benchmark stock indexes in Japan, Germany, Mexico, and the United States fell 8.0, 9.7, 12.7, and 6.3 percent, respectively, in October, including a 7.2 percent drop in the Dow Jones Industrial Average on October 27. Stock markets in the United States, Mexico, and Europe later recovered to end the quarter little changed, while stocks in much of Asia remained under pressure.

As global equity markets declined, credit spreads in fixed-income markets widened to reflect increased risk premiums. Yield spreads of dollar-denominated Asian debt issues over U.S. Treasuries reached record highs, with spreads of Thai and Indonesian sovereign debt widening more than 300 basis points and the spread of the benchmark Korean Development Bank issue widening more than 700 basis points. Similarly, heightened focus on risk premiums in emerging markets contributed to a substantial widening of yield spreads of Latin American and Eastern European

3. U.S. dollar against selected Asian currencies, 1997:Q4

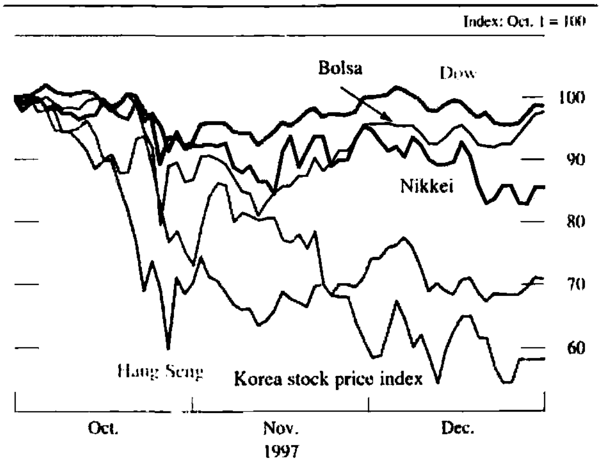



NOTE. Data are daily.
SOURCE. Bloomberg L.P.

Brady bonds over Treasuries. In the United States, strong demand for U.S. Treasuries pushed down interest rates, with the yield on the benchmark thirty-year bond falling 48 basis points to end the year at 5.92 percent.

As the period progressed, the focus in Asia shifted to deteriorating economic and financial conditions in Korea. The Korean won weakened more than 5 percent against the dollar in October, reaching record lows, while stocks fell 27.2 percent. On November 17, the Bank of Korea announced it would stop intervening to support the won, a decision thought to be prompted by declining levels of foreign currency reserves. Faced with a growing number of corporate failures, continued declines in its equity and currency markets, and an increasing risk that Korean banks

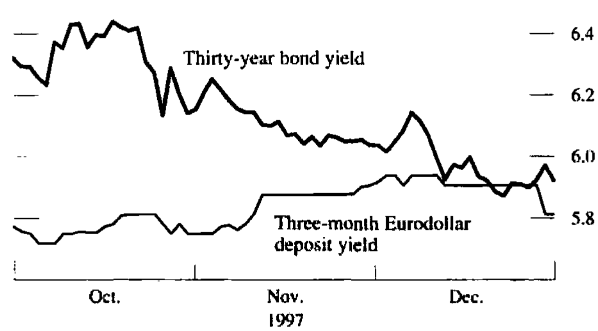
4. Global benchmark stock indexes, 1997:Q4




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

and corporations would not be able to meet maturing foreign currency obligations, the Korean government announced on November 22 that it was seeking funds from the International Monetary Fund (IMF). Despite agreement on an IMF-led loan package on December 3, pressure on Korean markets continued into year-end as estimates of the country's short-term external debt increased. By late December, the won had depreciated more than 53 percent from its levels at the start of the quarter, prompting an acceleration of aid disbursement and leading to meetings among international creditors to discuss rolling over Korean short-term debt obligations. Korean stocks ended the quarter down 41.8 percent.

5. U.S. interest rates, 1997:Q4




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

### *Response of the Dollar to Deepening Pessimism in Japan*

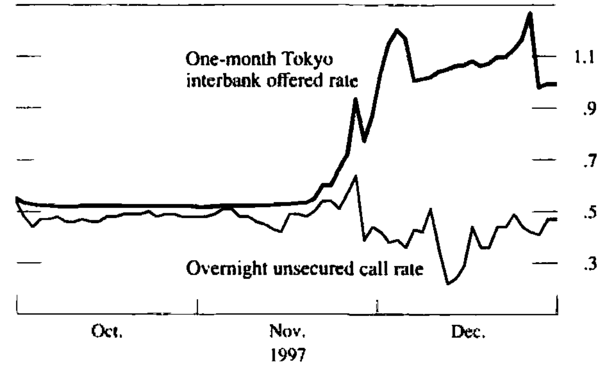
During October the dollar traded in a relatively narrow ¥120–122 range against the yen despite continued signs of weakness in the Japanese economy and volatility in Southeast Asia. The September Tankan survey of business sentiment, released on October 1, recorded the first erosion in sentiment among large manufacturers since August 1996. Gains in the dollar, however, were restrained by discussion of possible fiscal stimulus measures to encourage economic growth in Japan and by market participants' concerns that a higher dollar would lead to U.S.–Japan trade frictions. Subsequent measures proposed by the Japanese government did little to alter increasingly negative market sentiment toward Japan's economic outlook. Japanese bond yields resumed their decline, and reached new record lows in late October. On November 14, the Nikkei broke below 15,000 for the first time in more than two years, and the dollar rose to ¥125.40.

Problems in Japan's financial sector further undermined sentiment. The closings of Sanyo Securities, Hokkaido Takushoku Bank, and Yamaichi Securities in November prompted concerns about the health of other Japanese financial institutions burdened with bad loans and possible unreported losses. Such concerns led to an increase in the premium paid by Japanese banks for dollar funding compared with non-Japanese institutions. In early December, some Japanese banks were required to pay a premium of more than 100 basis points to borrow one-month funds, compared with a premium of about 30 basis points in the fourth quarter of 1996. Although funding pressures eased later in the month, the premium paid by Japanese banks remained above levels paid in previous years, reflecting continued credit concerns.

In addition, short-term money market rates in Japan rose rapidly, suggesting yen funding pressures. Late in the period, the bankruptcy of a large Japanese food trading company was viewed as an indication that reduced access to credit had extended beyond the financial sector. In these circumstances, the Bank of Japan adopted a more accommodative stance in its monetary policy operations and reinstated its collateralized lending facility, while discussion grew within the Japanese government regarding the use of public funds to support the financial system and protect depositors.

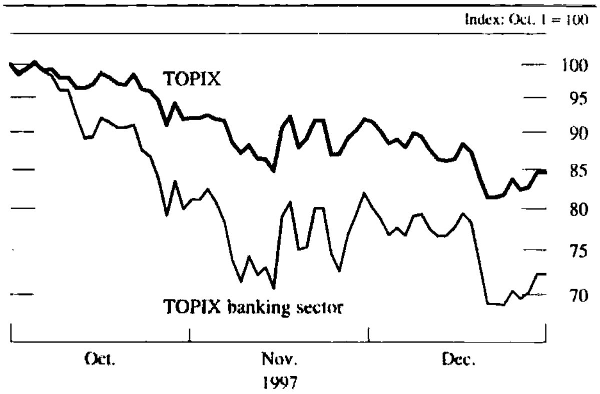
Meanwhile, the deteriorating situation in Korea, coupled with continued weakness in Southeast Asian markets, cast further doubts on Japan's prospects for near-term recovery. The December Tankan survey indicated that business sentiment had deteriorated beyond consensus expectations, and the following week the Bank of Japan, in its monthly economic review, acknowledged that Japan's economic growth

6. Japanese money market rates, 1997:Q4




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

7. Tokyo stock price index (TOPIX), 1997:Q4



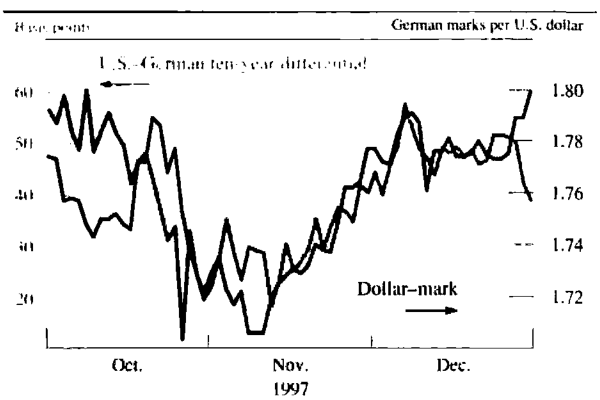

NOTE. Data are daily.
SOURCE. Bloomberg L.P.

had stalled. In this environment, the dollar continued its steady appreciation, reaching as high as ¥131.25 on December 15, its strongest level against the yen in more than five years. After the announcement of a one-time ¥2 trillion personal-income-tax cut and other stimulus measures on December 17, the dollar fell below ¥126 as Japanese Finance Minister Mitsuzuka confirmed reports of Japanese intervention to buy yen. However, the yen's strength was short-lived, and the dollar closed the year at ¥130.35.

### *Recovery of the Dollar from Initial Weakness against the Mark*

Against the mark, the dollar traded in a broad DM 1.70–1.80 range, posting declines early in the period but appreciating throughout most of November and December to end the quarter modestly higher. Expectations of rising German interest rates contributed to the dollar's downward bias against the mark

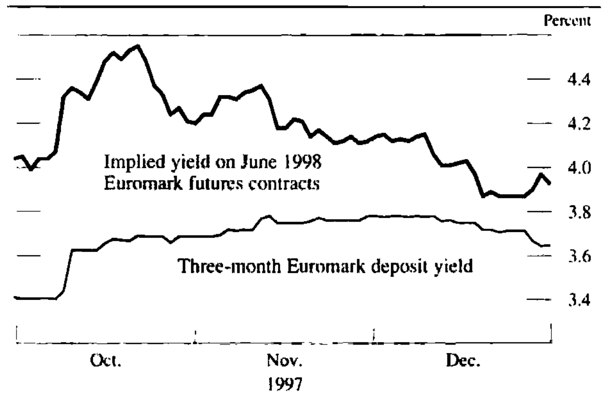
8. U.S.-German ten-year bond yield differential, 1997:Q4




NOTE. Data are daily.
SOURCE. Bloomberg, L.P.

in October, with the Bundesbank's decision to raise interest rates 30 basis points on October 9 widely viewed as the first in a series of rate hikes in Germany and other core European countries ahead of the European Economic and Monetary Union (EMU). The dollar's steepest declines against the mark occurred later in the month and in early November after sharp losses in U.S. equities, as market participants considered the spillover effects of Asia on markets in the United States and Latin America. Initially, Germany and other European countries were perceived to be better insulated from Asia than the United States—a factor that lent further support to the mark.

9. German interest rates, 1997:Q4




NOTE. Data are daily.
SOURCE. Bloomberg L.P.

The dollar's appreciation later in the period followed a return to relative stability in U.S. and Latin American markets and an unwinding of expectations for an accelerated timetable of interest rate hikes in Europe. On November 14, Bundesbank President Tietmeyer, in comments echoed by other European officials, noted that European central bank leaders had come to an understanding that interest rates among the core nations would be oriented toward the lowest rates and not the average of all EMU participants. Such statements, combined with benign German inflationary data and a growing perception that European economies were also vulnerable to weakness in Asia, led market participants to scale back expectations of higher German interest rates into 1998. The implied yield on June 1998 Euromark futures contracts, which rose to a high of 4.55 percent on October 22, ended the period at 3.93 percent. The spread between ten-year U.S. and German government bond yields widened in the dollar's favor to a high of 58 basis points from an intraperiod low of 12 basis points on October 27.

### *Treasury and Federal Reserve Foreign Exchange Reserves*

The U.S. monetary authorities did not undertake any intervention operations during this quarter. At the end of the quarter, the current values of the German mark and Japanese yen reserve holdings totaled $17.0 billion for the Federal Reserve System and $13.8 billion for the Exchange Stabilization Fund.

The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held directly or under repurchase agreement. As of December 31, outright holdings of government securities by U.S. monetary authorities totaled $6.8 billion.

Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Government securities held under repurchase agreements by the U.S. monetary authorities totaled $10.9 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions. □

1. Foreign exchange holdings of U.S. monetary authorities based on current exchange rates, 1997:Q4

Millions of dollars

| Item | Balance, Sept. 30, 1997 | Quarterly changes in balances by source | | | | | Balance, Dec. 31, 1997 |
|---|---|---|---|---|---|---|---|
| | | Net purchases and sales[1] | Impact of sales[2] | Investment income | Currency valuation adjustments[3] | Interest accrual (net) and other | |
| **Federal Reserve** | | | | | | | |
| Deutsche marks | 11,609.5 | .0 | .0 | 85.7 | −208.5 | .0 | 11,486.7 |
| Japanese yen | 5,908.9 | .0 | .0 | 5.8 | −441.3 | .0 | 5,473.4 |
| Interest receivables[4] | 73.5 | ... | ... | ... | ... | 9.4 | 82.9 |
| Other cash flow from investments[5] | .2 | ... | ... | ... | ... | 3.0 | 3.2 |
| Total | 17,592.1 | ... | ... | 91.5 | −649.8 | 12.4 | 17,046.2 |
| **U.S. Treasury Exchange Stabilization Fund** | | | | | | | |
| Deutsche marks | 5,877.3 | .0 | .0 | 43.8 | −105.5 | .0 | 5,815.6 |
| Japanese yen | 8,662.5 | .0 | .0 | 8.8 | −646.7 | .0 | 8,024.6 |
| Interest receivables[4] | 37.6 | ... | ... | ... | ... | .9 | 38.5 |
| Other cash flow from investments[5] | .5 | ... | ... | ... | ... | 5.4 | 5.9 |
| Total | 14,577.9 | ... | ... | 52.6 | −752.2 | 6.3 | 13,884.6 |

1. Purchases and sales include foreign currency sales and purchases related to official activity, swap drawings and repayments, and warehousing.

2. Calculated using marked-to-market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate. Realized profits and losses on sales of foreign currencies computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate are shown in table 2.

3. Foreign currency balances are marked to market monthly at month-end exchange rates.

4. Interest receivables for the ESF are revalued at month-end exchange rates. Interest receivables for the Federal Reserve System are carried at average cost of acquisition and are not marked to market until interest is paid.

5. Cash flow differences from payment and collection of funds between quarters.

*Tables 2 and 3 appear on page 179.*

2. Net profits or losses (−) on U.S. Treasury and Federal Reserve foreign exchange operations based on historical cost-of-acquisition exchange rates, 1997:Q4

Millions of dollars

| Period and item | Federal Reserve | U.S. Treasury Exchange Stabilization Fund |
|---|---|---|
| *Valuation profits and losses on outstanding assets and liabilities, Sept. 30, 1997* | | |
| Deutsche marks | 274.8 | −265.8 |
| Japanese yen | 732.9 | 1,077.8 |
| Total | 1,007.7 | 812.0 |
| *Realized profits and losses from foreign currency sales, Sept. 30–Dec. 31, 1997* | | |
| Deutsche marks | .0 | 71.0 |
| Japanese yen | .0 | .0 |
| Total | .0 | 71.0 |
| *Valuation profits and losses on outstanding assets and liabilities, Dec. 31, 1997* | | |
| Deutsche marks | 66.3 | −375.3 |
| Japanese yen | 291.5 | 434.6 |
| Total | 357.8 | 59.3 |

3. Currency arrangements, December 31, 1997

Millions of dollars

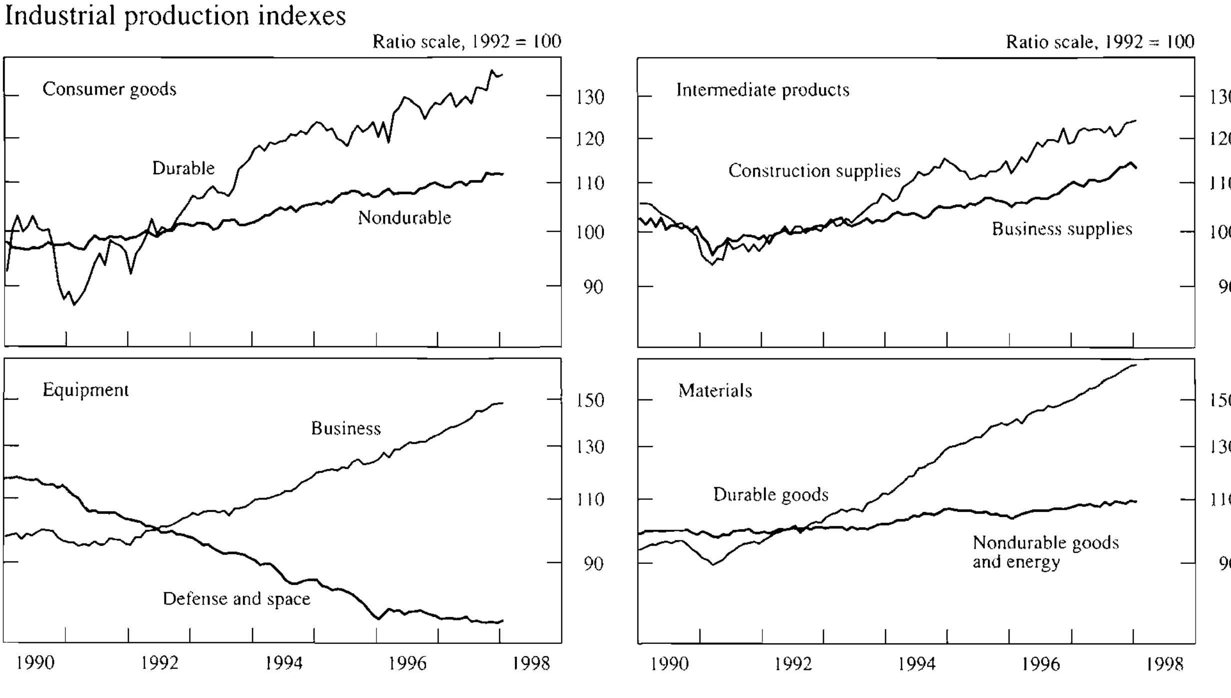
| Institution | Amount of facility | Outstanding, Dec. 31, 1997 |
|---|---|---|
| | Federal Reserve Reciprocal Currency Arrangements | |
| Austrian National Bank | 250 | 0 |
| National Bank of Belgium | 1,000 | |
| Bank of Canada | 2,000 | |
| National Bank of Denmark | 250 | |
| Bank of England | 3,000 | |
| Bank of France | 2,000 | |
| Deutsche Bundesbank | 6,000 | |
| Bank of Italy | 3,000 | |
| Bank of Japan | 5,000 | |
| Bank of Mexico | 3,000 | |
| Netherlands Bank | 500 | |
| Bank of Norway | 250 | |
| Bank of Sweden | 300 | |
| Swiss National Bank | 4,000 | |
| *Bank for International Settlements* | | |
| Dollars against Swiss francs | 600 | |
| Dollars against other authorized European currencies | 1,250 | |
| Total | 32,400 | 0 |
| | U.S. Treasury Exchange Stabilization Fund Currency Arrangements | |
| Deutsche Bundesbank | 1,000 | 0 |
| Bank of Mexico | 3,000 | 0 |
| Total | [illegible] | 0 |

# Industrial Production and Capacity Utilization for January 1998

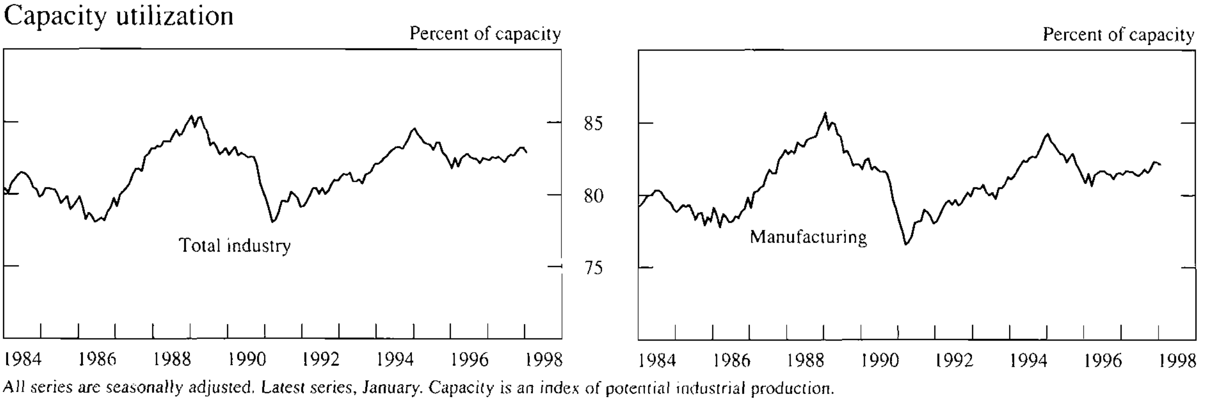
*Released for publication February 17*

Industrial production was unchanged in January as warmer-than-average weather led to a 4.0 percent drop in the output of utilities. Production in the manufacturing sector, moderating from the strong pace seen last fall and summer, grew 0.4 percent in December and 0.3 percent in January. Another decline in motor vehicle production slightly retarded the overall gain in factory output in January, but motor vehicle output remained at a high level. At 127.9 percent of its 1992 average, total industrial production in January was 5.5 percent higher than it was in January 1997. The rate of industrial capacity utilization edged down to 83.0 percent, still above its long-term average of 82.1 percent.

## Industrial production indexes




## Capacity utilization




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

Industrial production and capacity utilization, January 1998

| Category | Industrial production, index, 1992=100 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1997 | | | 1998 | Percentage change | | | | |
| | | | | | 1997[1] | | | 1998[1] | Jan. 1997 to Jan. 1998 |
| | Oct. r | Nov. r | Dec. r | Jan. p | Oct. r | Nov. r | Dec. r | Jan. p | |
| **Total** | **126.5** | **127.4** | **127.9** | **127.9** | **.8** | **.7** | **.4** | **.0** | **5.5** |
| Previous estimate | 126.5 | 127.5 | 128.1 | . . . | .7 | .8 | .5 | . . . | . . . |
| *Major market groups* | | | | | | | | | |
| Products, total[2] | 120.2 | 121.2 | 121.3 | 121.3 | 1.0 | .8 | .1 | .0 | 4.6 |
| Consumer goods | 115.9 | 116.6 | 116.5 | 116.4 | 1.3 | .6 | −.1 | −.1 | 2.9 |
| Business equipment | 145.5 | 147.5 | 147.9 | 148.2 | .8 | 1.4 | .2 | .2 | 9.9 |
| Construction supplies | 121.3 | 123.4 | 123.8 | 124.2 | .7 | 1.8 | .3 | .3 | 4.2 |
| Materials | 136.7 | 137.3 | 138.5 | 138.6 | .5 | .5 | .9 | .0 | 6.8 |
| *Major industry groups* | | | | | | | | | |
| Manufacturing | 129.1 | 130.4 | 130.9 | 131.2 | .8 | 1.0 | .4 | .3 | 6.3 |
| Durable | 145.5 | 147.6 | 148.3 | 148.8 | .8 | 1.5 | .4 | .3 | 9.3 |
| Nondurable | 112.2 | 112.6 | 113.0 | 113.3 | .8 | .4 | .3 | .2 | 2.8 |
| Mining | 105.9 | 105.3 | 104.8 | 106.3 | −.6 | −.5 | −.5 | 1.5 | 2.6 |
| Utilities | 116.9 | 114.2 | 115.9 | 111.3 | 1.5 | −2.2 | 1.4 | −4.0 | −1.1 |

| Category | Capacity utilization, percent | | | | | | | | MEMO Capacity, percentage change, Jan. 1997 to Jan. 1998 |
|---|---|---|---|---|---|---|---|---|---|
| | Average, 1967–97 | Low, 1982 | High, 1988–89 | 1997 | 1997 | | | 1998 | |
| | | | | Jan. | Oct. r | Nov. r | Dec. r | Jan. p | |
| **Total** | **82.1** | **71.1** | **85.4** | **82.4** | **83.0** | **83.2** | **83.3** | **83.0** | **4.7** |
| Previous estimate | . . . | . . . | . . . | . . . | 83.0 | 83.3 | 83.4 | . . . | . . . |
| Manufacturing | 81.1 | 69.0 | 85.7 | 81.4 | 81.9 | 82.3 | 82.3 | 82.1 | 5.3 |
| Advanced processing | 80.5 | 70.4 | 84.2 | 79.6 | 80.2 | 80.7 | 80.6 | 80.4 | 6.3 |
| Primary processing | 82.4 | 66.2 | 88.9 | 85.5 | 85.7 | 86.0 | 86.1 | 86.1 | 3.4 |
| Mining | 87.5 | 80.3 | 88.0 | 88.2 | 89.6 | 89.1 | 88.6 | 89.9 | .6 |
| Utilities | 87.3 | 75.9 | 92.6 | 89.5 | 92.0 | 89.9 | 91.1 | 87.4 | 1.3 |

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.

## *MARKET GROUPS*

The output of consumer goods was little changed from November and December levels. Within the durables sector, automotive products fell for the second consecutive month; the output of other durable consumer goods, especially appliances, rose sharply after being little changed in December. The production of nondurable consumer goods slipped 0.2 percent, reversing the December increase. A sharp drop in the residential use of utilities in January outweighed the increase in the output of non-energy nondurable consumer goods.

The growth in output of business equipment moderated recently; the rise of 0.2 percent in each of the past two months was well below the pace seen during most of 1997. The output of computers and commercial aircraft rose strongly, while output retreated for other major business equipment components, most notably industrial equipment.

The production of construction supplies increased further in January after a healthy gain in the fourth quarter of last year. The output of materials was flat in January, as moderate increases in durable and nondurable goods materials were offset by a weather-related pullback in energy materials. Among durable goods materials, the output of parts for high-technology equipment and for aircraft continued to increase rapidly; the output of parts for consumer goods, particularly for motor vehicles, declined. Among nondurable goods materials, the output of paper increased, while production in most other major groups was little changed.

## *INDUSTRY GROUPS*

Posting more moderate gains than those of last summer and fall, factories increased their output 0.4 percent in December and 0.3 percent in January. The output of durables rose just 0.3 percent as strong increases in computer and office equipment, aircraft, and electrical machinery were partially offset by a decrease in motor vehicles and parts. The production of nondurables edged up 0.2 percent; strong gains in foods, textiles, and petroleum products were nearly matched by decreases in a number of other industries.

Capacity utilization for manufacturing edged down to 82.1 percent. Utilization in advanced-processing industries decreased 0.2 percentage point, to a level still around its long-run average. The operating rate in primary-processing industries was unchanged, remaining 3.7 percentage points above its long-run average. □

# Statements to the Congress

*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, January 29, 1998*

In just a few weeks, the Federal Reserve Board will submit its semiannual report on monetary policy to the Congress. That report, and my accompanying testimony, will give a detailed assessment of the outlook for the U.S. economy and the implications for monetary policy. This morning, I would like to direct most of my comments to the fiscal situation. But let me begin by offering a few observations about the current direction of the economy.

First, it is clear that the U.S. economy has been exceptionally healthy, with robust gains in output, employment, and income. At the same time, inflation has remained low—indeed, declining by most measures—over the past year.

Second, to date, we have as yet experienced only the peripheral winds of the Asian crisis. But before spring is over, the abrupt current account adjustments that financial difficulties are forcing upon several of our Asian trading partners will be showing through here in reductions in demand for our exports and intensified competition from imports. All of this suggests that the growth of economic activity in this country will moderate from the recent brisk pace.

Third, as I have noted previously, such a moderation would appear helpful at this juncture. The growth of output has caused employment to rise much faster than the working-age population, and there are limits to how far this can go. Pressures in the labor market likely contributed to the acceleration of wages in recent months. Since price inflation has been minimal and domestic profit margins firm, productivity appears to have accelerated sufficiently last year to damp increases in unit labor costs. How long that pattern can continue is still an unresolved issue. The likelihood that we shall be seeing some lower prices on imported goods as a result of the difficulties in Asia may afford some breathing room from inflation pressures. But they will not permanently suppress the risks inherent in tightened labor markets. Conversely, a continuation of the Asian crisis should give us pause in assuming that our economy will remain robust indefinitely. As a consequence, we must be vigilant to the re-emergence of destabilizing influences—both higher inflation, and shortfalls in demand and decreases in some prices that would press the disinflation process too far, too fast.

One very favorable aspect of our economic performance over the past few years has been the remarkable improvement in the federal budget picture. The deficit dropped to its lowest level in more than two decades in fiscal 1997, and yesterday the Congressional Budget Office (CBO) released projections that show the budget remaining essentially in balance over the next few years, moving to annual surpluses equal to 1 percent of gross domestic product by the middle of the next decade. The reduction in federal borrowing to date and in prospect is already paying off for the U.S. economy by helping hold down long-term interest rates and, in turn, providing support to private capital spending and other interest-sensitive outlays.

But much hard work remains to be done to ensure that the projected surpluses actually materialize and that we remain on track to address our longer-run fiscal and demographic challenges. The CBO projections provide a good starting point: They are based on sensible economic and technical assumptions and thus offer a reasonable indication of how the budget is likely to evolve over the next ten years if economic conditions remain favorable and current budgetary policies remain in place. But, as the CBO highlights in its latest report, such forecasts are subject to considerable error. Indeed, as recently as last winter, when fiscal 1997 was already well under way, both the CBO and the Office of Management and Budget were still overestimating that year's deficit by more than $100 billion.

In the case of the CBO, about two-thirds of the error was in receipts, including nearly $50 billion more tax receipts than would have been expected based on the actual behavior of income as measured in the national income and product accounts. This overage helped lift the receipts share of GDP to a historical high. Such "tax surprises" are nothing new—in fact, in the early 1990s, growth of receipts fell well short of expectations based on the trends in aggregate income and the tax laws then in place. And even after the fact, our knowledge about the sources of such surprises has been limited. Thus, we cannot rule out the possibility that the forces behind last year's tax surge will prove transitory and dissipate more rapidly than the CBO has assumed, implying lower receipts and renewed deficits for the years ahead. Indeed, all else equal, had the surprise fallen on the other side—downward instead of upward—we would be looking at nontrivial budget deficits at least through the beginning of the coming decade.

Moreover, the CBO projection assumes that discretionary spending will be held to the statutory caps, which allow almost no growth in nominal outlays through fiscal 2002. Given the declining support for further reductions in defense spending, keeping overall discretionary spending within the caps is likely to require sizable, but as yet unspecified, real declines in nondefense programs from current levels. Not surprisingly, many observers are skeptical that the caps will hold, and battles over appropriations in coming years may well expose deep divisions that could make the realization of the budget projections less likely. In addition, although last year's legislation cut Medicare spending substantially, experience has highlighted the difficulty of controlling this program, raising the possibility that the savings will not be so great as anticipated—especially if resistance develops among beneficiaries or providers.

Uncertainties such as these argue for caution as you begin work on the 1999 budget. We have no guarantee that the projected surpluses will actually materialize. An even more important consideration, though, is the need to address the erosion of the budget after the next decade, a task that will become increasingly difficult the longer it is postponed. The favorable budget picture over the next decade, unless steps are taken, will almost inevitably turn to large and sustained deficits as the baby boom generation moves into retirement, putting massive strains on the social security and Medicare programs.

Indeed, especially in light of these inexorable demographic trends, I have always emphasized that we should be aiming for budgetary surpluses and using the proceeds to retire outstanding federal debt. This would put further downward pressure on long-term interest rates, which would enhance private capital investment, labor productivity, and economic growth.

The outpouring of proposals for using the anticipated surplus does not bode well for the prospect of maintaining fiscal discipline. In recent years the President and the Congress have been quite successful, contrary to expectations, in placing, and especially holding, caps on discretionary spending. More recently, they have started to confront the budget implications of the surge in retirements that is only a decade away. We must not allow the recent good news on the budget to lull us into letting down our guard. Although many of the individual budget proposals may have merit, they must be considered in the context of a responsible budget strategy for the longer run.

Over the decades our budgetary processes have been biased toward deficit spending. Indeed, those processes are strewn with initiatives that had only a small projected budgetary cost but produced a sizable drain on the Treasury's coffers over time. As you are well aware, programs can be easy to initiate or expand but extraordinarily difficult to trim or shut down once a constituency develops that has a stake in maintaining the status quo.

In closing, I want to commend Chairman Domenici and the committee for your insistence on fiscal responsibility and for years of persistent effort. Your work has contributed importantly to shrinking the budget deficit and bringing surpluses within sight. These projections of surpluses, which are based on an extrapolation of steady economic growth and subdued inflation over the coming years, implicitly assume that monetary and fiscal policymakers will remain attentive to potential sources of instability. If this is the scenario that, in fact, unfolds and the budget moves into surplus within the next few years, the increase in national saving will pay off handsomely in preparing our economy and our budget for the challenges of the twenty-first century.

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*Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, January 29, 1998*

I am pleased to appear today to discuss circuit breakers for equity-related markets. The introduction of circuit breakers was one of the recommendations of the 1988 *Report* of the President's Working Group on Financial Markets. At that time, the Working Group was concerned about the potential for sharp declines in prices and soaring trading volumes to overwhelm the market infrastructure of trading, clearing, and credit systems. As the Working Group observed, threats to the market infrastructure can trigger *ad hoc* and destabilizing market closings. In recommending circuit breakers, the Working Group intended to substitute planned trading halts for unplanned ones ". . . without increasing the overall frequency of such disruptions." Importantly, there was no presumption that circuit breakers could alter fundamental equity prices.

As events have unfolded, equity prices have risen substantially over the past decade, but relatively minor changes have been made to the system of circuit breakers. We now face the prospect that the circuit breakers will be triggered relatively frequently and in the absence of strains on system capacity sufficient to overwhelm the financial system and create an *ad hoc* or destabilizing shutdown. October 27 of last year provided the first illustration of these possibilities. We are aware of no evidence that *ad hoc* market closings were imminent or that back offices were overwhelmed at the time the circuit breakers were tripped.

The Federal Reserve Board supports revisions to the circuit breakers. The Board believes that markets should be allowed to remain open to ensure that equity portfolios can be valued reliably and that investors can adjust their holdings and thereby effectively manage their risks. The decision to close markets should neither be taken lightly nor be taken frequently. Indeed, the evidence is inconclusive at best as to whether circuit breakers are a useful feature of our markets. If a system of planned market closings such as the circuit breakers is deemed desirable, it should be structured in such a way that closings occur very rarely and then only when the market infrastructure would otherwise be placed at risk.

As part of the current reassessment of circuit breakers, some have suggested halting trading for the day when prices decline a fairly large amount, say 20 percent, regardless of how early in the day that the price decline occurs. This represents a significant shift from the Working Group's original recommendation, which did not contemplate a daily limit. The Federal Reserve Board does not support this step. It is an illusion to believe that investors' fears will be assuaged merely by closing markets. Such a closure could well have the opposite effect—it might increase investor concerns, causing them to dump shares at the next opportunity. This, in turn, might exacerbate difficulties reopening markets and maintaining liquidity. In addition, when the incentive to trade is great, sophisticated investors will find ways of transacting, even when the domestic markets are closed, while small investors will be denied that opportunity.

The Working Group's original support for some form of planned trading halts should be placed in the context of the other recommendations of the *Report.* The Group noted the need to strengthen the capital structure of market participants, the capacity of trading mechanisms, and the credit, clearing, and payment systems that undergird trading. Much progress has been made in these areas, as evidenced by the way systems and market participants handled the market move on October 27, 1997. Disruptive, *ad hoc* shutdowns seem much less likely to occur. The combined force of these enhancements makes the case for circuit breakers less compelling today than ten years ago. At a minimum, it argues for higher triggers today. The original circuit breakers represented price declines of 12 percent and 20 percent, but halts are now triggered by price moves of only 4½ percent and 7 percent.

In redesigning circuit breakers, the details are best left to be negotiated among the affected markets, with the oversight of the relevant regulatory authorities. Nonetheless, certain broad principles should be followed. The circuit breakers should be coordinated. The trading halts should not be triggered so frequently as to create more disruptions than the unplanned halts they are intended to prevent. The system should be simple enough that market participants have no trouble understanding when trading halts will be triggered. Finally, the system should embody a mechanism that allows periodic adjustments to trigger levels.

One of the consequences of the way circuit breakers functioned on October 27 is that the usual closing procedures on markets did not occur. This precipitated current discussion about a redesign of circuit breakers to facilitate the ability to trade at the close and to establish closing prices. Normal business practices assume that trades at the close will be possible for managing market and credit risks and that these prices will be available for valuing portfolios. We support efforts to ensure that circuit breakers do not hinder these critical processes.

The subcommittee also has requested comment on Rule 80A of the New York Stock Exchange, which limits certain types of program trading when the Dow Jones Industrial Average moves more than 50 points in a day. The Federal Reserve Board generally refrains from taking a specific position on rules that have been put in place by the individual markets. As I indicated earlier, however, the Board believes that, as a matter of principle, markets should be left to trade freely, except in very unusual circumstances. Because the level at which the rule is triggered has not been adjusted as prices have risen, the restriction recently has been triggered daily, even as markets continued to function well. In this light, the existing Rule 80A restriction seems wholly unnecessary.

In summary, the Federal Reserve Board believes that the goal of policy in this area is to make markets more resilient to shocks rather than to pursue an unrealistic aim of curbing volatility. Almost every element of the market infrastructure has been strengthened since the 1987 crash. These changes have made our markets better able to withstand shocks. The redesign of the circuit breakers should take this added resiliency into account, or else the circuit breakers themselves run the risk of becoming disruptive.

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*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, January 30, 1998*

The global financial system has been evolving rapidly in recent years. New technology has radically reduced the costs of borrowing and lending across traditional national borders, facilitating the development of new instruments and drawing in new players. One result has been a massive increase in capital flows. Information is transmitted instantaneously around the world, and huge shifts in the supply and demand for funds naturally follow.

This burgeoning global system has been demonstrated to be a highly efficient structure that has significantly facilitated cross-border trade in goods and services and, accordingly, has made a substantial contribution to standards of living worldwide. Its efficiency exposes and punishes underlying economic weakness swiftly and decisively. Regrettably, it also appears to have facilitated the transmission of financial disturbances far more effectively than ever before.

As I testified before this committee three years ago, the then-emerging Mexican crisis was the first such episode associated with our new high tech international financial system. The current Asian crisis is the second.

We do not as yet fully understand the new system's dynamics. We are learning fast and need to update and modify our institutions and practices to reduce the risks inherent in the new regime. Meanwhile, we have to confront the current crisis with the institutions and techniques we have.

Many argue that the current crisis should be allowed to run its course without support from the International Monetary Fund (IMF) or the bilateral financial backing of other nations. They assert that allowing this crisis to play out, while doubtless having additional negative effects on growth in Asia, and engendering greater spillovers onto the rest of the world, is not likely to have a large or lasting impact on the United States and the world economy.

They may well be correct in their judgment. There is, however, a small but not negligible probability that the upset in East Asia could have unexpectedly negative effects on Japan, Latin America, and eastern and central Europe that, in turn, could have repercussions elsewhere, including the United States. Thus, while the probability of such an outcome may be small, its consequences, in my judgment, should not be left solely to chance. We have observed that global financial markets, as currently organized, do not always achieve an appropriate equilibrium or at least require time to stabilize.

Opponents of IMF support also argue that the substantial financial backing, by cushioning the losses of imprudent investors, could exacerbate moral hazard. Moral hazard arises when someone can reap the rewards from one's actions when things go well but does not suffer the full consequences when things go badly. Such a reward structure, obviously, could encourage excessive risk-taking. To be sure, this is a problem, though with respect to Asia some investors have to date suffered substantial losses. Asian equity losses, excluding Japan, since June 1997 worldwide are estimated to have exceeded $700 billion, of which more than $30 billion has been lost by U.S. investors. Substantial further losses have been recorded in bonds and real estate.

Moreover, the policy conditionality associated principally with IMF lending, which dictates economic and financial discipline and structural change, helps to mitigate some of the moral hazard concerns. Such conditionality is also critical to the success of the overall stabilization effort. As I will be discussing in a moment, at the root of the problems is poor public policy that has resulted in misguided investments and very weak financial sectors. Convincing a sovereign nation to alter destructive policies that impair its own performance and threaten contagion to its neighbors is best handled by an international financial institution, such as the IMF. What we have in place today to respond to crises should be supported even as we work to improve those mechanisms and institutions.

Accordingly, I fully back the Administration's request to augment the financial resources of the IMF—U.S. participation in the New Arrangements to Borrow, and an increase in the U.S. quota in the IMF. Hopefully, neither will turn out not to be needed, and no funds will be drawn. But it is better to have it available if that turns out not to be the case, and quick response to a pending crisis is essential. I also believe it is important to have mechanisms, such as the Treasury Department's Exchange Stabilization Fund, that permit the United States in exceptional circumstances to provide temporary bilateral financial support, often on short notice, under appropriate conditions and on occasion in cooperation with other countries.

In my testimony before this committee in mid-November, I endeavored to outline the roots of the current crisis. This morning I should like to carry the analysis a bit further.

Companies in Korea and many other Asian countries have become formidable world class producers in several manufacturing sectors using advanced technologies, but in several cases they permitted leverage to rise to levels that could only be sustained with continued very rapid growth. Growth, however, was destined to slow.

Asian economies to varying degrees over the past half century have tried to combine rapid growth with a much higher mix of government-directed production than has been evident in the essentially market-driven economies of the West. Through government inducements, several select, more sophisticated manufacturing technologies borrowed from the advanced market economies were applied to these generally low-productivity and, hence, low-wage economies. Thus, for selected products, exports became competitive with those of the market economies, engendering rapid overall economic growth.

There was, however, an inevitable limit to how far this specialized Asian economic regime could develop. As the process broadened beyond a few select applications of advanced technologies, *overall* productivity continued to increase, and the associated rise in the *average* real wage in these economies blunted somewhat the competitive advantage enjoyed initially. As a consequence of the slackening of export expansion caused in part by losses in competitiveness because of exchange rates that were pegged to the dollar, which was appreciating against the yen, aggregate economic growth slowed somewhat, even before the current crisis.

For years, domestic savings and rapidly increasing capital inflows had been directed by governments into investments that banks were required to finance. As I pointed out in previous testimony, lacking a true market test, much of that investment was unprofitable. So long as growth was vigorous, the adverse consequences of this type of nonmarket allocation of resources were masked. Moreover, in the context of pegged exchange rates that were presumed to continue, if not indefinitely, at least beyond the term of the loan, banks and nonbanks were willing to take the risk to borrow dollars (unhedged) to obtain the dollar-denominated interest rates that were invariably lower than those available in domestic currency. Western, especially American, investors diversified some of their huge capital gains of the 1990s into East Asian investments. In hindsight, it is evident that those economies could not provide adequate profitable opportunities at reasonable risk to absorb such a surge in funds. This surge, together with distortions caused by government planning, has resulted in huge losses. With the inevitable slowdown, business losses and nonperforming bank loans surged. Banks' capital eroded rapidly and, as a consequence, funding sources have dried up, as fears of defaults have risen dramatically. In an environment of weak financial systems, lax supervisory regimes, and vague guarantees about depositor or creditor protections, bank runs have occurred in several countries and reached crisis proportions in Indonesia. Uncertainty and retrenchment have escalated. The state of confidence so necessary to the functioning of any economy has been torn asunder. Vicious cycles of ever-rising and reinforcing fears have become contagious. Some exchange rates have fallen to levels that are understandable only in the context of a veritable collapse of confidence in the functioning of an economy.

A similar breakdown was also evident in Mexico three years ago, albeit to a somewhat lesser degree. In late 1994, the government was rapidly losing reserves in a vain effort to support a currency that had come under attack when the authorities failed to act expeditiously and convincingly to contain a burgeoning current account deficit financed in large part by substantial short-term flows denominated in dollars.

These two recent crisis episodes have afforded us increasing insights into the dynamics of the evolving international financial system, though there is much we do not yet understand.

With the new, more sophisticated financial markets punishing errant government policy behavior far more profoundly than in the past, vicious cycles are evidently emerging more often. For, once they are triggered, damage control is difficult. Once the web of confidence, which supports the financial system, is breached, it is difficult to restore quickly. The loss of confidence can trigger rapid and disruptive changes in the pattern of finance, which, in turn, feed back on exchange rates and asset prices. Moreover, investor concerns that weaknesses revealed in one economy may be present in others that are similarly situated means that the loss of confidence can quickly spread to other countries.

At one point the economic system appears stable, the next it behaves as though a dam has reached a breaking point, and water (read, confidence) evacuates its reservoir. The United States experienced such a sudden change with the decline in stock prices of more than 20 percent on October 19, 1987. There is no credible scenario that can readily explain so abrupt a change in the fundamentals of long-term valuation on that one day. Such market panic does not appear to reflect a simple continuum from the immediately previous period. The abrupt onset of such implosions suggests the possibility that there is a marked dividing line for confidence. When crossed, prices slip into free fall—perhaps overshooting the long-term equilibrium—before markets will stabilize.

But why do these events seem to erupt without some readily evident precursor? Certainly, the more extended the risk-taking, or more generally, the lower the discount factors applied to future outcomes, the more vulnerable are markets to a shock that abruptly triggers a revision in expectations and sets off a vicious cycle of contraction.

Episodes of vicious cycles cannot be easily forecast, as our recent experience with Asia has demonstrated. The causes of such episodes are complex and often subtle. In the case of Asia, we can now say with some confidence that the economies affected by this crisis faced a critical mass of vulnerabilities; ex ante, some were more apparent than others, but the combination was not generally recognized as critical.

Once the recent crisis was triggered in early July with Thailand's forced abandonment of its exchange rate peg, it was apparently the lethal combination of pegged exchange rates, high leverage, weak banking and financial systems, and declining demand in Thailand and elsewhere that transformed a correction into a collapse. Normally the presence of these factors would have produced a modest retrenchment, not the kind of discontinuous fall in confidence that leads to a vicious cycle of decline. But with a significant part of short-term liabilities, bank and nonbank, denominated in foreign currencies (predominantly dollars), unhedged, the initial pressure on domestic currencies led to a sharp crack in the fixed-exchange-rate structure of many East Asian economies. The belief that local currencies could, virtually without risk of loss, be converted into dollars at any time was shattered. Investors, both domestic and foreign, endeavored *en masse* to convert to dollars, as confidence in the ability of the local economy to earn dollars to meet their fixed obligations diminished. Local exchange rates fell against the dollar, inducing still further declines.

The weakening of growth also led to lowered profit expectations and contracting net capital inflows of dollars. This was an abrupt change from the pronounced acceleration through 1996 and the first half of 1997. The combination of continued strong demand for dollars to meet debt service obligations and the slowed new supply destabilized the previously fixed exchange rate regime. This created a marked increase in uncertainty and retrenchment, further reducing capital inflows, still further weakening local currency exchange rates. This vicious cycle will continue until either defaults or restructuring lowers debt service obligations or the low local exchange rates finally induce a pickup in the supply of dollars.

These virulent episodes appear to be at the root of our most recent breakdowns in Mexico and Asia. Their increased prevalence may, in fact, be a defining characteristic of the new high tech international financial system. We shall never be able to alter the human response to shocks of uncertainty and withdrawal; we can only endeavor to reduce the imbalances that exacerbate them.

Although, as indicated earlier, I do not believe we are as yet sufficiently knowledgeable of the full complex dynamics of our increasingly developing high tech financial system, enough insights have been gleaned from the crises in Mexico and Asia (and previous experiences) to enable us to list a few of the critical tendencies toward disequilibrium and vicious cycles that will have to be addressed if our new global economy is to limit the scope for disruptions in the future. These elements have all, in times past, been factors in international and domestic economic disruptions, but they appear more stark in today's market.

1. *Leverage.* Certainly in Korea, probably in Thailand, and possibly elsewhere, a high degree of leverage (the ratio of debt to equity) appears to be a place to start. Although the key role of debt in bank balance sheets is obvious, its role in the efficient functioning of the nonbank sector is also important. Nevertheless, exceptionally high leverage often is a symptom of excessive risk-taking that leaves financial systems and economies vulnerable to loss of confidence. It is not easy to imagine the cumulative cascading of debt instruments seeking safety in a crisis when assets are heavily funded with equity. The concern is particularly relevant to banks and many other financial intermediaries, whose assets typically are less liquid than their liabilities and so depend on confidence in the payment of liabilities for their continued viability. Moreover, both financial and nonfinancial businesses can employ high leverage to mask inadequate underlying profitability and otherwise have inadequate capital cushions to match their volatile environments.

Excess leverage in nonfinancial business can create problems for lenders, including their banks; these problems can, in turn, spread to other borrowers that rely on these lenders. Fortunately, since lending by nonfinancial firms to other businesses is less prevalent than bank lending to other banks, direct contagion is less likely. But the leverage of South Korea's chaebols, because of their size and the pervasive distress, has clearly been an important cause of bank problems with their systemic implications.

2. *Interest Rate and Currency Risk.* Banks, when confronted with a generally rising yield curve, have a tendency to incur interest rate or liquidity risk by lending long and funding short. This exposes them to shocks, especially those institutions that have low capital–asset ratios. When financial intermediaries, in addition, seek low-cost, unhedged foreign currency funding, the dangers of depositor runs, after a fall in the domestic currency, escalate.

3. *Weak Banking Systems.* Banks play a crucial role in the financial market infrastructure. When they are undercapitalized, have lax lending standards, and are subjected to weak supervision and regulation, they become a source of systemic risk both domestically and internationally.

4. *Interbank Funding, Especially in Foreign Currencies.* Despite its importance for distributing savings to their most valued use, short-term interbank funding, especially cross-border, may turn out to be the Achilles' heel of an international financial system that is subject to wide variations in financial confidence. This phenomenon, which is all too common in our domestic experience, may be particularly dangerous in an international setting.

5. *Moral Hazard.* The expectation that monetary authorities or international financial institutions will come to the rescue of failing financial systems and unsound investments has clearly engendered a significant element of moral hazard and excessive risk-taking. The dividing line between public and private liabilities, too often, becomes blurred.

6. *Weak Central Banks.* To effectively support a stable currency, central banks need to be independent, meaning that their monetary policy decisions are not subject to the dictates of political authorities.

7. *Securities Markets.* Recent adverse banking experiences have emphasized the problems that can arise if banks are almost the sole source of intermediation. Their breakdown induces a sharp weakening in economic growth. A wider range of nonbank institutions, including viable debt and equity markets, are important safeguards of economic activity when banking fails.

8. *Inadequate Legal Structures.* Finally, an effective competitive market system requires a rule of law that severely delimits government's arbitrary intrusion into commercial disputes.

Defaults and restructuring will not always be avoidable. Indeed, "creative destruction," as Joseph Schumpeter put it, is often an important element of renewal in a dynamic market economy, but an efficient bankruptcy statute is required to aid in this process, including in the case of cross-border defaults.

Interest and currency risk-taking, excess leverage, weak financial systems, and interbank funding are all encouraged by the existence of a safety net. In a domestic context, it is difficult to achieve financial balance without a regulatory structure that seeks to simulate the market incentives that would tend to control these financial elements if there were not broad safety nets. It is even more difficult to achieve such a balance internationally among sovereign governments operating out of different cultures. Thus, governments have developed a patchwork of arrangements and conventions governing the functioning of the international financial system that I believe will need to be thoroughly reviewed and altered as necessary to fit the needs of the new global environment. A review of supervision and regulation of private financial institutions, especially those that are supported by a safety net, is particularly pressing because those institutions have played so prominent a role in the emergence of recent crises.

As I have testified previously, I believe that, in this rapidly expanding international financial system, the primary protection from adverse financial disturbances is effective counterparty surveillance, and hence government regulation and supervision should seek to produce an environment in which counterparties can most effectively oversee the credit risks of potential transactions.

Here a major improvement in transparency, including both accounting and public disclosure, is essential. To be sure, counterparties often exchange otherwise confidential information as a condition of a transaction. But broader dissemination of detailed disclosures of governments, financial institutions, and firms is required if the risks inherent in our global financial structure are to be contained. A market system can approach an appropriate equilibrium only if the signals to which individual market participants respond are accurate and adequate to the needs of the adjustment process. Among the important signals are product and asset prices, interest rates, debt by maturity, detailed accounts of central banks, and private enterprises. Blinded by faulty signals, a competitive free market system cannot reach a firm balance except by chance. In today's rapidly changing marketplace, producers need sophisticated signals to hone production schedules and investment programs to respond to consumer demand.

There is sufficient bias in political systems of all varieties to substitute hope (read, wishful thinking) for possibly difficult preemptive policy moves, both with respect to financial systems and economic policy. There is often denial and delay in instituting proper adjustments. Recent propensities to obscure the need for change have been evidenced by unreported declines in official reserves, issuance by governments of the equivalent of foreign currency obligations, or unreported large forward short positions against foreign currencies. It is very difficult for political leaders to incur what they perceive as large immediate political costs to contain problems that they see (often dimly) as only prospective.

Reality eventually replaces hope, but the cost of delay is a more abrupt and disruptive adjustment than would have been required if action had been more preemptive. Increased transparency for businesses, financial institutions, and governments is a key ingredient in fostering more discipline on private transactors and on government policymakers. Increased transparency can counter political bias, in part, by exposing for all to see the risks to stability of current policies as they develop. Under such conditions, *failure* to act would also be perceived as having political costs. I suspect that recent political foot dragging by governments in both developed and developing countries on the issue of greater transparency is credible evidence of its power and significance.

Transparency, which is so important to foster safe and sound lending practices, is, of course, less relevant for local-currency lending if banks are guaranteed with sovereign credits. Moreover, transparency becomes especially difficult to create for organizations and corporations with large interlocking ownerships. Cross-holdings of stock lead too often to lending on the basis of association, not economic value.

The list of problems that must be addressed to achieve balance in our future global financial system could be significantly extended, but let me end with a notion that is relevant also to today's crisis. It is becoming increasingly evident that supervision and regulation should address excess nonperforming loans expeditiously. The expected values of the losses on these loans are, of course, a subtraction from capital. But because these estimates are uncertain, they embody an additional risk premium that reduces the markets' best estimate of the size of effective equity capital even if capital is replenished. It is, hence, far better to remove these dubious assets and their associated risk premium from bank balance sheets and dispose of them separately, preferably promptly.

As a consequence of the unwinding of market restrictions and regulations and the rapid increase in technology, the international financial system has expanded at a pace far faster than either domestic gross domestic product or cross-border trade. To reduce the risk of systemic crises in such an environment, an enhanced regime of market incentives, involving greater sensitivity to market signals, more information to make those signals more robust, and broader securities markets—coupled with better supervision—are essential. Obviously appropriate macro policies, as ever, are assumed. But attention to micro details is becoming increasingly pressing.

Nonetheless, it is reasonable to expect that despite endeavors at risk containment and prevention the system may fail in some instances, triggering vicious cycles and all the associated contagion for innocent bystanders. A backup source of international financial support provided only with agreed conditions to address underlying problems, the task assigned to the IMF, can play an essential stabilizing role. The availability of such support must be limited because its size cannot be expected to expand at the pace of the international financial system. I doubt if there will be worldwide political support for that.

In closing, I should like to stress that the significant degree of volatility that continues to exist in Asian markets indicates exceptionally high levels of uncertainty, bordering on panic. It is not reasonable to expect that the substantial investments needed to implement meaningful structural reforms can proceed very far until we observe a simmering down of frenetic changes in asset prices and exchange rates.

That is likely to result only when stability of banking and financial systems generally is achieved. As I indicated in my November testimony, the failure of the fragile banking systems of East Asia to hold steady as financial pressures increased was a defining element in the developing crisis. The stabilization of those banking systems is crucial, if confidence, which has been so thoroughly undercut in this most debilitating crisis, is to be restored. □

# Announcements

## *Appointments of New Members to the Consumer Advisory Council*

The Federal Reserve Board on January 14, 1998, named fourteen new members to its Consumer Advisory Council for three-year terms and designated a new chairman and vice chairman of the council for 1998.

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 in the area of consumer financial services. The council meets three times a year in Washington, D.C.

William N. Lund, Director of the Office of Consumer Credit Regulation for the State of Maine, was designated chairman. His term runs through December 1998. Yvonne S. Sparks was designated vice chairman. Ms. Sparks is Vice President, Community Investment Department, at the NationsBank Community Investment Group in St. Louis, Missouri. Her term on the council ends in December 1999.

The fourteen new members are the following:

Walter J. Boyer
Garland, Texas

Mr. Boyer is President of United Central Bank, a minority-owned bank that specializes in niche markets serving the large Asian populations of Texas. Mr. Boyer is active in many community and business organizations. He currently serves as President of the Dallas Business Association. Other past and present affiliations include service as board member of the Garland Community Hospital, the Garland Advisory Police Council, and the Association of Women Entrepreneurs.

Jeremy Eisler
Ocean Springs, Mississippi

Mr. Eisler is Director of Litigation for the South Mississippi Legal Services Corporation, where he practices in the area of consumer law. The agency, located in Biloxi, represents low-income individuals. Mr. Eisler is also the Statewide Coordinator of Litigation and Training in the area of consumer law for Legal Services programs in Mississippi, and is a frequent lecturer on consumer law. He is a member of both the Mississippi and the North Carolina Bars.

Robert F. Elliott
Prospect Heights, Illinois

Mr. Elliott is Vice Chairman of Household International, a diversified financial services company engaged in making loans and issuing credit cards in the United States, the United Kingdom, and Canada. He has been with Household since 1964. He was named Assistant Director of commercial lending in 1982; he was promoted to Division General Manager of Household's Canadian company in 1985 and to President of the operation in 1986. He was appointed President of Household's private label credit card business in 1987 and was named Group Executive and Chief Executive Officer of HFC in 1990. He was promoted to his current position in 1997. Mr. Elliott is active in business associations and currently serves on the board of directors for the American Financial Services Association and Junior Achievement.

Dwight Golann
Boston, Massachusetts

Mr. Golann is Professor of Law at Suffolk University Law School and is also a Visiting Scholar at Harvard Law School. A specialist in alternative dispute resolution, he is a senior mediator and trainer for JAMS/Endispute and is a Distinguished Neutral for the CPR Institute of Dispute Resolution. He chairs the dispute resolution programs for the ADR committee in the American Bar Association's Section of Litigation and has just completed a three-year term as chair of the ABA's Consumer Financial Services Committee. He previously served as chief of the Consumer Protection Division, deputy chief of the Public Protection Bureau, and Assistant Attorney General for the Commonwealth of Massachusetts. Mr. Golann is the principal author and editor of *Mediating Legal Disputes: Effective Strategies for Lawyers and Mediators.*

Marva H. Harris
Pittsburgh, Pennsylvania

Ms. Harris is Senior Vice President and Manager of Community Development for PNC Bank Corporation, Pittsburgh, providing strategic guidance for initiatives that target the community development and economic revitalization of low- and moderate-income areas in all PNC Bank markets. In 1997, Ms. Harris received the Carlow College *Women of Spirit* award, in recognition of leadership in business and community activities. In 1995, she was among ten women from the Pittsburgh area to receive the YWCA of Greater Pittsburgh's *Tribute to Women* Leadership Award in Business and Industry. She is a member of the Consumer Bankers Association's Community Reinvestment Act Committee. She is a founding board member of the Pittsburgh Partnership for Neighborhood Development and the founding president of the Community Lender Credit Program. She has served on the board of directors for the Housing Authority of the City of Pittsburgh.

Karla Irvine
Cincinnati, Ohio

Ms. Irvine is Executive Director of Housing Opportunities Made Equal (HOME) of Greater Cincinnati, Inc., a private nonprofit corporation. HOME provides seminars and training on fair housing education issues and investigative techniques in real estate sales and rentals. Ms. Irvine is a member of the Executive Committee of the Cincinnati Branch of the National Association for the Advancement of Colored Persons. She is a board member of the Greater Cincinnati Mortgage Counseling Center, a group that provides support for low- and moderate-income, first-time homebuyers; a member of the Greater Cincinnati Housing Alliance, a group that funds neighborhood development corporations to improve their performance; and a member of Cincinnatus, a civic group.

Gwenn Kyzer
Allen, Texas

Ms. Kyzer is Vice President for Information Services for Experían, a diversified information company that includes one of the three major credit reporting agencies in the United States. Experían is a global provider of consumer and business credit reporting, credit-scoring, and other analytical tools, and target-marketing information and services. Ms. Kyzer's current responsibilities include expansion of the marketing information business and fair information practices for Experían's direct marketing business. Ms. Kyzer has more than twenty years' experience in the credit reporting and direct market industries, having previously held senior positions with TRW and with Chilton Corporation. She serves on the board of directors of the American Mail Marketing Association and of the Direct Marketing Educational Foundation and serves on the Ethics Policy Committee of the Direct Marketing Association.

John C. Lamb
Sacramento, California

Mr. Lamb is Senior Staff Counsel for the California Department of Consumer Affairs, where he drafts and analyzes consumer legislation and where he has conducted consumer litigation and prepared and argued "friend of the court" briefs. Mr. Lamb writes and edits the *Consumer Law Sourcebook,* and serves as liaison to consumer organizations. He is a member of the California State Bar's Consumer Financial Services and Consumer Advocacy Committees and is also a member of the California District Attorneys Association's Consumer and Environmental Protection Council.

Martha W. Miller
Greensboro, North Carolina

Ms. Miller is President of Choice Federal Credit Union, a $38.5 million institution serving more than 34,000 members, primarily manufacturing employees paid on an hourly basis. She serves on a regional advisory committee of the National Association of Federal Credit Unions and on the board of directors of the Carolina Credit Union Services and the North Carolina Credit Union Network. Ms. Miller also serves on the advisory board of Credit Counselors of Greensboro. She is a representative to the Better Business Bureau of Central North Carolina and the Greensboro Area Chamber of Commerce.

Daniel W. Morton
Columbus, Ohio

Mr. Morton is a Vice President and Senior Counsel of The Huntington National Bank, a subsidiary of the Huntington Bancshares, Inc., a bank holding company headquartered in Columbus, Ohio. He is responsible for providing legal advice with respect to retail deposit and consumer credit products, electronic banking, insurance, and other regulatory matters. He also works with the bank's Community Centered Banking group, which seeks alternative ways to bring banking products to low- and moderate-income persons. Mr. Morton serves on the Legal and Public Policy Committee of the Smart Card Forum, the Legal/Public Policy Working Group of The Bankers Roundtable, the Consumer Financial Services Committee of the Business Law Section of the American Bar Association, and various committees of the Consumer Bankers Association.

Charlotte Newton
Springfield, Virginia

Ms. Newton is Vice President of Consumer Affairs for MasterCard International. She serves as vice chair of the National Consumers League and is co-chair of the Corporate Relations Committee recently established by the National Association of Consumer Agency Administrators. Ms. Newton serves on the National Commission on Family and Consumer Sciences National Standards as an adviser on the development of curriculum review standards for teaching consumer science. She has previously served as president of the Virginia Citizens Consumer Council and as the executive director of the National Association of Consumer Agency Administrators. As a founder of the National Coalition of Consumer Education, she served on the board of directors during the organization's early years.

David L. Ramp
Minneapolis, Minnesota

Mr. Ramp is an attorney who represents low-income clients for the Legal Aid Society of Minneapolis, specializing in consumer and housing cases. He is the 1997 recipient of the Vern Countryman Consumer Law Award. This award recognizes and honors the accomplishments of attorneys serving the public interest who, through the practice of consumer law, have contributed significantly to the rights and welfare of low-income consumers. Mr. Ramp is a member of the Minnesota State Bar and Hennepin County Bar and serves on the bankruptcy panel of the Legal Advice Clinic.

Robert G. Schwemm
Lexington, Kentucky

Mr. Schwemm is Professor of Law at the University of Kentucky, where he teaches courses in civil procedure, constitutional law, and civil rights. He specializes in fair housing and fair lending laws, and is the author of *Housing Discrimination: Law and Litigation.* Mr. Schwemm serves as an adviser to the U.S. Department of Housing and Urban Development, the U.S. Department of Justice, and various other public and private agencies concerned with fair housing enforcement.

David J. Shirk
Eugene, Oregon

Mr. Shirk is Senior Vice President of Frontier Investment Company, a full-service mortgage company; and is the founder of RegWise, a regulatory compliance consulting firm. He is a Certified Mortgage Consultant, and in 1995 was named Mortgage Broker of the Year by the National Association of Mortgage Brokers. He served as chair of the Association's National Mortgage Reform task force in 1996–97; he now serves on the Mortgage Reform Working Group, a roundtable of industry and consumer organizations that is developing recommendations for the reform of the Truth in Lending Act and Real Estate Settlement Procedures Act. He is a past president of the Oregon Association of Mortgage Brokers. Mr. Shirk recently published a manual entitled *High Cost Mortgages, How to Comply with Regulation Z Section 32: An Originator's Guide to Compliance.*

Council members whose terms continue through 1998 and 1999 are the following:

Richard S. Amador, President and Chief Executive Officer, CHARO Community Development Corporation, Los Angeles, California

Wayne-Kent A. Bradshaw, President and Chief Executive Officer, Family Savings Bank, FSB, Los Angeles, California

Heriberto Flores, President and Chief Executive Officer, Brightwood Development Corporation, Springfield, Massachusetts

Francine C. Justa, Executive Director, Neighborhood Housing Services of New York, New York, New York

Janet C. Koehler, Senior Manager of Electronic Commerce, AT&T Universal Card Services, Jacksonville, Florida

Errol T. Louis, Central Brooklyn Federal Credit Union, Brooklyn, New York

Carol Parry, Executive Vice President, Chase Manhattan Bank, New York, New York

Philip Price, Jr. , Executive Director, The Philadelphia Plan, Philadelphia, Pennsylvania

Marilyn Ross, Executive Director, Holy Name Housing Corporation, Omaha, Nebraska

Margot Saunders, Managing Attorney, National Consumer Law Center, Washington, D.C.

Gail Small, Executive Director, Native Action, Lame Deer, Montana

Gregory D. Squires, Professor, Department of Sociology, University of Wisconsin–Milwaukee, Milwaukee, Wisconsin

George P. Surgeon, Chief Financial Officer and Executive Vice President, Shorebank Corporation, Chicago, Illinois

Theodore J. Wysocki, Jr., Executive Director, CANDO, Chicago, Illinois

## *Issuance of the Final Report and Recommendations of the Committee on the Federal Reserve in the Payments Mechanism*

The Federal Reserve on January 5, 1998, issued the final report and recommendations of its Committee on the Federal Reserve in the Payments Mechanism. The Committee was appointed by Chairman Alan Greenspan in October 1996 to examine the payment services provided by the Federal Reserve to depository institutions in recognition of the rapid changes occurring in the financial services and technology sectors.

The Committee came to two general conclusions, which are discussed in detail in its full report:

- The Federal Reserve should remain a provider of both check collection and automated clearinghouse (ACH) services with the explicit goal of enhancing the efficiency, effectiveness, and convenience of both systems, while ensuring access for all depository institutions.
- The Federal Reserve should play a more active role, working closely and collaboratively with providers and users of the payments system, both to enhance the efficiency of check and ACH services and to help evolve strategies for moving to the next generation of payment instruments.

In reaching its conclusions, the committee undertook a fundamental review of the role of the Federal Reserve in the payments system and considered how alternative roles for the Federal Reserve might enhance or undermine the integrity, efficiency, and accessibility of the payments system.

The review involved a series of payments system forums held around the country to receive views of representatives from more than 450 institutions, including depository institutions of all sizes, clearinghouses, and other third-party service providers, consumers, retailers, and academics.

Discussions at these meetings focused on five hypothetical scenarios depicting various alternative roles of the Federal Reserve, ranging from exiting the retail payments system to adopting a leadership role in the industry.

The committee is composed of Vice Chair Alice M. Rivlin as Committee Chair, Governor Edward W. Kelley, Jr., President William J. McDonough of the Federal Reserve Bank of New York, and President Thomas C. Melzer of the Federal Reserve Bank of St. Louis.

The committee's final report and recommendations are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

## *PRELIMINARY FIGURES AVAILABLE ON OPERATING INCOME OF THE FEDERAL RESERVE BANKS*

Preliminary figures announced on January 8, 1998, indicate that operating income of the Federal Reserve Banks amounted to $26.916 billion during 1997. Net income before payment of dividends, additions to surplus, and payments to the Treasury totaled $21.793 billion. About $20.662 billion of this net income was distributed to the U.S. Treasury during 1997.

Federal Reserve System income is derived primarily from interest earned on U.S. government securities that the Federal Reserve has acquired through open market operations. Income from the provision of financial services amounted to $790 million.

Operating expenses of the twelve Reserve Banks and Branches totaled $1.813 billion. In addition, earnings credits in the amount of $361.6 million were granted to depository institutions under the Monetary Control Act of 1980. Assessments to Reserve Banks for Board expenditures totaled $174.4 million, and the cost of currency amounted to $364.5 million.

Net deductions from income amounted to $2.577 billion, resulting primarily from unrealized losses on assets denominated in foreign currencies revalued to reflect current market exchange rates. Statutory dividends to member banks were $299.7 million.

Under the policy established by the Board of Governors at the end of 1964, all net income after the statutory dividend to member banks and the amount necessary to equate surplus to paid-in capital is transferred to the U.S. Treasury. In October 1996 and October 1997 the Reserve Banks also transferred $106 million and $107 million, respectively, from their surplus accounts to the Treasury, as statutorily required.

## *STANDARD SCHEDULE PLANNED FOR THE FEDERAL RESERVE BANKS FOR 1999*

The Federal Reserve Board announced on January 28, 1998, that the Reserve Banks will adhere to a standard holiday schedule next year and remain open for normal operations on December 31, 1999.

Although various financial and trade groups have been considering whether a banking holiday on December 31, 1999, would ease potential disruptions that may be caused by the century date change, the Board believes that a banking holiday is not warranted. The Board said bank resources would be better spent preparing for the year 2000 changeover rather than addressing the operating, financial, legal, and other consequences that would flow from a date-change holiday.

As part of its year 2000 preparations, the Federal Reserve plans a comprehensive program for banks to test computers used for Fedwire transfers, automated clearinghouse transactions, and other central bank services for compliance with the date change.

A schedule will be issued shortly with actual testing beginning at midyear and continuing through 1999. This program will permit banks to send test transactions across a variety of dates pertaining to the century date change. Testing for depository institutions will be coordinated through their District Federal Reserve Banks.

## *AVAILABILITY OF REVISED LISTS OF OVER-THE-COUNTER STOCKS AND OF FOREIGN STOCKS SUBJECT TO MARGIN REGULATIONS*

The Federal Reserve Board published on January 23, 1998, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations. Also published was a revised list of foreign equity securities that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). The lists were effective February 9, 1998, and supersede the previous lists that were effective November 10, 1997.

The changes that have been made to the revised OTC list, which now contains 4,860 OTC stocks, are as follows:

- One hundred eighty-eight stocks have been included for the first time, 153 under National Market System (NMS) designation

• Sixty-one stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing

• One hundred twenty stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

Pursuant to amendments recently adopted by the Board, lenders subject to Regulation G (Securities Credit by Persons other than Banks, Brokers, or Dealers) will become subject to a revised Regulation U (Credit by Banks for Purchasing or Carrying Margin Stocks) on April 1, 1998, and Regulation G will be removed from the Code of Federal Regulations. Also on April 1, 1998, Regulation U will be revised so that lenders other than brokers and dealers will no longer be required to apply the Board's margin requirements to all OTC stocks on the OTC list. Instead, lenders subject to the revised Regulation U will be required to apply the Board's margin requirements only to those OTC stocks that qualify as NMS securities. The names of these securities are available at the National Association of Securities Dealers, Inc., and at the Securities and Exchange Commission.

Lenders subject to Regulation T and borrowers subject to Regulation X (Borrowers of Securities Credit) who are required under Section 224.3(a) to conform credit they obtain to Regulation T must continue to use the OTC list until publication of the next OTC list, anticipated for May 1998. An amendment to Regulation T that will make all stocks trading in the NASDAQ Stock Market marginable at brokers and dealers will be effective January 1, 1999. The Board will cease publication of the OTC list at that time.

The foreign list is composed of foreign equity securities that are eligible for margin treatment at broker–dealers. Effective July 1, 1996, foreign stocks that have a "ready market" for purposes of the Securities and Exchange Commission's (SEC) net capital rule may be included on the foreign list. The SEC effectively treats all stocks included on the Financial Times/Standard & Poor's Actuaries World Indices (FT/S&P–AW Indices) as having a "ready market" for capital purposes. The Board is adding twenty-four foreign stocks and deleting thirty-eight, based on changes to the FT/S&P–AW Indices. The revised foreign list now contains 1,942 securities displayed in order of country. □

# Legal Developments

## *FINAL RULE—AMENDMENTS TO REGULATIONS G, T, U AND X*

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221, 224, and 265, its Regulations G, T, U and X (Securities Credit Transactions; Borrowing by Brokers and Dealers; and Rules Regarding Delegation of Authority). The final amendments include the extension of Regulation U to cover lenders formerly subject to Regulation G and the elimination of Regulation G. The amendments reduce regulatory distinctions between broker-dealers, banks, and other lenders and implement changes to the Board's securities credit regulations to reflect changes to the Board's statutory authority under the Securities Exchange Act of 1934, as amended by the National Securities Markets Improvement Act of 1996. Conforming changes are also made to Regulation X, "Borrowers of Securities Credit" and the Board's Rules Regarding Delegation of Authority.

Effective April 1, 1998, 12 C.F.R. Parts 207, 220, 221, 224, and 265 are amended as follows Compliance with the revised Regulation T (12 C.F.R. Part 220) is optional until July 1, 1998.

### *Part 207—[Removed]*

1. Part 207 is removed.

### *Part 220—Credit by Brokers and Dealers (Regulation T)*

2. The authority citation for Part 220 continues to read as follows:

*Authority*: 15 U.S.C. 78c, 78g, 78q, and 78w.

3. Sections 220.1 through 220.12 are revised to read as follows:

### Section 220.1—Authority, purpose, and scope.

(a) *Authority and purpose.* Regulation T (this part) is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to the Securities Exchange Act of 1934 (the Act) (15 U.S.C. 78a *et seq.*). Its principal purpose is to regulate extensions of credit by brokers and dealers; it also covers related transactions within the Board's authority under the Act. It imposes, among other obligations, initial margin requirements and payment rules on certain securities transactions.

(b) *Scope.*

(1) This part provides a margin account and four special purpose accounts in which to record all financial relations between a customer and a creditor. Any transaction not specifically permitted in a special purpose account shall be recorded in a margin account.

(2) This part does not preclude any exchange, national securities association, or creditor from imposing additional requirements or taking action for its own protection.

(3) This part does not apply to:

(i) Financial relations between a customer and a creditor to the extent that they comply with a portfolio margining system under rules approved or amended by the SEC;

(ii) Credit extended by a creditor based on a good faith determination that the borrower is an exempted borrower;

(iii) Financial relations between a customer and a broker or dealer registered only under section 15C of the Act; and

(iv) Financial relations between a foreign branch of a creditor and a foreign person involving foreign securities.

### Section 220.2—Definitions.

The terms used in this part have the meanings given them in section 3(a) of the Act or as defined in this section as follows:

*Affiliated corporation* means a corporation of which all the common stock is owned directly or indirectly by the firm or general partners and employees of the firm, or by the corporation or holders of the controlling stock and employees of the corporation, and the affiliation has been approved by the creditor's examining authority.

*Cash equivalent* means securities issued or guaranteed by the United States or its agencies, negotiable bank certificates of deposit, bankers acceptances issued by banking institutions in the United States and payable in the United States, or money market mutual funds.

*Covered option transaction* means any transaction involving options or warrants in which the customer's risk is limited and all elements of the transaction are subject to contemporaneous exercise if:

(1) The amount at risk is held in the account in cash, cash equivalents, or via an escrow receipt; and

(2) The transaction is eligible for the cash account by the rules of the registered national securities exchange authorized to trade the option or warrant or by the rules of the creditor's examining authority in the case of an

unregistered option, provided that all such rules have been approved or amended by the SEC.

*Credit balance* means the cash amount due the customer in a margin account after debiting amounts transferred to the special memorandum account.

*Creditor* means any broker or dealer (as defined in sections 3(a)(4) and 3(a)(5) of the Act), any member of a national securities exchange, or any person associated with a broker or dealer (as defined in section 3(a)(18) of the Act), except for business entities controlling or under common control with the creditor.

*Current market value* of:

(1) A security means:

(i) Throughout the day of the purchase or sale of a security, the security's total cost of purchase or the net proceeds of its sale including any commissions charged; or

(ii) At any other time, the closing sale price of the security on the preceding business day, as shown by any regularly published reporting or quotation service. If there is no closing sale price, the creditor may use any reasonable estimate of the market value of the security as of the close of business on the preceding business day.

(2) Any other collateral means a value determined by any reasonable method.

*Customer* excludes an exempted borrower and includes:

(1) Any person or persons acting jointly:

(i) To or for whom a creditor extends, arranges, or maintains any credit; or

(ii) Who would be considered a customer of the creditor according to the ordinary usage of the trade;

(2) Any partner in a firm who would be considered a customer of the firm absent the partnership relationship; and

(3) Any joint venture in which a creditor participates and which would be considered a customer of the creditor if the creditor were not a participant.

*Debit balance* means the cash amount owed to the creditor in a margin account after debiting amounts transferred to the special memorandum account.

*Delivery against payment, Payment against delivery, or a C.O.D. transaction* refers to an arrangement under which a creditor and a customer agree that the creditor will deliver to, or accept from, the customer, or the customer's agent, a security against full payment of the purchase price.

*Equity* means the total current market value of security positions held in the margin account plus any credit balance less the debit balance in the margin account.

*Escrow agreement* means any agreement issued in connection with a call or put option under which a bank or any person designated as a control location under paragraph (c) of SEC Rule 15c3-3 (17 C.F.R. 240.15c3-3(c)), holding the underlying asset or required cash or cash equivalents, is obligated to deliver to the creditor (in the case of a call option) or accept from the creditor (in the case of a put option) the underlying asset or required cash or cash equivalent against payment of the exercise price upon exercise of the call or put.

*Examining authority* means:

(1) The national securities exchange or national securities association of which a creditor is a member; or

(2) If a member of more than one self-regulatory organization, the organization designated by the SEC as the examining authority for the creditor.

*Exempted borrower* means a member of a national securities exchange or a registered broker or dealer, a substantial portion of whose business consists of transactions with persons other than brokers or dealers, and includes a borrower who:

(1) Maintains at least 1000 active accounts on an annual basis for persons other than brokers, dealers, and persons associated with a broker or dealer;

(2) Earns at least $10 million in gross revenues on an annual basis from transactions with persons other than brokers, dealers, and persons associated with a broker or dealer; or

(3) Earns at least 10 percent of its gross revenues on an annual basis from transactions with persons other than brokers, dealers, and persons associated with a broker or dealer.

*Exempted securities mutual fund* means any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), provided the company has at least 95 percent of its assets continuously invested in exempted securities (as defined in section 3(a)(12) of the Act).

*Foreign margin stock* means a foreign security that is an equity security that:

(1) Appears on the Board's periodically published List of Foreign Margin Stocks; or

(2) Is deemed to have a "ready market" under SEC Rule 15c3-1 (17 C.F.R. 240.15c3-1) or a "no-action" position issued thereunder.

*Foreign person* means a person other than a United States person as defined in section 7(f) of the Act.

*Foreign security* means a security issued in a jurisdiction other than the United States.

*Good faith* with respect to:

(1) Margin means the amount of margin which a creditor would require in exercising sound credit judgment;

(2) Making a determination or accepting a statement concerning a borrower means that the creditor is alert to the circumstances surrounding the credit, and if in possession of information that would cause a prudent person not to make the determination or accept the notice or certification without inquiry, investigates and is satisfied that it is correct.

*Margin call* means a demand by a creditor to a customer for a deposit of additional cash or securities to eliminate or reduce a margin deficiency as required under this part.

*Margin deficiency* means the amount by which the required margin exceeds the equity in the margin account.

*Margin equity security* means a margin security that is an equity security (as defined in section 3(a)(11) of the Act).

*Margin excess* means the amount by which the equity in the margin account exceeds the required margin. When the margin excess is represented by securities, the current value of the securities is subject to the percentages set forth in section 220.12 (the Supplement).

*Margin security* means:

(1) Any security registered or having unlisted trading privileges on a national securities exchange;

(2) After January 1, 1999, any security listed on the Nasdaq Stock Market;

(3) Any non-equity security;

(4) Any security issued by either an open-end investment company or unit investment trust which is registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);

(5) Any foreign margin stock;

(6) Any debt security convertible into a margin security;

(7) Until January 1, 1999, any OTC margin stock; or

(8) Until January 1, 1999, any OTC security designated as qualified for trading in the national market system under a designation plan approved by the Securities and Exchange Commission (NMS security).

*Money market mutual fund* means any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8) that is considered a money market fund under SEC Rule 2a–7 (17 C.F.R. 270.2a-7).

*Non-equity security* means a security that is not an equity security (as defined in section 3(a)(11) of the Act).

*Nonexempted security* means any security other than an exempted security (as defined in section 3(a)(12) of the Act).

*OTC margin stock* means any equity security traded over the counter that the Board has determined has the degree of national investor interest, the depth and breadth of market, the availability of information respecting the security and its issuer, and the character and permanence of the issuer to warrant being treated like an equity security treaded on a national securities exchange. An OTC stock is not considered to be an OTC margin stock unless it appears on the Board's periodically published list of OTC margin stocks.

*Payment period* means the number of business days in the standard securities settlement cycle in the United States, as defined in paragraph (a) of SEC Rule 15c6–1 (17 C.F.R. 240.15c6–1(a)), plus two business days.

*Purpose credit* means credit for the purpose of:

(1) Buying, carrying, or trading in securities; or

(2) Buying or carrying any part of an investment contract security which shall be deemed credit for the purpose of buying or carrying the entire security.

*Short call or short put* means a call option or a put option that is issued, endorsed, or guaranteed in or for an account.

(1) A short call that is not cash-settled obligates the customer to sell the underlying asset at the exercise price upon receipt of a valid exercise notice or as otherwise required by the option contract.

(2) A short put that is not cash-settled obligates the customer to purchase the underlying asset at the exercise price upon receipt of a valid exercise notice or as otherwise required by the option contract.

(3) A short call or a short put that is cash-settled obligates the customer to pay the holder of an in the money long put or long call who has, or has been deemed to have, exercised the option the cash difference between the exercise price and the current assigned value of the option as established by the option contract.

*Underlying asset* means:

(1) The security or other asset that will be delivered upon exercise of an option; or

(2) In the case of a cash-settled option, the securities or other assets which comprise the index or other measure from which the option's value is derived.

## Section 220.3—General provisions.

(a) *Records.* The creditor shall maintain a record for each account showing the full details of all transactions.

(b) *Separation of accounts.*

(1) *In general.* The requirements of one account may not be met by considering items in any other account. If withdrawals of cash or securities are permitted under this part, written entries shall be made when cash or securities are used for purposes of meeting requirements in another account.

(2) *Exceptions.* Notwithstanding paragraph (b)(1) of this section:

(i) For purposes of calculating the required margin for a security in a margin account, assets held in the good faith account pursuant to section 220.6(e)(1)(i) or (ii) may serve in lieu of margin;

(ii) Transfers may be effected between the margin account and the special memorandum account pursuant to sections 220.4 and 220.5.

(c) *Maintenance of credit.* Except as prohibited by this part, any credit initially extended in compliance with this part may be maintained regardless of:

(1) Reductions in the customer's equity resulting from changes in market prices;

(2) Any security in an account ceasing to be margin or exempted; or

(3) Any change in the margin requirements prescribed under this part.

(d) *Guarantee of accounts.* No guarantee of a customer's account shall be given any effect for purposes of this part.

(e) *Receipt of funds or securities.*

(1) A creditor, acting in good faith, may accept as immediate payment:

(i) Cash or any check, draft, or order payable on presentation; or

(ii) Any security with sight draft attached.

(2) A creditor may treat a security, check or draft as received upon written notification from another creditor that the specified security, check, or draft has been sent.

(3) Upon notification that a check, draft, or order has been dishonored or when securities have not been received within a reasonable time, the creditor shall take the action required by this part when payment or securities are not received on time.

(4) To temporarily finance a customer's receipt of securities pursuant to an employee benefit plan registered on SEC Form S-8 or the withholding taxes for an employee stock award plan, a creditor may accept, in lieu of the securities, a properly executed exercise notice, where applicable, and instructions to the issuer to deliver the stock to the creditor. Prior to acceptance, the creditor must verify that the issuer will deliver the securities promptly and the customer must designate the account into which the securities are to be deposited.

(f) *Exchange of securities.*

(1) To enable a customer to participate in an offer to exchange securities which is made to all holders of an issue of securities, a creditor may submit for exchange any securities held in a margin account, without regard to the other provisions of this part, provided the consideration received is deposited into the account.

(2) If a nonmargin, nonexempted security is acquired in exchange for a margin security, its retention, withdrawal, or sale within 60 days following its acquisition shall be treated as if the security is a margin security.

(g) *Arranging for loans by others.* A creditor may arrange for the extension or maintenance of credit to or for any customer by any person, provided the creditor does not willfully arrange credit that violates Parts 221 or 224 of this chapter.

(h) *Innocent mistakes.* If any failure to comply with this part results from a mistake made in good faith in executing a transaction or calculating the amount of margin, the creditor shall not be deemed in violation of this part if, promptly after the discovery of the mistake, the creditor takes appropriate corrective action.

(i) *Foreign currency.*

(1) Freely convertible foreign currency may be treated at its U.S. dollar equivalent, provided the currency is marked-to-market daily.

(2) A creditor may extend credit denominated in any freely convertible foreign currency.

(j) *Exempted borrowers.*

(1) A member of a national securities exchange or a registered broker or dealer that has been in existence for less than one year may meet the definition of exempted borrower based on a six-month period.

(2) Once a member of a national securities exchange or registered broker or dealer ceases to qualify as an exempted borrower, it shall notify its lender of this fact before obtaining additional credit. Any new extensions of credit to such a borrower, including rollovers, renewals, and additional draws on existing lines of credit, are subject to the provisions of this part.

## Section 220.4—Margin account.

(a) *Margin transactions.*

(1) All transactions not specifically authorized for inclusion in another account shall be recorded in the margin account.

(2) A creditor may establish separate margin accounts for the same person to:

(i) Clear transactions for other creditors where the transactions are introduced to the clearing creditor by separate creditors; or

(ii) Clear transactions through other creditors if the transactions are cleared by separate creditors; or

(iii) Provide one or more accounts over which the creditor or a third party investment adviser has investment discretion.

(b) *Required margin.*

(1) *Applicability.* The required margin for each long or short position in securities is set forth in section 220.12 (the Supplement) and is subject to the following exceptions and special provisions.

(2) *Short sale against the box.* A short sale "against the box" shall be treated as a long sale for the purpose of computing the equity and the required margin.

(3) *When-issued securities.* The required margin on a net long or net short commitment in a when-issued security is the margin that would be required if the security were an issued margin security, plus any unrealized loss on the commitment or less any unrealized gain.

(4) *Stock used as cover.*

(i) When a short position held in the account serves in lieu of the required margin for a short put, the amount prescribed by paragraph (b)(1) of this section as the amount to be added to the required margin in respect of short sales shall be increased by any unrealized loss on the position.

(ii) When a security held in the account serves in lieu of the required margin for a short call, the security shall be valued at no greater than the exercise price of the short call.

(5) *Accounts of partners.* If a partner of the creditor has a margin account with the creditor, the creditor shall disregard the partner's financial relations with the firm (as shown in the partner's capital and ordinary drawing accounts) in calculating the margin or equity of the partner's margin account.

(6) *Contribution to joint venture.* If a margin account is the account of a joint venture in which the creditor participates, any interest of the creditor in the joint account in excess of the interest which the creditor would have on the basis of its right to share in the profits shall be treated as an extension of credit to the joint account and shall be margined as such.

(7) *Transfer of accounts.*

(i) A margin account that is transferred from one creditor to another may be treated as if it had been maintained by the transferee from the date of its origin, if the transferee accepts, in good faith, a signed statement of the transferor (or, if that is not practicable, of the customer), that any margin call issued under this part has been satisfied.

(ii) A margin account that is transferred from one customer to another as part of a transaction, not undertaken to avoid the requirements of this part, may be treated as if it had been maintained for the transferee from the date of its origin, if the creditor accepts in good faith and keeps with the transferee account a signed statement of the transferor describing the circumstances for the transfer.

(8) *Sound credit judgment.* In exercising sound credit judgment to determine the margin required in good faith pursuant to section 220.12 (the Supplement), the creditor shall make its determination for a specified security position without regard to the customer's other assets or securities positions held in connection with unrelated transactions.

(c) *When additional margin is required.*

(1) *Computing deficiency.* All transactions on the same day shall be combined to determine whether additional margin is required by the creditor. For the purpose of computing equity in an account, security positions are established or eliminated and a credit or debit created on the trade date of a security transaction. Additional margin is required on any day when the day's transactions create or increase a margin deficiency in the account and shall be for the amount of the margin deficiency so created or increased.

(2) *Satisfaction of deficiency.* The additional required margin may be satisfied by a transfer from the special memorandum account or by a deposit of cash, margin securities, exempted securities, or any combination thereof.

(3) *Time limits.*

(i) A margin call shall be satisfied within one payment period after the margin deficiency was created or increased.

(ii) The payment period may be extended for one or more limited periods upon application by the creditor to its examining authority unless the examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action. Applications shall be filed and acted upon prior to the end of the payment period or the expiration of any subsequent extension.

(4) *Satisfaction restriction.* Any transaction, position, or deposit that is used to satisfy one requirement under this part shall be unavailable to satisfy any other requirement.

(d) *Liquidation in lieu of deposit.* If any margin call is not met in full within the required time, the creditor shall liquidate securities sufficient to meet the margin call or to eliminate any margin deficiency existing on the day such liquidation is required, whichever is less. If the margin deficiency created or increased is $1000 or less, no action need be taken by the creditor.

(e) *Withdrawals of cash or securities.*

(1) Cash or securities may be withdrawn from an account, except if:

(i) Additional cash or securities are required to be deposited into the account for a transaction on the same or a previous day; or

(ii) The withdrawal, together with other transactions, deposits, and withdrawals on the same day, would create or increase a margin deficiency.

(2) Margin excess may be withdrawn or may be transferred to the special memorandum account (section 220.5) by making a single entry to that account which will represent a debit to the margin account and a credit to the special memorandum account.

(3) If a creditor does not receive a distribution of cash or securities which is payable with respect to any security in a margin account on the day it is payable and withdrawal would not be permitted under this paragraph (e), a withdrawal transaction shall be deemed to have occurred on the day the distribution is payable.

(f) *Interest, service charges, etc.*

(1) Without regard to the other provisions of this section, the creditor, in its usual practice, may debit the following items to a margin account if they are considered in calculating the balance of such account:

(i) Interest charged on credit maintained in the margin account;

(ii) Premiums on securities borrowed in connection with short sales or to effect delivery;

(iii) Dividends, interest, or other distributions due on borrowed securities;

(iv) Communication or shipping charges with respect to transactions in the margin account; and

(v) Any other service charges which the creditor may impose.

(2) A creditor may permit interest, dividends, or other distributions credited to a margin account to be withdrawn from the account if:

(i) The withdrawal does not create or increase a margin deficiency in the account; or

(ii) The current market value of any securities withdrawn does not exceed 10 percent of the current market value of the security with respect to which they were distributed.

## Section 220.5—Special memorandum account.

(a) A special memorandum account (SMA) may be maintained in conjunction with a margin account. A single entry amount may be used to represent both a credit to the SMA and a debit to the margin account. A transfer between the two accounts may be effected by an increase or reduction in the entry. When computing the equity in a margin account, the single entry amount shall be considered as a debit in the margin account. A payment to the customer or on the customer's behalf or a transfer to any of the customer's other accounts from the SMA reduces the single entry amount.

(b) The SMA may contain the following entries:

(1) Dividend and interest payments;

(2) Cash not required by this part, including cash deposited to meet a maintenance margin call or to meet any requirement of a self-regulatory organization that is not imposed by this part;

(3) Proceeds of a sale of securities or cash no longer required on any expired or liquidated security position that may be withdrawn under section 220.4(e); and

(4) Margin excess transferred from the margin account under section 220.4(e)(2).

## Section 220.6—Good faith account.

In a good faith account, a creditor may effect or finance customer transactions in accordance with the following provisions:

(a) *Securities entitled to good faith margin.*

(1) *Permissible transactions.* A creditor may effect and finance transactions involving the buying, carrying, or trading of any security entitled to "good faith" margin as set forth in section 220.12 (the Supplement).

(2) *Required margin.* The required margin is set forth in section 220.12 (the Supplement).

(3) *Satisfaction of margin.* Required margin may be satisfied by a transfer from the special memorandum account or by a deposit of cash, securities entitled to "good faith" margin as set forth in section 220.12 (the Supplement), any other asset that is not a security, or any combination thereof. An asset that is not a security shall be have a margin value determined by the creditor in good faith.

(b) *Arbitrage.* A creditor may effect and finance for any customer bona fide arbitrage transactions. For the purpose of this section, the term "bona fide arbitrage" means:

(1) A purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable for the purpose of taking advantage of a difference in prices in the two markets; or

(2) A purchase of a security which is, without restriction other then the payment of money, exchangeable or convertible within 90 calendar days of the purchase into a second security together with an offsetting sale of the second security at or about the same time, for the purpose of taking advantage of a concurrent disparity in the prices of the two securities.

(c) *"Prime broker" transactions.* A creditor may effect transactions for a customer as part of a "prime broker" arrangement in conformity with SEC guidelines.

(d) *Credit to ESOPs.* A creditor may extend and maintain credit to employee stock ownership plans without regard to the other provisions of this part.

(e) *Nonpurpose credit.*

(1) A creditor may:

(i) Effect and carry transactions in commodities;

(ii) Effect and carry transactions in foreign exchange;

(iii) Extend and maintain secured or unsecured nonpurpose credit, subject to the requirements of paragraph (e)(2) of this section.

(2) Every extension of credit, except as provided in paragraphs (e)(1)(i) and (e)(1)(ii) of this section, shall be deemed to be purpose credit unless, prior to extending the credit, the creditor accepts in good faith from the customer a written statement that it is not purpose credit. The statement shall conform to the requirements established by the Board.

## Section 220.7—Broker-dealer credit account.

(a) *Requirements.* In a broker-dealer credit account, a creditor may effect or finance transactions in accordance with the following provisions.

(b) *Purchase or sale of security against full payment.* A creditor may purchase any security from or sell any security to another creditor or person regulated by a foreign securities authority under a good faith agreement to promptly deliver the security against full payment of the purchase price.

(c) *Joint back office.* A creditor may effect or finance transactions of any of its owners if the creditor is a clearing and servicing broker or dealer owned jointly or individually by other creditors.

(d) *Capital contribution.* A creditor may extend and maintain credit to any partner or stockholder of the creditor for the purpose of making a capital contribution to, or purchasing stock of, the creditor, affiliated corporation or another creditor.

(e) *Emergency and subordinated credit.* A creditor may extend and maintain, with the approval of the appropriate examining authority:

(1) Credit to meet the emergency needs of any creditor; or

(2) Subordinated credit to another creditor for capital purposes, if the other creditor:

(i) Is an affiliated corporation or would not be considered a customer of the lender apart from the subordinated loan; or

(ii) Will not use the proceeds of the loan to increase the amount of dealing in securities for the account of the creditor, its firm or corporation or an affiliated corporation.

(f) *Omnibus credit.*

(1) A creditor may effect and finance transactions for a broker or dealer who is registered with the SEC under section 15 of the Act and who gives the creditor written notice that:

(i) All securities will be for the account of customers of the broker or dealer; and

(ii) Any short sales effected will be short sales made on behalf of the customers of the broker or dealer other than partners.

(2) The written notice required by paragraph (f)(1) of this section shall conform to any SEC rule on the hypothecation of customers' securities by brokers or dealers.

(g) *Special purpose credit.* A creditor may extend the following types of credit with good faith margin:

(1) Credit to finance the purchase or sale of securities for prompt delivery, if the credit is to be repaid upon completion of the transaction.

(2) Credit to finance securities in transit or surrendered for transfer, if the credit is to be repaid upon completion of the transaction.

(3) Credit to enable a broker or dealer to pay for securities, if the credit is to be repaid on the same day it is extended.

(4) Credit to an exempted borrower.

(5) Credit to a member of a national securities exchange or registered broker or dealer to finance its activities as a market maker or specialist.
(6) Credit to a member of a national securities exchange or registered broker or dealer to finance its activities as an underwriter.

## Section 220.8—Cash account.

(a) *Permissible transactions.* In a cash account, a creditor, may:
(1) Buy for or sell to any customer any security or other asset if:
(i) There are sufficient funds in the account; or
(ii) The creditor accepts in good faith the customer's agreement that the customer will promptly make full cash payment for the security or asset before selling it and does not contemplate selling it prior to making such payment;
(2) Buy from or sell for any customer any security or other asset if:
(i) The security is held in the account; or
(ii) The creditor accepts in good faith the customer's statement that the security is owned by the customer or the customer's principal, and that it will be promptly deposited in the account;
(3) Issue, endorse, or guarantee, or sell an option for any customer as part of a covered option transaction; and
(4) Use an escrow agreement in lieu of the cash, cash equivalents or underlying asset position if:
(i) In the case of a short call or a short put, the creditor is advised by the customer that the required securities, assets or cash are held by a person authorized to issue an escrow agreement and the creditor independently verifies that the appropriate escrow agreement will be delivered by the person promptly; or
(ii) In the case of a call issued, endorsed, guaranteed, or sold on the same day the underlying asset is purchased in the account and the underlying asset is to be delivered to a person authorized to issue an escrow agreement, the creditor verifies that the appropriate escrow agreement will be delivered by the person promptly.
(b) *Time periods for payment; cancellation or liquidation.*
(1) *Full cash payment.* A creditor shall obtain full cash payment for customer purchases:
(i) Within one payment period of the date:
(A) Any nonexempted security was purchased;
(B) Any when-issued security was made available by the issuer for delivery to purchasers;
(C) Any "when distributed" security was distributed under a published plan;
(D) A security owned by the customer has matured or has been redeemed and a new refunding security of the same issuer has been purchased by the customer, provided:
(*1*) The customer purchased the new security no more than 35 calendar days prior to the date of maturity or redemption of the old security;
(*2*) The customer is entitled to the proceeds of the redemption; and
(*3*) The delayed payment does not exceed 103 percent of the proceeds of the old security.
(ii) In the case of the purchase of a foreign security, within one payment period of the trade date or within one day after the date on which settlement is required to occur by the rules of the foreign securities market, provided this period does not exceed the maximum time permitted by this part for delivery against payment transactions.
(2) *Delivery against payment.* If a creditor purchases for or sells to a customer a security in a delivery against payment transaction, the creditor shall have up to 35 calendar days to obtain payment if delivery of the security is delayed due to the mechanics of the transaction and is not related to the customer's willingness or ability to pay.
(3) *Shipment of securities, extension.* If any shipment of securities is incidental to consummation of a transaction, a creditor may extend the payment period by the number of days required for shipment, but not by more than one additional payment period.
(4) *Cancellation; liquidation; minimum amount.* A creditor shall promptly cancel or otherwise liquidate a transaction or any part of a transaction for which the customer has not made full cash payment within the required time. A creditor may, at its option, disregard any sum due from the customer not exceeding $1000.
(c) *90 day freeze.*
(1) If a nonexempted security in the account is sold or delivered to another broker or dealer without having been previously paid for in full by the customer, the privilege of delaying payment beyond the trade date shall be withdrawn for 90 calendar days following the date of sale of the security. Cancellation of the transaction other than to correct an error shall constitute a sale.
(2) The 90 day freeze shall not apply if:
(i) Within the period specified in paragraph (b)(1) of this section, full payment is received or any check or draft in payment has cleared and the proceeds from the sale are not withdrawn prior to such payment or check clearance; or
(ii) The purchased security was delivered to another broker or dealer for deposit in a cash account which holds sufficient funds to pay for the security. The creditor may rely on a written statement accepted in good faith from the other broker or dealer that sufficient funds are held in the other cash account.
(d) *Extension of time periods; transfers.*
(1) Unless the creditor's examining authority believes that the creditor is not acting in good faith or that the creditor has not sufficiently determined that exceptional circumstances warrant such action, it may upon application by the creditor:
(i) Extend any period specified in paragraph (b) of this section;

(ii) Authorize transfer to another account of any transaction involving the purchase of a margin or exempted security; or
(iii) Grant a waiver from the 90 day freeze.
(2) Applications shall be filed and acted upon prior to the end of the payment period, or in the case of the purchase of a foreign security within the period specified in paragraph (b)(1)(ii) of this section, or the expiration of any subsequent extension.

## Section 220.9—Clearance of securities, options, and futures.

(a) *Credit for clearance of securities.* The provisions of this part shall not apply to the extension or maintenance of any credit that is not for more than one day if it is incidental to the clearance of transactions in securities directly between members of a national securities exchange or association or through any clearing agency registered with the SEC.
(b) *Deposit of securities with a clearing agency.* The provisions of this part shall not apply to the deposit of securities with an options or futures clearing agency for the purpose of meeting the deposit requirements of the agency if:
(1) The clearing agency:
(i) Issues, guarantees performance on, or clears transactions in, any security (including options on any security, certificate of deposit, securities index or foreign currency); or
(ii) Guarantees performance of contracts for the purchase or sale of a commodity for future delivery or options on such contracts;
(2) The clearing agency is registered with the Securities and Exchange Commission or is the clearing agency for a contract market regulated by the Commodity Futures Trading Commission; and
(3) The deposit consists of any margin security and complies with the rules of the clearing agency that have been approved by the Securities and Exchange Commission or the Commodity Futures Trading Commission.

## Section 220.10—Borrowing and lending securities.

(a) Without regard to the other provisions of this part, a creditor may borrow or lend securities for the purpose of making delivery of the securities in the case of short sales, failure to receive securities required to be delivered, or other similar situations. If a creditor reasonably anticipates a short sale or fail transaction, such borrowing may be made up to one standard settlement cycle in advance of trade date.
(b) A creditor may lend foreign securities to a foreign person (or borrow such securities for the purpose of relending them to a foreign person) for any purpose lawful in the country in which they are to be used.
(c) A creditor that is an exempted borrower may lend securities without regard to the other provisions of this part and a creditor may borrow securities from an exempted borrower without regard to the other provisions of this part.

## Section 220.11—Requirements for the list of marginable OTC stocks and the list of foreign margin stocks.

(a) *Requirements for inclusion on the list of marginable OTC stocks.* Except as provided in paragraph (f) of this section, OTC margin stock
shall meet the following requirements:
(1) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts;
(2) The minimum average bid price of such stock, as determined by the Board, is at least $5 per share;
(3) The stock is registered under section 12 of the Act, is issued by an insurance company subject to section 12(g)(2)(G) of the Act, is issued by a closed-end investment management company subject to registration pursuant to section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), is an American Depository Receipt (ADR) of a foreign issuer whose securities are registered under section 12 of the Act, or is a stock of an issuer required to file reports under section 15(d) of the Act;
(4) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;
(5) The stock has been publicly traded for at least six months;
(6) The issuer has at least $4 million of capital, surplus, and undivided profits;
(7) There are 400,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors or beneficial owners of more than 10 percent of the stock;
(8) There are 1,200 or more holders of record, as defined in SEC Rule 12g5-1 (17 C.F.R. 240.12g5-1), of the stock who are not officers, directors or beneficial owners of 10 percent or more of the stock, or the average daily trading volume of such stock as determined by the Board, is at least 500 shares; and
(9) The issuer or a predecessor in interest has been in existence for at least three years.
(b) *Requirements for continued inclusion on the list of marginable OTC stocks.* Except as provided in paragraph (f) of this section, OTC margin stock shall meet the following requirements:
(1) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts;
(2) The minimum average bid price of such stocks, as determined by the Board, is at least $2 per share;
(3) The stock is registered as specified in paragraph (a)(3) of this section;

(4) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

(5) The issuer has at least $1 million of capital, surplus, and undivided profits;

(6) There are 300,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 percent of the stock; and

(7) There continue to be 800 or more holders of record, as defined in SEC Rule 12g5-1 (17 C.F.R. 240.12g5-1), of the stock who are not officers, directors, or beneficial owners of 10 percent or more of the stock, or the average daily trading volume of such stock, as determined by the Board, is at least 300 shares.

(c) *Requirements for inclusion on the list of foreign margin stocks*. Except as provided in paragraph (f) of this section, a foreign security shall meet the following requirements before being placed on the *List of Foreign Margin Stocks*:

(1) The security is an equity security that is listed for trading on or through the facilities of a foreign securities exchange or a recognized foreign securities market and has been trading on such exchange or market for at least six months;

(2) Daily quotations for both bid and asked or last sale prices for the security provided by the foreign securities exchange or foreign securities market on which the security is traded are continuously available to creditors in the United States pursuant to an electronic quotation system;

(3) The aggregate market value of shares, the ownership of which is unrestricted, is not less than $1 billion;

(4) The average weekly trading volume of such security during the preceding six months is either at least 200,000 shares or $1 million; and

(5) The issuer or a predecessor in interest has been in existence for at least five years.

(d) *Requirements for continued inclusion on the list of foreign margin stocks*. Except as provided in paragraph (f) of this section, a foreign security shall meet the following requirements to remain on the *List of Foreign Margin Stocks*:

(1) The security continues to meet the requirements specified in paragraphs (c) (1) and (2) of this section;

(2) The aggregate market value of shares, the ownership of which is unrestricted, is not less than $500 million; and

(3) The average weekly trading volume of such security during the preceding six months is either at least 100,000 shares or $500,000.

(e) *Removal from the list*. The Board shall periodically remove from the lists any stock that:

(1) Ceases to exist or of which the issuer ceases to exist; or

(2) No longer substantially meets the provisions of paragraphs (b) or (d) of this section or the definition of OTC margin stock.

(f) *Discretionary authority of Board*. Without regard to other paragraphs of this section, the Board may add to, or omit or remove from the list of marginable OTC stocks and the list of foreign margin stocks an equity security, if in the judgment of the Board, such action is necessary or appropriate in the public interest.

(g) *Unlawful representations*. It shall be unlawful for any creditor to make, or cause to be made, any representation to the effect that the inclusion of a security on the list of marginable OTC stocks or the list of foreign margin stocks is evidence that the Board or the SEC has in any way passed upon the merits of, or given approval to, such security or any transactions therein. Any statement in an advertisement or other similar communication containing a reference to the Board in connection with the lists or stocks on those lists shall be an unlawful representation.

## Section 220.12—Supplement: Margin requirements.

The required margin for each security position held in a margin account shall be as follows:

(a) Margin equity security, except for an exempted security, money market mutual fund or exempted securities mutual fund, warrant on a securities index or foreign currency or a long position in an option: 50 percent of the current market value of the security or the percentage set by the regulatory authority where the trade occurs, whichever is greater.

(b) Exempted security, non-equity security, money market mutual fund or exempted securities mutual fund: The margin required by the creditor in good faith or the percentage set by the regulatory authority where the trade occurs, whichever is greater.

(c) Short sale of a nonexempted security, except for a non-equity security:

(1) 150 percent of the current market value of the security; or

(2) 100 percent of the current market value if a security exchangeable or convertible within 90 calendar days without restriction other than the payment of money into the security sold short is held in the account, provided that any long call to be used as margin in connection with a short sale of the underlying security is an American-style option issued by a registered clearing corporation and listed or traded on a registered national securities exchange with an exercise price that does not exceed the price at which the underlying security was sold short.

(d) Short sale of an exempted security or non-equity security: 100 percent of the current market value of the security plus the margin required by the creditor in good faith.

(e) Nonmargin, nonexempted equity security: 100 percent of the current market value.

(f) Put or call on a security, certificate of deposit, securities index or foreign currency or a warrant on a securities index or foreign currency:

(1) In the case of puts and calls issued by a registered clearing corporation and listed or traded on a registered national securities exchange or a registered securities association and registered warrants on a securities index or foreign currency, the amount, or other position, specified by the rules of the registered national securities

exchange or the registered securities association authorized to trade the option or warrant, provided that all such rules have been approved or amended by the SEC; or

(2) In the case of all other puts and calls, the amount, or other position, specified by the maintenance rules of the creditor's examining authority.

## Sections 220.13–220.18—[Removed]

4. Sections 220.13 through 220.18 are removed.

## Section 220.126–[Removed and Reserved]

5. Section 220.126 is removed and reserved.

6. Part 221 is revised to read as follows:

## *Part 221—Credit by Banks and Persons Other Than Brokers or Dealers for the Purpose of Purchasing or Carrying Margin Stock (Regulation U)*

Section 221.1—Authority, purpose, and scope.
Section 221.2—Definitions.
Section 221.3—General requirements.
Section 221.4—Employee stock option, purchase, and ownership plans.
Section 221.5—Special purpose loans to brokers and dealers.
Section 221.6—Exempted transactions.
Section 221.7—Supplement: Maximum loan value of margin stock and other collateral.

*Interpretations*

Section 221.102—Application to committed credit where funds are disbursed thereafter.
Section 221.103—Loans to brokers or dealers.
Section 221.104—Federal credit unions.
Section 221.105—Arranging for extensions of credit to be made by a bank.
Section 221.106—Reliance in "good faith" on statement of purpose of loan.
Section 221.107—Arranging loan to purchase open-end investment company shares.
Section Section 221.108—Effect of registration of stock subsequent to making of loan.
Section 221.109— Loan to open-end investment company.
Section 221.110—Questions arising under this part.
Section 221.111—Contribution to joint venture as extension of credit when the contribution is disproportionate to the contributor's share in the venture's profits or losses.
Section 221.112—Loans by bank in capacity as trustee.
Section 221.113—Loan which is secured indirectly by stock.
Section 221.114—Bank loans to purchase stock of American Telephone and Telegraph Company under Employees' Stock Plan.
Section 221.115—Accepting a purpose statement through the mail without benefit of face-to-face interview.
Section 221.116—Bank loans to replenish working capital used to purchase mutual fund shares.
Section 221.117—When bank in "good faith" has not relied on stock as collateral.
Section 221.118—Bank arranging for extension of credit by corporation.
Section 221.119—Applicability of plan-lender provisions to financing of stock options and stock purchase rights qualified or restricted under Internal Revenue Code.
Section 221.120—Allocation of stock collateral to purpose and nonpurpose credits to same customer.
Section 221.121—Extension of credit in certain stock option and stock purchase plans.
Section 221.122—Applicability of margin requirements to credit in connection with Insurance Premium Funding Programs.
Section 221.123—Combined credit for exercising employee stock options and paying income taxes incurred as a result of such exercise.
Section 221.124—Purchase of debt securities to finance corporate takeovers.
Section 221.125—Credit to brokers and dealers.

*Authority:* 15 U.S.C. 78c, 78g, 78q, and 78w.

## Section 221.1—Authority, purpose, and scope.

(a) *Authority.* Regulation U (this part) is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to the Securities Exchange Act of 1934 (the Act) (15 U.S.C. 78a *et seq.*).

(b) *Purpose and scope.*

(1) This part imposes credit restrictions upon persons other than brokers or dealers (hereinafter lenders) that extend credit for the purpose of buying or carrying margin stock if the credit is secured directly or indirectly by margin stock. Lenders include "banks" (as defined in section 221.2) and other persons who are required to register with the Board under section 221.3(b). Lenders may not extend more than the maximum loan value of the collateral securing such credit, as set by the Board in section 221.7 (the Supplement).

(2) This part does not apply to clearing agencies regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission that accept deposits of margin stock in connection with:

(i) The issuance of, or guarantee of, or the clearance of transactions in, any security (including options on any security, certificate of deposit, securities index or foreign currency); or

(ii) The guarantee of contracts for the purchase or sale of a commodity for future delivery or options on such contracts.

(3) This part does not apply to credit extended to an exempted borrower.

(c) *Availability of forms.* The forms referenced in this part are available from the Federal Reserve Banks.

## Section 221.2—Definitions.

The terms used in this part have the meanings given them in section 3(a) of the Act or as defined in this section as follows:

*Affiliate* means:

(1) For banks:

(i) Any bank holding company of which a bank is a subsidiary within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841(d));

(ii) Any other subsidiary of such bank holding company; and

(iii) Any other corporation, business trust, association, or other similar organization that is an affiliate as defined in section 2(b) of the Banking Act of 1933 (12 U.S.C. 221a(c));

(2) For nonbank lenders, affiliate means any person who, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the lender.

*Bank.*

(1) *Bank.* Has the meaning given to it in section 3(a)(6) of the Act (15 U.S.C. 78c(a)(6)) and includes:

(i) Any subsidiary of a bank;

(ii) Any corporation organized under section 25(a) of the Federal Reserve Act (12 U.S.C. 611); and

(iii) Any agency or branch of a foreign bank located within the United States.

(2) *Bank* does not include:

(i) Any savings and loan association;

(ii) Any credit union;

(iii) Any lending institution that is an instrumentality or agency of the United States; or

(iv) Any member of a national securities exchange.

*Carrying credit* is credit that enables a customer to maintain, reduce, or retire indebtedness originally incurred to purchase a security that is currently a margin stock.

*Current market value* of:

(1) A security means:

(i) If quotations are available, the closing sale price of the security on the preceding business day, as appearing on any regularly published reporting or quotation service; or

(ii) If there is no closing sale price, the lender may use any reasonable estimate of the market value of the security as of the close of business on the preceding business day; or

(iii) If the credit is used to finance the purchase of the security, the total cost of purchase, which may include any commissions charged.

(2) Any other collateral means a value determined by any reasonable method.

*Customer* excludes an exempted borrower and includes any person or persons acting jointly, to or for whom a lender extends or maintains credit.

*Examining authority* means:

(1) The national securities exchange or national securities association of which a broker or dealer is a member; or

(2) If a member of more than one self-regulatory organization, the organization designated by the Securities and Exchange Commission as the examining authority for the broker or dealer.

*Exempted borrower* means a member of a national securities exchange or a registered broker or dealer, a substantial portion of whose business consists of transactions with persons other than brokers or dealers, and includes a borrower who:

(1) Maintains at least 1000 active accounts on an annual basis for persons other than brokers, dealers, and persons associated with a broker or dealer;

(2) Earns at least $10 million in gross revenues on an annual basis from transactions with persons other than brokers, dealers, and persons associated with a broker or dealer; or

(3) Earns at least 10 percent of its gross revenues on an annual basis from transactions with persons other than brokers, dealers, and persons associated with a broker-dealer.

*Good faith* with respect to:

(1) The loan value of collateral means that amount (not exceeding 100 percent of the current market value of the collateral) which a lender, exercising sound credit judgment, would lend, without regard to the customer's other assets held as collateral in connection with unrelated transactions.

(2) Making a determination or accepting a statement concerning a borrower means that the lender or its duly authorized representative is alert to the circumstances surrounding the credit, and if in possession of information that would cause a prudent person not to make the determination or accept the notice or certification without inquiry, investigates and is satisfied that it is correct;

*In the ordinary course of business* means occurring or reasonably expected to occur in carrying out or furthering any business purpose, or in the case of an individual, in the course of any activity for profit or the management or preservation of property.

*Indirectly secured.*

(1) Includes any arrangement with the customer under which:

(i) The customer's right or ability to sell, pledge, or otherwise dispose of margin stock owned by the customer is in any way restricted while the credit remains outstanding; or

(ii) The exercise of such right is or may be cause for accelerating the maturity of the credit.

(2) Does not include such an arrangement if:

(i) After applying the proceeds of the credit, not more than 25 percent of the value (as determined by any reasonable method) of the assets subject to the arrangement is represented by margin stock;

(ii) It is a lending arrangement that permits accelerating the maturity of the credit as a result of a default or

renegotiation of another credit to the customer by another lender that is not an affiliate of the lender;
(iii) The lender holds the margin stock only in the capacity of custodian, depositary, or trustee, or under similar circumstances, and, in good faith, has not relied upon the margin stock as collateral; or
(iv) The lender, in good faith, has not relied upon the margin stock as collateral in extending or maintaining the particular credit.

*Lender* means:
(1) Any bank; or
(2) Any person subject to the registration requirements of this part.

*Margin stock* means:
(1) Any equity security registered or having unlisted trading privileges on a national securities exchange;
(2) Any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS security);
(3) Any debt security convertible into a margin stock or carrying a warrant or right to subscribe to or purchase a margin stock;
(4) Any warrant or right to subscribe to or purchase a margin stock; or
(5) Any security issued by an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), other than:
(i) A company licensed under the Small Business Investment Company Act of 1958, as amended (15 U.S.C. 661); or
(ii) A company which has at least 95 percent of its assets continuously invested in exempted securities (as defined in 15 U.S.C. 78c(a)(12)); or
(iii) A company which issues face-amount certificates as defined in 15 U.S.C. 80a-2(a)(15), but only with respect of such securities; or
(iv) A company which is considered a money market fund under SEC Rule 2a-7 (17 C.F.R. 270.2a-7).

*Maximum loan value* is the percentage of current market value assigned by the Board under section 221.7 (the Supplement) to specified types of collateral. The maximum loan value of margin stock is stated as a percentage of its current market value. Puts, calls and combinations thereof that do not qualify as margin stock have no loan value. All other collateral has good faith loan value.

*Nonbank lender* means any person subject to the registration requirements of this part.

*Purpose credit* is any credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock.

## Section 221.3—General requirements.

(a) *Extending, maintaining, and arranging credit.*
(1) *Extending credit.* No lender, except a plan-lender, as defined in section 221.4(a), shall extend any purpose credit, secured directly or indirectly by margin stock, in an amount that exceeds the maximum loan value of the collateral securing the credit.
(2) *Maintaining credit.* A lender may continue to maintain any credit initially extended in compliance with this part, regardless of:
(i) Reduction in the customer's equity resulting from change in market prices;
(ii) Change in the maximum loan value prescribed by this part; or
(iii) Change in the status of the security (from nonmargin to margin) securing an existing purpose credit.
(3) *Arranging credit.* No lender may arrange for the extension or maintenance of any purpose credit, except upon the same terms and conditions under which the lender itself may extend or maintain purpose credit under this part.

(b) *Registration of nonbank lenders; termination of registration; annual report.*
(1) *Registration.* Every person other than a person subject to part 220 of this chapter or a bank who, in the ordinary course of business, extends or maintains credit secured, directly or indirectly, by any margin stock shall register on Federal Reserve Form FR G-1 (OMB control number 7100-0011) within 30 days after the end of any calendar quarter during which:
(i) The amount of credit extended equals $200,000 or more; or
(ii) The amount of credit outstanding at any time during that calendar quarter equals $500,000 or more.
(2) *Deregistration.* A registered nonbank lender may apply to terminate its registration, by filing Federal Reserve Form FR G-2 (OMB control number 7100-0011), if the lender has not, during the preceding six calendar months, had more than $200,000 of such credit outstanding. Registration shall be deemed terminated when the application is approved by the Board.
(3) *Annual report.* Every registered nonbank lender shall, within 30 days following June 30 of every year, file Form FR G-4 (OMB control number 7100-0011).
(4) *Where to register and file applications and reports.* Registration statements, applications to terminate registration, and annual reports shall be filed with the Federal Reserve Bank of the district in which the principal office of the lender is located.

(c) *Purpose statement.*
(1) *General rule.*
(i) *Banks.* Except for credit extended under paragraph (c)(2) of this section, whenever a bank extends credit secured directly or indirectly by any margin stock, in an amount exceeding $100,000, the bank shall require its customer to execute Form FR U-1 (OMB No. 7100-0115), which shall be signed and accepted by a duly authorized officer of the bank acting in good faith.
(ii) *Nonbank lenders.* Except for credit extended under paragraph (c)(2) of this section or section 221.4, whenever a nonbank lender extends credit secured directly or indirectly by any margin stock, the nonbank lender shall require its customer to execute Form

FR G-3 (OMB control number 7100-0018), which shall be signed and accepted by a duly authorized representative of the nonbank lender acting in good faith.

(2) *Purpose statement for revolving-credit or multiple-draw agreements or financing of securities purchases on a payment-against-delivery basis.*

(i) *Banks.* If a bank extends credit, secured directly or indirectly by any margin stock, in an amount exceeding $100,000, under a revolving-credit or other multiple-draw agreement, Form FR U-1 must be executed at the time the credit arrangement is originally established and must be amended as described in paragraph (c)(2)(iv) of this section for each disbursement if all of the collateral for the agreement is not pledged at the time the agreement is originally established.

(ii) *Nonbank lenders.* If a nonbank lender extends credit, secured directly or indirectly by any margin stock, under a revolving-credit or other multiple-draw agreement, Form FR G-3 must be executed at the time the credit arrangement is originally established and must be amended as described in paragraph (c)(2)(iv) of this section for each disbursement if all of the collateral for the agreement is not pledged at the time the agreement is originally established.

(iii) *Collateral.* If a purpose statement executed at the time the credit arrangement is initially made indicates that the purpose is to purchase or carry margin stock, the credit will be deemed in compliance with this part if:

(A) The maximum loan value of the collateral at least equals the aggregate amount of funds actually disbursed; or

(B) At the end of any day on which credit is extended under the agreement, the lender calls for additional collateral sufficient to bring the credit into compliance with section 221.7 (the Supplement).

(iv) *Amendment of purpose statement.* For any purpose credit disbursed under the agreement, the lender shall obtain and attach to the executed Form FR U-1 or FR G-3 a current list of collateral which adequately supports all credit extended under the agreement.

(d) *Single credit rule.*

(1) All purpose credit extended to a customer shall be treated as a single credit, and all the collateral securing such credit shall be considered in determining whether or not the credit complies with this part, except that syndicated loans need not be aggregated with other unrelated purpose credit extended by the same lender.

(2) A lender that has extended purpose credit secured by margin stock may not subsequently extend unsecured purpose credit to the same customer unless the combined credit does not exceed the maximum loan value of the collateral securing the prior credit.

(3) If a lender extended unsecured purpose credit to a customer prior to the extension of purpose credit secured by margin stock, the credits shall be combined and treated as a single credit solely for the purposes of the withdrawal and substitution provision of paragraph (f) of this section.

(4) If a lender extends purpose credit secured by any margin stock and non-purpose credit to the same customer, the lender shall treat the credits as two separate loans and may not rely upon the required collateral securing the purpose credit for the nonpurpose credit.

(e) *Exempted borrowers.*

(1) An exempted borrower that has been in existence for less than one year may meet the definition of exempted borrower based on a six-month period.

(2) Once a member of a national securities exchange or registered broker or dealer ceases to qualify as an exempted borrower, it shall notify its lenders of this fact. Any new extensions of credit to such a borrower, including rollovers, renewals, and additional draws on existing lines of credit, are subject to the provisions of this part.

(f) *Withdrawals and substitutions.*

(1) A lender may permit any withdrawal or substitution of cash or collateral by the customer if the withdrawal or substitution would not:

(i) Cause the credit to exceed the maximum loan value of the collateral; or

(ii) Increase the amount by which the credit exceeds the maximum loan value of the collateral.

(2) For purposes of this section, the maximum loan value of the collateral on the day of the withdrawal or substitution shall be used.

(g) *Exchange offers.* To enable a customer to participate in a reorganization, recapitalization or exchange offer that is made to holders of an issue of margin stock, a lender may permit substitution of the securities received. A nonmargin, nonexempted security acquired in exchange for a margin stock shall be treated as if it is margin stock for a period of 60 days following the exchange.

(h) *Renewals and extensions of maturity.* A renewal or extension of maturity of a credit need not be considered a new extension of credit if the amount of the credit is increased only by the addition of interest, service charges, or taxes with respect to the credit.

(i) *Transfers of credit.*

(1) A transfer of a credit between customers or between lenders shall not be considered a new extension of credit if:

(i) The original credit was extended by a lender in compliance with this part or by a lender subject to part 207 of this chapter in effect prior to April 1, 1998, (*See* Part 207 appearing in the 12 C.F.R. Parts 200 to 219 edition revised as of January 1, 1997), in a manner that would have complied with this part;

(ii) The transfer is not made to evade this part;

(iii) The amount of credit is not increased; and

(iv) The collateral for the credit is not changed.

(2) Any transfer between customers at the same lender shall be accompanied by a statement by the transferor customer describing the circumstances giving rise to the transfer and shall be accepted and signed by a representative of the lender acting in good faith. The lender shall

keep such statement with its records of the transferee account.

(3) When a transfer is made between lenders, the transferee shall obtain a copy of the Form FR U-1 or Form FR G-3 originally filed with the transferor and retain the copy with its records of the transferee account. If no form was originally filed with the transferor, the transferee may accept in good faith a statement from the transferor describing the purpose of the loan and the collateral securing it.

(j) *Action for lender's protection.* Nothing in this part shall require a bank to waive or forego any lien or prevent a bank from taking any action it deems necessary in good faith for its protection.

(k) *Mistakes in good faith.* A mistake in good faith in connection with the extension or maintenance of credit shall not be a violation of this part.

## Section 221.4—Employee stock option, purchase, and ownership plans.

(a) *Plan-lender; eligible plan.*

(1) Plan-lender means any corporation, (including a wholly owned subsidiary, or a lender that is a thrift organization whose membership is limited to employees and former employees of the corporation, its subsidiaries or affiliates) that extends or maintains credit to finance the acquisition of margin stock of the corporation, its subsidiaries or affiliates under an eligible plan.

(2) *Eligible plan.* An eligible plan means any employee stock option, purchase, or ownership plan adopted by a corporation and approved by its stockholders that provides for the purchase of margin stock of the corporation, its subsidiaries, or affiliates.

(b) *Credit to exercise rights under or finance an eligible plan.*

(1) If a plan-lender extends or maintains credit under an eligible plan, any margin stock that directly or indirectly secured that credit shall have good faith loan value.

(2) Credit extended under this section shall be treated separately from credit extended under any other section of this part except sections 221.3(b)(1) and(b)(3).

(c) *Credit to ESOPs.* A nonbank lender may extend and maintain purpose credit without regard to the provisions of this part, except for sections 221.3(b)(1) and (b)(3), if such credit is extended to an employee stock ownership plan (ESOP) qualified under section 401 of the Internal Revenue Code, as amended (26 U.S.C. 401).

## Section 221.5— Special purpose loans to brokers and dealers.

(a) *Special purpose loans.* A lender may extend and maintain purpose credit to brokers and dealers without regard to the limitations set forth in sections 221.3 and 221.7, if the credit is for any of the specific purposes and meets the conditions set forth in paragraph (c) of this section.

(b) *Written notice.* Prior to extending credit for more than a day under this section, the lender shall obtain and accept in good faith a written notice or certification from the borrower as to the purposes of the loan. The written notice or certification shall be evidence of continued eligibility for the special credit provisions until the borrower notifies the lender that it is no longer eligible or the lender has information that would cause a reasonable person to question whether the credit is being used for the purpose specified.

(c) *Types of special purpose credit.* The types of credit that may be extended and maintained on a good faith basis are as follows:

(1) *Hypothecation loans.* Credit secured by hypothecated customer securities that, according to written notice received from the broker or dealer, may be hypothecated by the broker or dealer under Securities and Exchange Commission (SEC) rules.

(2) *Temporary advances in payment-against-delivery transactions.* Credit to finance the purchase or sale of securities for prompt delivery, if the credit is to be repaid upon completion of the transaction.

(3) *Loans for securities in transit or transfer.* Credit to finance securities in transit or surrendered for transfer, if the credit is to be repaid upon completion of the transaction.

(4) *Intra-day loans.* Credit to enable a broker or dealer to pay for securities, if the credit is to be repaid on the same day it is extended.

(5) *Arbitrage loans.* Credit to finance proprietary or customer bona fide arbitrage transactions. For the purpose of this section bona fide arbitrage means:

(i) Purchase or sale of a security in one market, together with an offsetting sale or purchase of the same security in a different market at nearly the same time as practicable, for the purpose of taking advantage of a difference in prices in the two markets; or

(ii) Purchase of a security that is, without restriction other than the payment of money, exchangeable or convertible within 90 calendar days of the purchase into a second security, together with an offsetting sale of the second security at or about the same time, for the purpose of taking advantage of a concurrent disparity in the price of the two securities.

(6) *Market maker and specialist loans.* Credit to a member of a national securities exchange or registered broker or dealer to finance its activities as a market maker or specialist.

(7) *Underwriter loans.* Credit to a member of a national securities exchange or registered broker or dealer to finance its activities as an underwriter.

(8) *Emergency loans.* Credit that is essential to meet emergency needs of the broker-dealer business arising from exceptional circumstances.

(9) *Capital contribution loans.* Capital contribution loans include:

(i) Credit that Board has exempted by order upon a finding that the exemption is necessary or appropriate in the public interest or for the protection of investors, provided the Securities Investor Protection Corporation certifies to the Board that the exemption is appropriate; or

(ii) Credit to a customer for the purpose of making a subordinated loan or capital contribution to a broker or dealer in conformity with the SEC's net capital rules and the rules of the broker's or dealer's examining authority, provided:

(A) The customer reduces the credit by the amount of any reduction in the loan or contribution to the broker or dealer; and

(B) The credit is not used to purchase securities issued by the broker or dealer in a public distribution.

(10) *Credit to clearing brokers or dealers.* Credit to a member of a national securities exchange or registered broker or dealer whose nonproprietary business is limited to financing and carrying the accounts of registered market makers.

## Section 221.6—Exempted transactions.

A bank may extend and maintain purpose credit without regard to the provisions of this part if such credit is extended:

(a) To any bank;

(b) To any foreign banking institution;

(c) Outside the United States;

(d) To an employee stock ownership plan (ESOP) qualified under section 401 of the Internal Revenue Code (26 U.S.C. 401);

(e) To any plan lender as defined in section 221.4(a) to finance an eligible plan as defined in section 221.4(b), provided the bank has no recourse to any securities purchased pursuant to the plan;

(f) To any customer, other than a broker or dealer, to temporarily finance the purchase or sale of securities for prompt delivery, if the credit is to be repaid in the ordinary course of business upon completion of the transaction and is not extended to enable the customer to pay for securities purchased in an account subject to part 220 of this chapter;

(g) Against securities in transit, if the credit is not extended to enable the customer to pay for securities purchased in an account subject to part 220 of this chapter; or

(h) To enable a customer to meet emergency expenses not reasonably foreseeable, and if the extension of credit is supported by a statement executed by the customer and accepted and signed by an officer of the bank acting in good faith. For this purpose, emergency expenses include expenses arising from circumstances such as the death or disability of the customer, or some other change in circumstances involving extreme hardship, not reasonably foreseeable at the time the credit was extended. The opportunity to realize monetary gain or to avoid loss is not a "change in circumstances" for this purpose.

## Section 221.7—Supplement: Maximum loan value of margin stock and other collateral.

(a) *Maximum loan value of margin stock.* The maximum loan value of any margin stock is fifty per cent of its current market value.

(b) *Maximum loan value of nonmargin stock and all other collateral.* The maximum loan value of nonmargin stock and all other collateral except puts, calls, or combinations thereof is their good faith loan value.

(c) *Maximum loan value of options.* Except for options that qualify as margin stock, puts, calls, and combinations thereof have no loan value.

### *Interpretations*

## Section 221.101—Determination and effect of purpose of loan.

(a) Under this part the original purpose of a loan is controlling. In other words, if a loan originally is not for the purpose of purchasing or carrying margin stock, changes in the collateral for the loan do not change its exempted character.

(b) However, a so-called increase in the loan is necessarily on an entirely different basis. So far as the purpose of the credit is concerned, it is a new loan, and the question of whether or not it is subject to this part must be determined accordingly.

(c) Certain facts should also be mentioned regarding the determination of the purpose of a loan. Section 221.3(c) provides in that whenever a lender is required to have its customer execute a "Statement of Purpose for an Extension of Credit Secured by Margin Stock," the statement must be accepted by the lender "acting in good faith." The requirement of "good faith" is of vital importance here. Its application will necessarily vary with the facts of the particular case, but it is clear that the bank must be alert to the circumstances surrounding the loan. For example, if the loan is to be made to a customer who is not a broker or dealer in securities, but such a broker or dealer is to deliver margin stock to secure the loan or is to receive the proceeds of the loan, the bank would be put on notice that the loan would probably be subject to this part. It could not accept in good faith a statement to the contrary without obtaining a reliable and satisfactory explanation of the situation.

(d) Furthermore, the purpose of a loan means just that. It cannot be altered by some temporary application of the proceeds. For example, if a borrower is to purchase Government securities with the proceeds of a loan, but is soon thereafter to sell such securities and replace them with margin stock, the loan is clearly for the purpose of purchasing or carrying margin stock.

## Section 221.102—Application to committed credit where funds are disbursed thereafter.

The Board has concluded that the date a commitment to extend credit becomes binding should be regarded as the date when the credit is extended, since:
(a) On that date the parties should be aware of law and facts surrounding the transaction; and
(b) Generally, the date of contract is controlling for purposes of margin regulations and Federal securities law, regardless of the delivery of cash or securities.

## Section 221.103—Loans to brokers or dealers.

Questions have arisen as to the adequacy of statements received by lending banks under section 221.3(c), "Purpose Statement," in the case of loans to brokers or dealers secured by margin stock where the proceeds of the loans are to be used to finance customer transactions involving the purchasing or carrying of margin stock. While some such loans may qualify for exemption under sections 221.1(b)(2), 221.4, 221.5 or 221.6, unless they do qualify for such an exemption they are subject to this part. For example, if a loan so secured is made to a broker to furnish cash working capital for the conduct of his brokerage business (*i.e.*, for purchasing and carrying securities for the account of customers), the maximum loan value prescribed in section 221.7 (the Supplement) would be applicable unless the loan should be of a kind exempted under this part. This result would not be affected by the fact that the margin stock given as security for the loan was or included margin stock owned by the brokerage firm. In view of the foregoing, the statement referred to in section 221.3(c) which the lending bank must accept in good faith in determining the purpose of the loan would be inadequate if the form of statement accepted or used by the bank failed to call for answers which would indicate whether or not the loan was of the kind discussed elsewhere in this section.

## Section 221.104—Federal credit unions.

For text of the interpretation on Federal credit unions, *see* 12 C.F.R. 220.110.

## Section 221.105—Arranging for extensions of credit to be made by a bank.

For text of the interpretation on Arranging for extensions of credit to be made by a bank, *see* 12 C.F.R. 220.111.

## Section 221.106—Reliance in "good faith" on statement of purpose of loan.

(a) Certain situations have arisen from time to time under this part wherein it appeared doubtful that, in the circumstances, the lending banks may have been entitled to rely upon the statements accepted by them in determining whether the purposes of certain loans were such as to cause the loans to be not subject to the part.
(b) The use by a lending bank of a statement in determining the purpose of a particular loan is, of course, provided for by section 221.3(c). However, under that paragraph a lending bank may accept such statement only if it is "acting in good faith." As the Board stated in the interpretation contained in section 221.101, the "requirement of 'good faith' is of vital importance"; and, to fulfill such requirement, "it is clear that the bank must be alert to the circumstances surrounding the loan."
(c) Obviously, such a statement would not be accepted by the bank in "good faith" if at the time the loan was made the bank had knowledge, from any source, of facts or circumstances which were contrary to the natural purport of the statement, or which were sufficient reasonably to put the bank on notice of the questionable reliability or completeness of the statement.
(d) Furthermore, the same requirement of "good faith" is to be applied whether the statement accepted by the bank is signed by the borrower or by an officer of the bank. In either case, "good faith" requires the exercise of special diligence in any instance in which the borrower is not personally known to the bank or to the officer who processes the loan.
(e) The interpretation set forth in section 221.101 contains an example of the application of the "good faith" test. There it was stated that "if the loan is to be made to a customer who is not a broker or dealer in securities, but such a broker or dealer is to deliver margin stock to secure the loan or is to receive the proceeds of the loan, the bank would be put on notice that the loan would probably be subject to this part. It could not accept in good faith a statement to the contrary without obtaining a reliable and satisfactory explanation of the situation".
(f) Moreover, and as also stated by the interpretation contained in section 221.101, the purpose of a loan, of course, "cannot be altered by some temporary application of the proceeds. For example, if a borrower is to purchase Government securities with the proceeds of a loan, but is soon thereafter to sell such securities and replace them with margin stock, the loan is clearly for the purpose of purchasing or carrying margin stock". The purpose of a loan therefore, should not be determined upon a narrow analysis of the immediate use to which the proceeds of the loan are put. Accordingly, a bank acting in "good faith" should carefully scrutinize cases in which there is any indication that the borrower is concealing the true purpose of the loan, and there would be reason for special vigilance if margin stock is substituted for bonds or nonmargin stock soon after the loan is made, or on more than one occasion.
(g) Similarly, the fact that a loan made on the borrower's signature only, for example, becomes secured by margin stock shortly after the disbursement of the loan usually would afford reasonable grounds for questioning the bank's apparent reliance upon merely a statement that the purpose of the loan was not to purchase or carry margin stock.
(h) The examples in this section are, of course, by no means exhaustive. They simply illustrate the fundamental fact that no statement accepted by a lender is of any value for the purposes of this part unless the lender accepting the

statement is " acting in good faith", and that "good faith" requires, among other things, reasonable diligence to learn the truth.

### Section 221.107—Arranging loan to purchase open-end investment company shares.

For text of the interpretation on Arranging loan to purchase open-end investment company shares, *see* 12 C.F.R. 220.112.

### Section 221.108—Effect of registration of stock subsequent to making of loan.

(a) The Board recently was asked whether a loan by a bank to enable the borrower to purchase a newly issued nonmargin stock during the initial over-the-counter trading period prior to the stock becoming registered (listed) on a national securities exchange would be subject to this part. The Board replied that, until such stock qualifies as margin stock, this would not be applicable to such a loan.
(b) The Board has now been asked what the position of the lending bank would be under this part if, after the date on which the stock should become registered, such bank continued to hold a loan of the kind just described. It is assumed that the loan was in an amount greater than the maximum loan value for the collateral specified in this part.
(c) If the stock should become registered, the loan would then be for the purpose of purchasing or carrying a margin stock, and, if secured directly or indirectly by any margin stock, would be subject to this part as from the date the stock was registered. Under this part, this does not mean that the bank would have to obtain reduction of the loan in order to reduce it to an amount no more than the specified maximum loan value. It does mean, however, that so long as the loan balance exceeded the specified maximum loan value, the bank could not permit any withdrawals or substitutions of collateral that would increase such excess; nor could the bank increase the amount of the loan balance unless there was provided additional collateral having a maximum loan value at least equal to the amount of the increase. In other words, as from the date the stock should become a margin stock, the loan would be subject to this part in exactly the same way, for example, as a loan subject to this part that became under-margined because of a decline in the current market value of the loan collateral or because of a decrease by the Board in the maximum loan value of the loan collateral.

### Section 221.109—Loan to open-end investment company.

In response to a question regarding a possible loan by a bank to an open-end investment company that customarily purchases stocks registered on a national securities exchange, the Board stated that in view of the general nature and operations of such a company, any loan by a bank to such a company should be presumed to be subject to this part as a loan for the purpose of purchasing or carrying margin stock. This would not be altered by the fact that the open-end company had used, or proposed to use, its own funds or proceeds of the loan to redeem some of its own shares, since mere application of the proceeds of a loan to some other use cannot prevent the ultimate purpose of a loan from being to purchase or carry registered stocks.

### Section 221.110—Questions arising under this part.

(a) This part governs "any purpose credit" extended by a lender "secured directly or indirectly by margin stock" and defines "purpose credit" as "any credit for the purpose, whether immediate, incidental, or ultimate, of buying or carrying margin stock," with certain exceptions, and provides that the maximum loan value of such margin stock shall be a fixed percentage "of its current market value."
(b) The Board of Governors has had occasion to consider the application of the language in paragraph (a) of this section to the two following questions:
(1) *Loan secured by stock.* First, is a loan to purchase or carry margin stock subject to this part where made in unsecured form, if margin stock is subsequently deposited as security with the lender, and surrounding circumstances indicate that the parties originally contemplated that the loan should be so secured? The Board answered that in a case of this kind, the loan would be subject to this part, for the following reasons:
(i) The Board has long held, in the closely related purpose area, that the original purpose of a loan should not be determined upon a narrow analysis of the technical circumstances under which a loan is made. Instead, the fundamental purpose of the loan is considered to be controlling. Indeed, "the fact that a loan made on the borrower's signature only, for example, becomes secured by registered stock shortly after the disbursement of the loan" affords reasonable grounds for questioning whether the bank was entitled to rely upon the borrower's statement as to the purpose of the loan. 1953 *Federal Reserve Bulletin* 951 (*See*, section 221.106).
(ii) Where security is involved, standards of interpretation should be equally searching. If, for example, the original agreement between borrower and lender contemplated that the loan should be secured by margin stock, and such stock is in fact delivered to the bank when available, the transaction must be regarded as fundamentally a secured loan. This view is strengthened by the fact that this part applies to a loan "secured directly or indirectly by margin stock."
(2) *Loan to acquire controlling shares.*
(i) The second question is whether this part governs a margin stock-secured loan made for the business purpose of purchasing a controlling interest in a corporation, or whether such a loan would be exempt on the ground that this part is directed solely toward purchases of stock for speculative or investment purposes. The Board answered that a margin stock-

secured loan for the purpose of purchasing or carrying margin stock is subject to this part, regardless of the reason for which the purchase is made.
(ii) The answer is required, in the Board's view, since the language of this part is explicitly inclusive, covering "any purpose credit, secured directly or indirectly by margin stock." Moreover, the withdrawal in 1945 of the original section 2(e) of this part, which exempted "any loan for the purpose of purchasing a stock from or through a person who is not a member of a national securities exchange . . ." plainly implies that transactions of the sort described are now subject to the general prohibition of section 221.3(a).

## Section 221.111—Contribution to joint venture as extension of credit when the contribution is disproportionate to the contributor's share in the venture's profits or losses.

(a) The Board considered the question whether a joint venture, structured so that the amount of capital contribution to the venture would be disproportionate to the right of participation in profits or losses, constitutes an "extension of credit" for the purpose of this part.
(b) An individual and a corporation plan to establish a joint venture to engage in the business of buying and selling securities, including margin stock. The individual would contribute 20 percent of the capital and receive 80 percent of the profits or losses; the corporate share would be the reverse. In computing profits or losses, each participant would first receive interest at the rate of 8 percent on his respective capital contribution. Although purchases and sales would be mutually agreed upon, the corporation could liquidate the joint portfolio if the individual's share of the losses equaled or exceeded his 20 percent contribution to the venture. The corporation would hold the securities, and upon termination of the venture, the assets would first be applied to repayment of capital contributions.
(c) In general, the relationship of joint venture is created when two or more persons combine their money, property, or time in the conduct of some particular line of trade or some particular business and agree to share jointly, or in proportion to capital contributed, the profits and losses of the undertaking.
(d) The incidents of the joint venture described in paragraph (b) of this section, however, closely parallel those of an extension of margin credit, with the corporation as lender and the individual as borrower. The corporation supplies 80 percent of the purchase price of securities in exchange for a net return of 8 percent of the amount advanced plus 20 percent of any gain. Like a lender of securities credit, the corporation is insulated against loss by retaining the right to liquidate the collateral before the securities decline in price below the amount of its contribution. Conversely, the individual—like a customer who borrows to purchase securities—puts up only 20 percent of their cost, is entitled to the principal portion of any appreciation in their value, bears the principal risk of loss should that value decline, and does not stand to gain or lose except through a change in value of the securities purchased.
(e) The Board is of the opinion that where the right of an individual to share in profits and losses of such a joint venture is disproportionate to his contribution to the venture:
(1) The joint venture involves an extension of credit by the corporation to the individual;
(2) The extension of credit is to purchase or carry margin stock, and is collateralized by such margin stock; and
(3) If the corporation is not a broker or dealer subject to Regulation T (12 C.F.R. Part 220), the credit is of the kind described by section 221.3(a).

## Section 221.112—Loans by bank in capacity as trustee.

(a) The Board's advice has been requested whether a bank's activities in connection with the administration of an employees' savings plan are subject to this part.
(b) Under the plan, any regular, full-time employee may participate by authorizing the sponsoring company to deduct a percentage of his salary and wages and transmit the same to the bank as trustee. Voluntary contributions by the company are allocated among the participants. A participant may direct that funds held for him be invested by the trustee in insurance, annuity contracts, Series E Bonds, or in one or more of three specified securities which are listed on a stock exchange. Loans to purchase the stocks may be made to participants from funds of the trust, subject to approval of the administrative committee, which is composed of five participants, and of the trustee. The bank's right to approve is said to be restricted to the mechanics of making the loan, the purpose being to avoid cumbersome procedures.
(c) Loans are secured by the credit balance of the borrowing participants in the savings fund, including stock, but excluding (in practice) insurance and annuity contracts and government securities. Additional stocks may be, but, in practice, have not been pledged as collateral for loans. Loans are not made, under the plan, from bank funds, and participants do not borrow from the bank upon assignment of the participants' accounts in the trust.
(d) It is urged that loans under the plan are not subject to this part because a loan should not be considered as having been made by a bank where the bank acts solely in its capacity of trustee, without exercise of any discretion.
(e) The Board reviewed this question upon at least one other occasion, and full consideration has again been given to the matter. After considering the arguments on both sides, the Board has reaffirmed its earlier view that, in conformity with an interpretation not published in the Code of Federal Regulations which was published on page 874 of the 1946 *Federal Reserve Bulletin* (*See* 12 C.F.R. 261.10(f) for information on how to obtain Board publications.), this part applies to the activities of a bank when it is acting in its capacity as trustee. Although the bank in that case had at best a limited discretion with respect to loans

made by it in its capacity as trustee, the Board concluded that this fact did not affect the application of the regulation to such loans.

## Section 221.113—Loan which is secured indirectly by stock.

(a) A question has been presented to the Board as to whether a loan by a bank to a mutual investment fund is "secured . . . indirectly by margin stock" within the meaning of section 221.(3)(a), so that the loan should be treated as subject to this part.

(b) Briefly, the facts are as follows. Fund X, an open-end investment company, entered into a loan agreement with Bank Y, which was (and still is) custodian of the securities which comprise the portfolio of Fund X. The agreement includes the following terms, which are material to the question before the Board:

(1) Fund X agrees to have an "asset coverage" (as defined in the agreements) of 400 percent of all its borrowings, including the proposed borrowing, at the time when it takes down any part of the loan.

(2) Fund X agrees to maintain an "asset coverage" of at least 300 percent of its borrowings at all times.

(3) Fund X agrees not to amend its custody agreement with Bank Y, or to substitute another custodian without Bank Y's consent.

(4) Fund X agrees not to mortgage, pledge, or otherwise encumber any of its assets elsewhere than with Bank Y.

(c) In section 221.109 the Board stated that because of "the general nature and operations of such a company", any "loan by a bank to an open-end investment company that customarily purchases margin stock . . . should be presumed to be subject to this part as a loan for the purpose of purchasing or carrying margin stock" (purpose credit). The Board's interpretation went on to say that: "this would not be altered by the fact that the open-end company had used, or proposed to use, its own funds or proceeds of the loan to redeem some of its own shares . . . ."

(d) Accordingly, the loan by Bank Y to Fund X was and is a "purpose credit". However, a loan by a bank is not subject to this part unless: it is a purpose credit; and it is "secured directly or indirectly by margin stock". In the present case, the loan is not "secured directly" by stock in the ordinary sense, since the portfolio of Fund X is not pledged to secure the credit from Bank Y. But the word "indirectly" must signify some form of security arrangement other than the "direct" security which arises from the ordinary "transaction that gives recourse against a particular chattel or land or against a third party on an obligation" described in the American Law Institute's Restatement of the Law of Security, page 1. Otherwise the word "indirectly" would be superfluous, and a regulation, like a statute, must be construed if possible to give meaning to every word.

(e) The Board has indicated its view that any arrangement under which margin stock is more readily available as security to the lending bank than to other creditors of the borrower may amount to indirect security within the meaning of this part. In an interpretation published at section 221.110 it stated: "The Board has long held, in the . . . purpose area, that the original purpose of a loan should not be determined upon a narrow analysis of the technical circumstances under which a loan is made . . . . Where security is involved, standards of interpretation should be equally searching." In its pamphlet issued for the benefit and guidance of banks and bank examiners, entitled "Questions and Answers Illustrating Application of Regulation U", the Board said: "In determining whether a loan is "indirectly" secured, it should be borne in mind that the reason the Board has thus far refrained . . . from regulating loans not secured by stock has been to simplify operations under the regulation. This objective of simplifying operations does not apply to loans in which arrangements are made to retain the substance of stock collateral while sacrificing only the form".

(f) A wide variety of arrangements as to collateral can be made between bank and borrower which will serve, to some extent, to protect the interest of the bank in seeing that the loan is repaid, without giving the bank a conventional direct "security" interest in the collateral. Among such arrangements which have come to the Board's attention are the following:

(1) The borrower may deposit margin stock in the custody of the bank. An arrangement of this kind may not, it is true, place the bank in the position of a secured creditor in case of bankruptcy, or even of conflicting claims, but it is likely effectively to strengthen the bank's position. The definition of *indirectly secured* in section 221.2, which provides that a loan is not indirectly secured if the lender "holds the margin stock only in the capacity of custodian, depositary or trustee, or under similar circumstances, and, in good faith has not relied upon the margin stock as collateral," does not exempt a deposit of this kind from the impact of the regulation unless it is clear that the bank "has not relied" upon the margin stock deposited with it.

(2) A borrower may not deposit his margin stock with the bank, but agree not to pledge or encumber his assets elsewhere while the loan is outstanding. Such an agreement may be difficult to police, yet it serves to some extent to protect the interest of the bank if only because the future credit standing and business reputation of the borrower will depend upon his keeping his word. If the assets covered by such an agreement include margin stock, then, the credit is "indirectly secured" by the margin stock within the meaning of this part.

(3) The borrower may deposit margin stock with a third party who agrees to hold the stock until the loan has been paid off. Here, even though the parties may purport to provide that the stock is not "security" for the loan (for example, by agreeing that the stock may not be sold and the proceeds applied to the debt if the borrower fails to pay), the mere fact that the stock is out of the borrower's control for the duration of the loan serves to some extent to protect the bank.

(g) The three instances described in paragraph (f) of this

section are merely illustrative. Other methods, or combinations of methods, may serve a similar purpose. The conclusion that any given arrangement makes a credit "indirectly secured" by margin stock may, but need not, be reinforced by facts such as that the stock in question was purchased with proceeds of the loan, that the lender suggests or insists upon the arrangement, or that the loan would probably be subject to criticism by supervisory authorities were it not for the protective arrangement.
(h) Accordingly, the Board concludes that the loan by Bank Y to Fund X is indirectly secured by the portfolio of the fund and must be treated by the bank as a regulated loan.

## Section 221.114—Bank loans to purchase stock of American Telephone and Telegraph Company under Employees' Stock Plan.

(a) The Board of Governors interpreted this part in connection with proposed loans by a bank to persons who are purchasing shares of stock of American Telephone and Telegraph Company pursuant to its Employees' Stock Plan.
(b) According to the current offering under the Plan, an employee of the AT&T system may purchase shares through regular deductions from his pay over a period of 24 months. At the end of that period, a certificate for the appropriate number of shares will be issued to the participating employee by AT&T. Each employee is entitled to purchase, as a maximum, shares that will cost him approximately three-fourths of his annual base pay. Since the program extends over two years, it follows that the payroll deductions for this purpose may be in the neighborhood of 38 percent of base pay and a larger percentage of "take-home pay." Deductions of this magnitude are in excess of the saving rate of many employees.
(c) Certain AT&T employees, who wish to take advantage of the current offering under the Plan, are the owners of shares of AT&T stock that they purchased under previous offerings. A bank proposed to receive such stock as collateral for a "living expenses" loan that will be advanced to the employee in monthly installments over the 24-month period, each installment being in the amount of the employee's monthly payroll deduction under the Plan. The aggregate amount of the advances over the 24-month period would be substantially greater than the maximum loan value of the collateral as prescribed in section 221.7 (the Supplement).
(d) In the opinion of the Board of Governors, a loan of the kind described would violate this part if it exceeded the maximum loan value of the collateral. The regulation applies to any margin stock-secured loan for the purpose of purchasing or carrying margin stock (section 221.3(a)). Although the proposed loan would purport to be for living expenses, it seems quite clear, in view of the relationship of the loan to the Employees' Stock Plan, that its actual purpose would be to enable the borrower to purchase AT&T stock, which is margin stock. At the end of the 24-month period the borrower would acquire a certain number of shares of that stock and would be indebted to the lending bank in an amount approximately equal to the amount he would pay for such shares. In these circumstances, the loan by the bank must be regarded as a loan "for the purpose of purchasing" the stock, and therefore it is subject to the limitations prescribed by this part. This conclusion follows from the provisions of this part, and it may also be observed that a contrary conclusion could largely defeat the basic purpose of the margin regulations.
(e) Accordingly, the Board concluded that a loan of the kind described may not be made in an amount exceeding the maximum loan value of the collateral, as prescribed by the current section 221.7 (the Supplement).

## Section 221.115—Accepting a purpose statement through the mail without benefit of face-to-face interview.

(a) The Board has been asked whether the acceptance of a purpose statement submitted through the mail by a lender subject to the provisions of this part will meet the good faith requirement of section 221.3(c). Section 221.3(c) states that in connection with any credit secured by collateral which includes any margin stock, a nonbank lender must obtain a purpose statement executed by the borrower and accepted by the lender in good faith. Such acceptance requires that the lender be alert to the circumstances surrounding the credit and if further information suggests inquiry, he must investigate and be satisfied that the statement is truthful.
(b) The lender is a subsidiary of a holding company which also has another subsidiary which serves as underwriter and investment advisor to various mutual funds. The sole business of the lender will be to make "non-purpose" consumer loans to shareholders of the mutual funds, such loans to be collateralized by the fund shares. Most mutual funds shares are margin stock for purposes of this part. Solicitation and acceptance of these consumer loans will be done principally through the mail and the lender wishes to obtain the required purpose statement by mail rather than by a face-to-face interview. Personal interviews are not practicable for the lender because shareholders of the funds are scattered throughout the country. In order to provide the same safeguards inherent in face-to-face interviews, the lender has developed certain procedures designed to satisfy the good faith acceptance requirement of this part.
(c) The purpose statement will be supplemented with several additional questions relevant to the prospective borrower's investment activities such as purchases of any security within the last 6 months, dollar amount, and obligations to purchase or pay for previous purchases; present plans to purchase securities in the near future, participations in securities purchase plans, list of unpaid debts, and present income level. Some questions have been modified to facilitate understanding but no questions have been deleted. If additional inquiry is indicated by the answers on the form, a loan officer of the lender will

interview the borrower by telephone to make sure the loan is "non-purpose". Whenever the loan exceeds the "maximum loan value" of the collateral for a regulated loan, a telephone interview will be done as a matter of course.
(d) One of the stated purposes of Regulation X (12 C.F.R. Part 224) was to prevent the infusion of unregulated credit into the securities markets by borrowers falsely certifying the purpose of a loan. The Board is of the view that the existence of Regulation X (12 C.F.R. Part 224), which makes the borrower liable for willful violations of the margin regulations, will allow a lender subject to this part to meet the good faith acceptance requirement of section 221.3(c) without a face-to-face interview if the lender adopts a program, such as the one described in paragraph (c) of this section, which requires additional detailed information from the borrower and proper procedures are instituted to verify the truth of the information received. Lenders intending to embark on a similar program should discuss proposed plans with their district Federal Reserve Bank. Lenders may have existing or future loans with the prospective customers which could complicate the efforts to determine the true purpose of the loan.

## Section 221.116—Bank loans to replenish working capital used to purchase mutual fund shares.

(a) In a situation considered by the Board of Governors, a business concern (X) proposed to purchase mutual fund shares, from time to time, with proceeds from its accounts receivable, then pledge the shares with a bank in order to secure working capital. The bank was prepared to lend amounts equal to 70 percent of the current value of the shares as they were purchased by X. If the loans were subject to this part, only 50 percent of the current market value of the shares could be lent.
(b) The immediate purpose of the loans would be to replenish X's working capital. However, as time went on, X would be acquiring mutual fund shares at a cost that would exceed the net earnings it would normally have accumulated, and would become indebted to the lending bank in an amount approximately 70 percent of the prices of said shares.
(c) The Board held that the loans were for the purpose of purchasing the shares, and therefore subject to the limitations prescribed by this part. As pointed out in section 221.114 with respect to a similar program for putting a high proportion of cash income into stock, the borrowing against the margin stock to meet needs for which the cash would otherwise have been required, a contrary conclusion could largely defeat the basic purpose of the margin regulations.
(d) Also considered was an alternative proposal under which X would deposit proceeds from accounts receivable in a time account for one year, before using those funds to purchase mutual fund shares. The Board held that this procedure would not change the situation in any significant way. Once the arrangement was established, the proceeds would be flowing into the time account at the same time that similar amounts were released to purchase the shares, and over any extended period of time the result would be the same. Accordingly, the Board concluded that bank loans made under the alternative proposal would similarly be subject to this part.

## Section 221.117—When bank in "good faith" has not relied on stock as collateral.

(a) The Board has received questions regarding the circumstances in which an extension or maintenance of credit will not be deemed to be "indirectly secured" by stock as indicated by the phrase, "if the lender, in good faith, has not relied upon the margin stock as collateral," contained in paragraph (2)(iv) of the definition of *indirectly secured* in section 221.2.
(b) In response, the Board noted that in amending this portion of the regulation in 1968 it was indicated that one of the purposes of the change was to make clear that the definition of *indirectly secured* does not apply to certain routine negative covenants in loan agreements. Also, while the question of whether or not a bank has relied upon particular stock as collateral is necessarily a question of fact to be determined in each case in the light of all relevant circumstances, some indication that the bank had not relied upon stock as collateral would seem to be afforded by such circumstances as the fact that:

(1) The bank had obtained a reasonably current financial statement of the borrower and this statement could reasonably support the loan; and

(2) The loan was not payable on demand or because of fluctuations in market value of the stock, but instead was payable on one or more fixed maturities which were typical of maturities applied by the bank to loans otherwise similar except for not involving any possible question of stock collateral.

## Section 221.118—Bank arranging for extension of credit by corporation.

(a) The Board considered the questions whether:

(1) The guaranty by a corporation of an "unsecured" bank loan to exercise an option to purchase stock of the corporation is an "extension of credit" for the purpose of this part;

(2) Such a guaranty is given "in the ordinary course of business" of the corporation, as defined in section 221.2; and

(3) The bank involved took part in arranging for such credit on better terms than it could extend under the provisions of this part.

(b) The Board understood that any officer or employee included under the corporation's stock option plan who wished to exercise his option could obtain a loan for the purchase price of the stock by executing an unsecured note to the bank. The corporation would issue to the bank a guaranty of the loan and hold the purchased shares as collateral to secure it against loss on the guaranty. Stock of the corporation is registered on a national securities exchange and therefore qualifies as "margin stock" under this part.

(c) A nonbank lender is subject to the registration and other requirements of this part if, in the ordinary course of his business, he extends credit on collateral that includes any margin stock in the amount of $200,000 or more in any calendar quarter, or has such credit outstanding in any calendar quarter in the amount of $500,000 or more. The Board understood that the corporation in question had sufficient guaranties outstanding during the applicable calendar quarter to meet the dollar thresholds for registration.

(d) In the Board's judgment a person who guarantees a loan, and thereby becomes liable for the amount of the loan in the event the borrower should default, is lending his credit to the borrower. In the circumstances described, such a lending of credit must be considered an "extension of credit" under this part in order to prevent circumvention of the regulation's limitation on the amount of credit that can be extended on the security of margin stock.

(e) Under section 221.2, the term *in the ordinary course of business means* "occurring or reasonably expected to occur in carrying out or furthering any business purpose. . . ." In general, stock option plans are designed to provide a company's employees with a proprietary interest in the company in the form of ownership of the company's stock. Such plans increase the company's ability to attract and retain able personnel and, accordingly, promote the interest of the company and its stockholders, while at the same time providing the company's employees with additional incentive to work toward the company's future success. An arrangement whereby participating employees may finance the exercise of their options through an unsecured bank loan guaranteed by the company, thereby facilitating the employees' acquisition of company stock, is likewise designed to promote the company's interest and is, therefore, in furtherance of a business purpose.

(f) For the reasons indicated, the Board concluded that under the circumstances described a guaranty by the corporation constitutes credit extended in the ordinary course of business under this part, that the corporation is required to register pursuant to section 221.3(b), and that such guaranties may not be given in excess of the maximum loan value of the collateral pledged to secure the guaranty.

(g) Section 221.3(a)(3) provides that "no lender may arrange for the extension or maintenance of any purpose credit, except upon the same terms and conditions on which the lender itself may extend or maintain purpose credit under this part". Since the Board concluded that the giving of a guaranty by the corporation to secure the loan described above constitutes an extension of credit, and since the use of a guaranty in the manner described could not be effectuated without the concurrence of the bank involved, the Board further concluded that the bank took part in "arranging" for the extension of credit in excess of the maximum loan value of the margin stock pledged to secure the guaranties.

## Section 221.119—Applicability of plan-lender provisions to financing of stock options and stock purchase rights qualified or restricted under Internal Revenue Code.

(a) The Board has been asked whether the plan-lender provisions of section 221.4(a) and (b) were intended to apply to the financing of stock options restricted or qualified under the Internal Revenue Code where such options or the option plan do not provide for such financing.

(b) It is the Board's experience that in some nonqualified plans, particularly stock purchase plans, the credit arrangement is distinct from the plan. So long as the credit extended, and particularly, the character of the plan-lender, conforms with the requirements of the regulation, the fact that option and credit are provided for in separate documents is immaterial. It should be emphasized that the Board does not express any view on the preferability of qualified as opposed to nonqualified options; its role is merely to prevent excessive credit in this area.

(c) Section 221.4(a) provides that a plan-lender may include a wholly owned subsidiary of the issuer of the collateral (taking as a whole, corporate groups including subsidiaries and affiliates). This clarifies the Board's intent that, to qualify for special treatment under that section, the lender must stand in a special employer-employee relationship with the borrower, and a special relationship of issuer with regard to the collateral. The fact that the Board, for convenience and practical reasons, permitted the employing corporation to act through a subsidiary or other entity should not be interpreted to mean the Board intended the lender to be other than an entity whose overriding interests were coextensive with the issuer. An independent corporation, with independent interests was never intended, regardless of form, to be at the base of exempt stock-plan lending.

## Section 221.120—Allocation of stock collateral to purpose and nonpurpose credits to same customer.

(a) A bank proposes to extend two credits (Credits A and B) to its customer. Although the two credits are proposed to be extended at the same time, each would be evidenced by a separate agreement. Credit A would be extended for the purpose of providing the customer with working capital (nonpurpose credit), collateralized by margin stock. Credit B would be extended for the purpose of purchasing or carrying margin stock (purpose credit), without collateral or on collateral other than stock.

(b) This part allows a bank to extend purpose and nonpurpose credits simultaneously or successively to the same customer. This rule is expressed in section 221.3(d)(4) which provides in substance that for any nonpurpose credit to the same customer, the lender shall in good faith require as much collateral not already identified to the customer's purpose credit as the lender would require if it held neither the purpose loan nor the identified collateral. This rule in section 221.3(d)(4) also takes into account that the lender would not necessarily be required to hold collateral for the

nonpurpose credit if, consistent with good faith banking practices, it would normally make this kind of nonpurpose loan without collateral.
(c) The Board views section 221.3(d)(4), when read in conjunction with section 221.3(c) and (f), as requiring that whenever a lender extends two credits to the same customer, one a purpose credit and the other nonpurpose, any margin stock collateral must first be identified with and attributed to the purpose loan by taking into account the maximum loan value of such collateral as prescribed in section 221.7 (the Supplement).
(d) The Board is further of the opinion that under the foregoing circumstances Credit B would be indirectly secured by stock, despite the fact that there would be separate loan agreements for both credits. This conclusion flows from the circumstance that the lender would hold in its possession stock collateral to which it would have access with respect to Credit B, despite any ostensible allocation of such collateral to Credit A.

## Section 221.121—Extension of credit in certain stock option and stock purchase plans.

Questions have been raised as to whether certain stock option and stock purchase plans involve extensions of credit subject to this part when the participant is free to cancel his participation at any time prior to full payment, but in the event of cancellation the participant remains liable for damages. It thus appears that the participant has the opportunity to gain and bears the risk of loss from the time the transaction is executed and payment is deferred. In some cases brought to the Board's attention damages are related to the market price of the stock, but in others, there may be no such relationship. In either of these circumstances, it is the Board's view that such plans involve extensions of credit. Accordingly, where the security being purchased is a margin security and the credit is secured, directly or indirectly, by any margin security, the creditor must register and the credit must conform with either the regular margin requirements of section 221.3(a) or the special "plan-lender" provisions set forth in section 221.4, whichever is applicable. This assumes, of course, that the amount of credit extended is such that the creditor is subject to the registration requirements of section 221.3(b).

## Section 221.122—Applicability of margin requirements to credit in connection with Insurance Premium Funding Programs.

(a) The Board has been asked numerous questions regarding purpose credit in connection with insurance premium funding programs. The inquiries are included in a set of guidelines in the format of questions and answers. (The guidelines are available pursuant to the Board's Rules Regarding Availability of Information, 12 C.F.R. Part 261.) A glossary of terms customarily used in connection with insurance premium funding credit activities is included in the guidelines. Under a typical insurance premium funding program, a borrower acquires mutual fund shares for cash, or takes fund shares which he already owns, and then uses the loan value (currently 50 percent as set by the Board) to buy insurance. Usually, a funding company (the issuer) will sell both the fund shares and the insurance through either independent broker/dealers or subsidiaries or affiliates of the issuer. A typical plan may run for 10 or 15 years with annual insurance premiums due. To illustrate, assuming an annual insurance premium of $300, the participant is required to put up mutual fund shares equivalent to 250 percent of the premium or $600 ($600 x 50 percent loan value equals $300 the amount of the insurance premium which is also the amount of the credit extended).
(b) The guidelines referenced in paragraph (a) of this section also:
(1) Clarify an earlier 1969 Board interpretation to show that the public offering price of mutual fund shares (which includes the front load, or sales commission) may be used as a measure of their current market value when the shares serve as collateral on a purpose credit throughout the day of the purchase of the fund shares; and
(2) Relax a 1965 Board position in connection with accepting purpose statements by mail.
(c) It is the Board's view that when it is clearly established that a purpose statement supports a purpose credit then such statement executed by the borrower may be accepted by mail, provided it is received and also executed by the lender before the credit is extended.

## Section 221.123—Combined credit for exercising employee stock options and paying income taxes incurred as a result of such exercise.

(a) Section 221.4(a) and (b), which provides special treatment for credit extended under employee stock option plans, was designed to encourage their use in recognition of their value in giving an employee a proprietary interest in the business. Taking a position that might discourage the exercise of options because of tax complications would conflict with the purpose of section 221.4(a) and (b).
(b) Accordingly, the Board has concluded that the combined loans for the exercise of the option and the payment of the taxes in connection therewith under plans complying with section 221.4(a)(2) may be regarded as *purpose credit* within the meaning of section 221.2.

## Section 221.124—Purchase of debt securities to finance corporate takeovers.

(a) Petitions have been filed with the Board raising questions as to whether the margin requirements in this part apply to two types of corporate acquisitions in which debt securities are issued to finance the acquisition of margin stock of a target company.
(b) In the first situation, the acquiring company, Company A, controls a shell corporation that would make a tender offer for the stock of Company B, which is margin stock (as defined in section 221.2). The shell corporation has

virtually no operations, has no significant business function other than to acquire and hold the stock of Company B, and has substantially no assets other than the margin stock to be acquired. To finance the tender offer, the shell corporation would issue debt securities which, by their terms, would be unsecured. If the tender offer is successful, the shell corporation would seek to merge with Company B. However, the tender offer seeks to acquire fewer shares of Company B than is necessary under state law to effect a short form merger with Company B, which could be consummated without the approval of shareholders or the board of directors of Company B.

(c) The purchase of the debt securities issued by the shell corporation to finance the acquisition clearly involves purpose credit (as defined in section 221.2). In addition, such debt securities would be purchased only by sophisticated investors in very large minimum denominations, so that the purchasers may be lenders for purposes of this part. *See* section 221.3(b). Since the debt securities contain no direct security agreement involving the margin stock, applicability of the lending restrictions of this part turns on whether the arrangement constitutes an extension of credit that is secured indirectly by margin stock.

(d) As the Board has recognized, indirect security can encompass a wide variety of arrangements between lenders and borrowers with respect to margin stock collateral that serve to protect the lenders' interest in assuring that a credit is repaid where the lenders do not have a conventional direct security interest in the collateral. *See* section 221.124. However, credit is not "indirectly secured" by margin stock if the lender in good faith has not relied on the margin stock as collateral extending or maintaining credit. *See* section 221.2.

(e) The Board is of the view that, in the situation described in paragraph (b) of this section, the debt securities would be presumed to be indirectly secured by the margin stock to be acquired by the shell acquisition vehicle. The staff has previously expressed the view that nominally unsecured credit extended to an investment company, a substantial portion of whose assets consist of margin stock, is indirectly secured by the margin stock. *See* Federal Reserve Regulatory Service 5–917.12. (*See* 12 C.F.R. 261.10(f) for information on how to obtain Board publications.) This opinion notes that the investment company has substantially no assets other than margin stock to support indebtedness and thus credit could not be extended to such a company in good faith without reliance on the margin stock as collateral.

(f) The Board believes that this rationale applies to the debt securities issued by the shell corporation described in paragraph (b) of this section. At the time the debt securities are issued, the shell corporation has substantially no assets to support the credit other than the margin stock that it has acquired or intends to acquire and has no significant business function other than to hold the stock of the target company in order to facilitate the acquisition. Moreover, it is possible that the shell may hold the margin stock for a significant and indefinite period of time, if defensive measures by the target prevent consummation of the acquisition. Because of the difficulty in predicting the outcome of a contested takeover at the time that credit is committed to the shell corporation, the Board believes that the purchasers of the debt securities could not, in good faith, lend without reliance on the margin stock as collateral. The presumption that the debt securities are indirectly secured by margin stock would not apply if there is specific evidence that lenders could in good faith rely on assets other than margin stock as collateral, such as a guaranty of the debt securities by the shell corporation's parent company or another company that has substantial non-margin stock assets or cash flow. This presumption would also not apply if there is a merger agreement between the acquiring and target companies entered into at the time the commitment is made to purchase the debt securities or in any event before loan funds are advanced. In addition, the presumption would not apply if the obligation of the purchasers of the debt securities to advance funds to the shell corporation is contingent on the shell's acquisition of the minimum number of shares necessary under applicable state law to effect a merger between the acquiring and target companies without the approval of either the shareholders or directors of the target company. In these two situations where the merger will take place promptly, the Board believes the lenders could reasonably be presumed to be relying on the assets of the target for repayment.

(g) In addition, the Board is of the view that the debt securities described in paragraph (b) of this section are indirectly secured by margin stock because there is a practical restriction on the ability of the shell corporation to dispose of the margin stock of the target company. Indirectly secured is defined in section 221.2 to include any arrangement under which the customer's right or ability to sell, pledge, or otherwise dispose of margin stock owned by the customer is in any way restricted while the credit remains outstanding. The purchasers of the debt securities issued by a shell corporation to finance a takeover attempt clearly understand that the shell corporation intends to acquire the margin stock of the target company in order to effect the acquisition of that company. This understanding represents a practical restriction on the ability of the shell corporation to dispose of the target's margin stock and to acquire other assets with the proceeds of the credit.

(h) In the second situation, Company C, an operating company with substantial assets or cash flow, seeks to acquire Company D, which is significantly larger than Company C. Company C establishes a shell corporation that together with Company C makes a tender offer for the shares of Company D, which is margin stock. To finance the tender offer, the shell corporation would obtain a bank loan that complies with the margin lending restrictions of this part and Company C would issue debt securities that would not be directly secured by any margin stock. The Board is of the opinion that these debt securities should not be presumed to be indirectly secured by the margin stock of Company D, since, as an operating business, Company C has substantial assets or cash flow without regard to the margin stock of Company D. Any presumption would not be appropriate because the purchasers of the debt securities may be relying on assets other than margin stock of Company D for repayment of the credit.

### Section 221.125—Credit to brokers and dealers.

(a) The National Securities Markets Improvement Act of 1996 (Pub. L. 104–290, 110 Stat. 3416) restricts the Board's margin authority by repealing section 8(a) of the Securities Exchange Act of 1934 (the Exchange Act) and amending section 7 of the Exchange Act (15 U.S.C. 78g) to exclude the borrowing by a member of a national securities exchange or a registered broker or dealer "a substantial portion of whose business consists of transactions with persons other than brokers or dealers" and borrowing by a member of a national securities exchange or a registered broker or dealer to finance its activities as a market maker or an underwriter. Notwithstanding this exclusion, the Board may impose such rules and regulations if it determines they are "necessary or appropriate in the public interest or for the protection of investors."
(b) The Board has not found that it is necessary or appropriate in the public interest or for the protection of investors to impose rules and regulations regarding loans to brokers and dealers covered by the National Securities Markets Improvement Act of 1996.

### *Part 224—Borrowers of Securities Credit (Regulation X)*

7. The authority citation for Part 224 is revised to read as follows:

*Authority*: 15 U.S.C. 78g.

8. Section 224.1 is amended as follows:

a. Remove "G," and "207," from the last sentence in paragraph (a).

b. Remove "G," from paragraph (b)(1).

9. Section 224.2 is amended by removing "G," from the introductory text.

10. Section 224.3 is revised to read as follows:

### Section 224.3—Margin regulations to be applied by nonexempted borrowers.

(a) *Credit transactions outside the United States.* No borrower shall obtain purpose credit from outside the United States unless it conforms to the following margin regulations:
(1) Regulation T (12 C.F.R. Part 220) if the credit is obtained from a foreign branch of a broker-dealer;
(2) Regulation U (12 C.F.R. Part 221), as it applies to banks, if the credit is obtained from a foreign branch of a bank, except for the requirement of a purpose statement (12 C.F.R. 221.3(c)(1)(i) and (c)(2)(i)); and
(3) Regulation U (12 C.F.R. Part 221), as it applies to nonbank lenders, if the credit is obtained from any other lender outside the United States, except for the requirement of a purpose statement (12 C.F.R. 221.3(c)(1)(ii) and (c)(2)(ii)).
(b) *Credit transactions within the United States.* Any borrower who willfully causes credit to be extended in contravention of Regulations T and U (12 C.F.R. Parts 220 and 221), and who, therefore, is not exempted by section 224.1(b)(1), must conform the credit to the margin regulation that applies to the lender.

### *Part 265—Rules Regarding Delegation of Authority*

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

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

12. Section 265.11(f) is revised to read as follows:

### Section 265.11— Functions delegated to Federal Reserve Banks.

* * * * *

(f) *Securities.* To approve applications by a registered lender for termination of the registration under section 221.3(b)(2) of Regulation U (12 C.F.R. 221.3(b)(2)).

### *Final Rule—Amendments to Regulations G, T, U and X*

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221 and 224, its Regulations G, T, U and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed of stocks traded over-the-counter (OTC) in the United States that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List of Foreign Margin Stocks (Foreign List) is composed of foreign equity securities that have met the Board's eligibility criteria under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the previous Foreign List.

Effective February 9, 1998 - March 31, 1998, 12 C.F.R. Parts 207 and 221 are amended as follows. Effective February 9, 1998 -January 1, 1999, 12 C.F.R. Parts 220 and 224 are amended as follows. Accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2 and 220.17 (Regulation T), and

12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

*From The List Of Marginable OTC Stocks*

## Stocks Removed For Failing Continued Listing Requirements

Allergan Ligand Retinoid Therapeutics, Inc.: $.001 par common
Alliance Imaging, Inc.: $.01 par common
America First Financial Fund 1987: Beneficial unit certificates
American Telecasting, Inc.: $.01 par common
Amscan Holdings, Inc.: $.10 par common

Battery Technologies, Inc.: No par common

CAI Wireless Systems, Inc.: No par common
Catalytica, Inc.: Warrants (expire 10–31–1997)
Centura Software Corporation: $.01 par common
Chemtrak Incorporated: $.001 par common
Cinergi Pictures Entertainment Inc.: $.01 par common
Cypros Pharmaceutical Coproration: Class B, Warrants (expire 11–03–1997)

Egeorge Financial Corporation: $.10 par common
Ecogen Inc.: Warrants (expire 01–31–1998)
Elek-Tek, Inc.: $.01 par common

Faulding Inc.: $.01 par common
FFBS Bancorp, Inc. (Mississippi): $.01 par common
First Banks, Inc. (Missouri): Class C, 9% increasing rate

Garnet Resources Corporation: $.01 par common
Gateway Data Sciences Corporation: $.01 par common
Geographics, Inc.: No par common, Warrants (expire 06–01–1999)
Glasgal Communications, Inc.: Warrants (expire 09–21–1999)
Grand Union Company, The: $1.00 par common

Housecall Medical Resources, Inc.: $.01 par common
Hybridon, Inc.: $.001 par common

IITC Holdings, Ltd.: Class A, no par common
International Verifact, Inc.: Redeemable Warrants (expire 01–05–1998)
Interstate National Dealer Services, Inc.: Warrants (expire 07–22–1999)

Kinetic Concepts, Inc.: $.001 par common
KS Bancorp, Inc. (North Carolina): No par common

LTX Corporation: 13–½% convertible debentures

Macheezmo Mouse Restaurants, Inc.: No par common
Maxcor Financial Group, Inc.: Series A, Warrants (expire 11–30–2001); Series B, Warrants (expire 11–30–2001)
McMoran Oil & Gas Company: Rights (expire 11–13–1997)
Meridian Point Realty Trust 83: No par shares of beneficial
Micro-Integration Corporation: $.01 par common
Midcom Communications, Inc.: $.0001 par common
MVSI, Inc.: Warrants (expire 08–15–2000)

NAL Financial Group, Inc.: $.15 par common
Neurobiological Technologies, Inc.: $.001 par common
Niagara Corporation: Warrants (expire 08–13–2000)
Nuko Information Systems, Inc.: $.001 par common

On-Gard Systems, Inc.: $.001 par common

Pennichuck Corporation: $1.00 par common
Premier Laser Systems, Inc.: Class A, warrants (expire 11–30–1999)

Q-Entertainment, Inc.: No par common

Redwood Trust, Inc.: Warrants (expire 12–31–1997)
Regent Bancshares Corp. (Pennsylvania): Series A, $.10 par convertible

Transworld Healthcare, Inc.: Warrants (expire 12–07–1997)

U.S. Bancorp (Minnesota): Series A, preferred stock

Venture Seismic, Ltd.: Warrants (expire 11–06–2000)
Videolan Technologies, Inc.: Warrants (expire 08–10–2000)
Virogroup, Inc.: $.01 par common
Vision-Sciences, Inc.: $.01 par common

Washington Mutual, Inc.: Series C, $1.00 par non-cumulative depositary shares
Welcome Home, Inc.: $.01 par common
Wellcare Management Group, Inc., The: $.01 par common
Western Pacific Airlines, Inc.: $.001 par common

## Stocks Removed For Listing On A National Securities Exchange Or Being Involved In An Acquisition

1st United Bancorp (Florida): $.01 par common

ACC Consumer Finance Corporation: $.001 par common
Access Beyond, Inc.: $.01 par common
Adco Technologies, Inc.: $.01 par common
Airways Corporation: $.01 par common
All American Communications, Inc.: $.0001 par common; Class B, non-voting, $.0001 par common
Allied Capital Advisers, Inc.: $.001 par common
Allied Capital Commercial Corporation: $.0001 par common
Allied Capital Corporation: $1.00 par common
Allied Capital Corporation II: $1.00 par common
Alltrista Corporation: No par common
Alpine Lace Brands, Inc.: $.01 par common
American National Bancorp, Inc.: $1.00 par common
American Recreation Company Holdings: $.01 par common
Andyne Computing Ltd.: No par common
Arbor Health Care Company: $.03 par common

ARV Assisted Living, Inc: No par common
Atchison Casting Corporation: $.01 par common
Atlas Air, Inc.: $.01 par common

Bank Corporation of Georgia: $1.00 par common
BDM International, Inc.: $.01 par common
Belmont Homes, Inc.: $.10 par common
Bowlin Outdoor Advertising & Travel: $.001 par common
Box Worldwide, Inc., The: $.001 par common
Branford Savings Bank (Connecticut): No par common

Cairn Energy USA, Inc: $.01 par common
Calnetics Corporation: No par common
Capital Bancorp (Florida): $1.00 par common
CB Commercial Real Estate Services: $.01 par common
Central Fidelity Banks, Inc.: $5.00 par common
Community Bank System, Inc. (New York): $1.25 par common
Community Care of America, Inc.: $.01 par common
Computational Systems, Inc.: No par common
Computer Data Systems, Inc.: $.10 par common
Cyrix Corporation: $.004 par common

Data Documents Incorporated: $.01 par common
Delchamps, Inc.: $.01 par common
Doubletree Corporation: $.01 par common

Elexsys International, Inc.: $1.00 par common
Endovascular Technologies, Inc.: $.00001 par common
Exide Electronics Group, Inc.: $.01 par common

Financial Institutions Insurance: $1.00 par common
First Financial Corporation: $1.00 par common
First Southeast Financial Corporation: $.01 par common
Firstplus Financial Group, Inc.: $.01 par common
Forest Oil Corporation: $.10 par common

Game Financial Corporation: $.01 par common
Gateway Bancorp, Inc. (Kentucky): $.01 par common
Glastonbury Bank & Trust Company: $2.50 par common
Green, A.P. Industries, Inc.: $1.00 par common
Greenfield Industries, Inc.: $.01 par common
Ground Round Restaurants, Inc.: $.1667 par common
Gynecare Inc.: $.01 par common

Ha-Lo Industries, Inc.: No par common
Hayes Wheels International: $.01 par common
Healthdyne, Inc.: $.01 par common
Hollywood Park, Inc.: $.01 par common
Homegate Hospitality, Inc.: $.01 par common
HPR, Inc.: $.01 par common

Inacom Corp.: $.10 par common
Infinity Financial Technology, Inc.: No par common
International Dairy Queen, Inc.: Class A, $.01 par common; Class B, $.01 par common
International Imaging Materials, Inc.: $.01 par common

Jackson Hewitt Inc.: $.02 par common
Jefferson Bankshares, Inc. (Virginia): $2.50 par common

LB Financial, Inc.: $.01 par common
Leasing Solutions, Inc.: No par common
Lindsay Manufacturing Co.: $1.00 par common

Magna Bancorp, Inc. (Mississippi): $.01 par common
Magnetic Technologies Corporation: $.15 par common
Mail Boxes Etc.: No par common
Medic Computer Systems, Inc.: $.01 par common
Melamine Chemicals, Inc.: $.01 par common
Modtech, Inc.: $.01 par common
Mosinee Paper Corporation: $2.50 par common
Mustang Software, Inc.: No par common

National Health Enhancement Systems: $.001 par common
National Picture & Frame Company: $.01 par common
Network General Corporation: $.01 par common
NFO Worldwide, Inc.: $.01 par common

Offshore Energy Development: $.01 par common
Orthodontic Centers of America Inc.: $.01 par common

Phonetel Technologies, Inc.: $0.01 par common
Physician Support Systems, Inc.: $.001 par common
Physicians Health Services, Inc.: Class A, $.01 par common
Pittencrieff Communications, Inc.: $.01 par common
Poe & Brown, Inc.: $.10 par common
Premenos Technology Corporation: $.01 par common
Premier Parks, Inc.: $.05 par common
Primary Bank (New Hampshire): $.01 par common
Pronet, Inc.: $.01 par common

Rexworks, Inc.: $.12 par common
Robbins & Myers, Inc.: No par common
Rotech Medical Corporation: $.0002 par common

Seaman Furniture Company, Inc.: $.01 par common
Sequana Therapeutics, Inc.: $.001 par common
Sho-Me Financial Corporation: $.01 par common
Sirrom Capital Corporation: No par common; $.01 par common; Class A, $.01 par common
Sullivan Dental Products, Inc.: $.01 par common

Technology Service Group, Inc.: $.01 par common; Warrants (expire 05–09–1999)
Tecnol Medical Products, Inc.: $.001 par common
Thompson PBE, Inc.: $.01 par common
Todhunter International, Inc.: $.01 par common
Transtexas Gas Corporation: $.01 par common
Triangle Bancorp, Inc. (North Carolina): No par common
Tuesday Morning Corp.: $.01 par common
Tyson Foods, Inc.: Class A, $.10 par common

USLD Communications Corporation: $.01 par common

Vacation Break U.S.A., Inc.: $.01 par common
Vectra Banking Corporation: $.01 par common; VBC Capital I Cumulative capital

Viewlogic Systems, Inc.: $.01 par common
Virginia First Financial Corporation: $1.00 par common

Walter Industries, Inc.: $.01 par common

Zytec Corp: No par common

## Additions to The List of Marginable OTC Stocks

Act Teleconferencing, Inc.: No par common
Advabtuca Restaurant Group, Inc.: $.01 par common; Warrants (expire 01–07–2005)
Alydaar Software Corporation: $.001 par common
American Bingo & Gaming Corporation: $.001 par common
American Educational Products, Inc.: $.05 par common
American Physician Partners, Inc.: $.001 par common
Ameripath, Inc.: $.01 par common
Amsurg, Inc.: Class A, No par common; Class B, No par common
Amvestors Financial Corporation: Warrants (expire 04–03–2002)
Applied Films Corporation: No par common
Applied Micro Circuits Corporation: $.01 par common
Atlantic Gulf Communities Corporation: A Warrants (expire 06–23–2004); B Warrants (expire 06–23–2004); C Warrants (expire 06–23–2004)
Avteam, Inc.: $.01 par common

Bank of the Ozarks, Inc.: $.01 par common
Barbeques Galore Limited: American Depositary Receipts
Bay Bancshares, Inc. (Texas): $1.00 par common
Beringer Wine Estates Holdings, Inc.: Class B, No par common
Bigmar, Inc.: $.001 par common
Bioanalytical Systems, Inc.: No par common
Borel Bank & Trust Company (California): $.01 par common
Brass Eagle, Inc.: $.01 par common
Bright Horizons, Inc.: $.01 par common
Broughton Foods Company: $1.00 par common

C.H. Robinson Worldwide, Inc.: $.10 par common
C3, Inc.: No par common
Canada Southern Petroleum Ltd.: $1.00 par limited voting shares
Capitol Bancorp, Ltd.: $10.00 par trust preferred
Captec Net Lease Realty, Inc.: $.01 par common
Casella Waste Systems, Inc.: Class A, $.01 par common
Cellegy Pharmaceuticals, Inc.: Warrants (expire 08–10–2000)
CFI Mortgage, Inc.: $.01 par common
Colorado Medtech, Inc.: No par common
Colt Telecom Group, PLC: American Depositary Shares
Community First Bankshares, Inc.: Cumulative Capital Securities of CFB Capital II
Compu-Dawn, Inc.: $.01 par common
Concord Communications, Inc.: $.01 par common
Conning Corporation: $.01 par common
Consolidated Capital Corporation: $.001 par common
Cragar Industries, Inc.: $.01 par common
Crosskeys Systems Corporation: No par common

Denali, Inc.: $.01 par common
Dental Care Alliance, Inc.: $.01 par common
Dental/Medical Diagnostic Systems, Inc.: $.01 par common

East Telecom Group PLC: American Depositary Receipts
Echostar Communications Corporation: Series C, $.01 par cumulative convertible preferred
Edison Brothers Stores, Incorporated: $.01 par common
Electric Lightwave, Inc.: Class A, $.01 par common
Electronic Processing, Inc.: $.01 par common
Energis, PLC: American Depositary Shares
ESG RE Limited: $1.00 par common
Excel Switching Corporation: $.01 par common

Fallbrook National Bank: $.625 par common
Faroudja, Inc.: $.001 par common
Finet Holdings Corporation: $.01 par common
First Robinson Financial Corporation: $.01 par common
First SecurityFed Financial, Inc.: $.01 par common
FlexiInternational Software, Inc.: $.01 par common
Focal, Inc.: $.01 par common
Formula Systems (1985), Ltd.: American Depositary Receipts
Franklin Bank, National Association: Series A, noncumulative exchangeable preferred
Franchise Mortgage Acceptance Company: $.001 par common
Friendly Ice Cream Corporation: $.01 par common

Gametech International, Inc.: $.001 par common
Gart Sports Company: $.01 par common
Gene Logic, Inc.: $.001 par common
Gilat Communications, Ltd.: Ordinary Shares (NIS .01)
Gold Banc Corporation, Inc.: $25 par preferred securities
Great Pee Dee Bancorp, Inc.: $.01 par common

Hayes Corporation: $.01 par common
Healthworld Corporation: $.01 par common
Herbalife International, Inc.: Class B, $.01 par common
Heritage Financial Corporation: $.01 par common
Herley Industries, Inc.: Warrants (expire 01–11–1999)
Holt's Cigar Holdings, Inc.: $.001 par common
Homecapital Investment Corporation: $.01 par common
Hurricanehyrdocarbons, Ltd.: Class A, No par common
Hybrid Networks, Inc.: $.001 par common

I.C. Isaacs & Company, Inc.: $.0001 par common
Icos Vision Systems Corporation: No par common
Imagemax, Inc.: No par common
Imaging Technologies Corporation: $.005 par common
Imperial Credit Commercial Mortgage Investors: $.001 par common
Indiana United Bancorp, Inc.: Cumulative trust preferred securities
Information Advantage, Inc.: $.01 par common
Inmark Enterprises, Inc.: $.001 par common
Innovative Valve Technologies, Inc.: $.001 par common
International Aircraft Investors: $.01 par common
International Briguettes Holding: $.01 par ordinary shares

International Manufacturing Services, Inc.: Class A, \$.001 par common
International Sports Wagering, Inc.: \$.001 par common
Intervu, Inc.: \$.001 par common
ITC Deltacom, Inc.: \$.01 par common

Javelin Systems, Inc.: \$.01 par common

KSB Bancorp, Inc.: \$.01 par common

Laminating Technologies, Inc.: \$.01 par common
Landmark Systems Corporation: \$.01 par common
Let's Talk Cellular & Wireless, Inc.: \$.01 par common
Linc Capital, Inc.: \$.001 par common
Long Island Commercial Bank: \$3.00 par common
Lynx Therapeutics, Inc.: \$.001 par common

Made2Manage Systems, Inc.: No par common
Mahoning National Bancorp, Inc.: No par common, \$1.00 stated value
Mediware Information Systems, Inc.: \$.10 par common
Metromedia Fiber Network, Inc.: Class A, \$.01 par common
Metronet Communications Corporation: Class B, non-voting No par common
Midway Airlines Corporation: \$.01 par common
MMC Networks, Inc.: \$.001 par common
Montgomery Financial Corporation: \$.01 par common
Motor Cargo Industries, Inc.: No par common
MPW Industrial Services Group, Inc.: No par common
Mystic Financial, Inc.: \$.01 par common

N2K, Inc.: \$.001 par common
Nam Tai Electronics, Inc.: Warrants (expire 11–01–2000)
Nanophase Technologies Corporation: \$.01 par common
Neutral Posture Ergonomics, Inc.: \$.01 par common
Novacare Employees Services, Inc.: \$.01 par common
Novamerican Steel, Inc.: No par common
NRG Generating (U.S.), Inc.: \$.01 par common
Nymox Pharmaceutical Corporation: \$2.00 par common

OAO Technology Solutions, Inc.: \$.01 par common
Omni Energy Services Corporation: \$.01 par common
Outsource International, Inc.: \$.001 par common
OYO Geospace Corporation: \$.01 par common

Paper Warehouse, Inc.: \$.01 par common
Paula Financial: \$.01 par common
Pembridge, Inc.: No par common
Pennfed Financial Services, Inc.: \$25.00 par cumulative trust preferred stock
Pennfirst Bancorp, Inc.: Cumulative trust preferred securities
Pericom Semiconductor Corporation: No par common
Petroglyph Energy, Inc.: \$.01 par common
Power Integration, Inc.: \$.001 par common
Precision Auto Care, Inc.: \$.01 par common
Preview Travel, Inc.: \$.001 par common
Princeton Video Image, Inc.: No par common
Priority Healthcare Corporation: Class B, \$.01 par common
Progenics Pharmaceuticals, Inc.: \$.0013 par common
PRT Group: \$.001 par common

Questa Oil & Gas Company: \$.01 par common
Quigley Corporation: \$.0005 par common

Realnetworks, Inc.: \$.001 par common
Rock of Ages Corporation: Class A, \$.01 par common

Six Rivers National Bank (California): \$5.00 par common
Sky Network Television Limited: American Depositary Shares
SNB Bancshares, Inc. (Georgia): \$1.00 par common
Somnus Medical Technologies, Inc.: \$.001 par common
Southern Community Bancshares, Inc.: \$.01 par common
Spectra-Physics Lasers, Inc.: \$.01 par common
Spiros Development Corporation II, Inc.: Units (expire 12–31–1999)
Sportsline USA, Inc.: \$.01 par common
Stirling Cooke Brown Holdings Limited: \$.25 par ordinary shares
Success Bancshares, Inc. (Illinois): \$.001 par common
Sun Bancorp, Inc. (New Jersey): \$1.00 par common

T & W Financial Corporation: \$.01 par common
Tekgraf, Inc.: \$.001 par common; Warrants (expire 11–20–2002)
Teligent, Inc.: Class A, \$.01 par common
Telscape International, Inc.: \$.001 par common
Tera Computer Company: \$.01 par common
Tier Technologies, Inc.: Class B, no par common
Timberland Bancorp, Inc.: \$.01 par common
Today's Man, Inc.: Warrants (expire 12–31–1999)
Topro, Inc.: \$.0001 par common
Toymax International, Inc.: \$.01 par common
Transcoastal Marine Services, Inc. \$.001 par common
Transit Group, Inc.: \$.01 par common
Tri-County Bancorp, Inc.: \$.10 par common
Tropical Sportswear International Corporation: \$.01 par common

U.S. Timberlands Company, LP: No par common
U.S. Vision, Inc.: \$.01 par common
Ubics, Inc.: \$.01 par common
Unidyne Corporation: \$.001 par common
Union Community Bancorp.: No par common
USWeb Corporation: \$.0001 par common

Vari-Lite International, Inc.: \$.01 par common
Virgin Express Holdings, PLC: American Depositary Shares
VRB Bancorp (Oregon): No par common

Warwick Community Bancorp, Inc.: \$.01 par common
Washington Scientific Industries, Inc.: \$.10 par common
WHG Bancshares Corporation: \$.10 par common
White Cap Industries, Inc.: \$.01 par common
WMF Group, Ltd.: \$.01 par common

Young Innovations, Inc.: \$.01 par common

Zymetx, Inc.: \$.001 par common

## Deletions From the Foreign Margin List

*Australia*

Arnotts Limited: Ordinary shares, par A$0.50
Bank of Melbourne Limited: Ordinary shares, par A$1.00

*Austria*

Creditanstalt-Bankverein AG: Preferred shares, par 100 Austrian
Creditanstalt-Bankverein AG: Ordinary shares, par 1000 Austrian
Creditanstalt-Bankverein AG: Participation Certificates, par 500

*Belgium*

BBL (Banque Brux Lamb): Ordinary shares, No par
Powerfin SA: No par participating certificates

*Canada*

London Insurance Group Inc.: No par common

*France*

Usinor Sacilor: Common shares par 40 French francs Worms et Compagnie SCA: Registered shares, par 12 French

*Germany*

PWA (Papierwerke Waldhof-Aschaffenburg): Bearer shares, par DM 50

*Hong Kong*

China Light & Power Company, Limited: HK$5.00 par ordinary shares
Kowloon Motor Bus Company (1933) LTD: HK$1.00 par ordinary shares

*Ireland*

Woodchester Investments PLC: A Ordinary shares, par .20 Irish

*Italy*

Banco Ambrosiano Veneto SPA: Non-convertible savings shares, par
Banco Ambrosiano Veneto SPA: Ordinary shares, par 1000 lira

*Japan*

Hokkaido Takushoku Bank, Limited: ¥50 par common
Japan Synthetic Rubber Co., Ltd.: ¥50 par common
Sanyo Securities Co., Ltd.: ¥50 par common
Toshoku Ltd.: ¥50 par common
Yamaichi Securities Co., Ltd.: ¥50 par common

*Mexico*

Cifra, S.A. de C.V.: Series A Common, par .30 Mexican
Cifra, S.A. de C.V.: Series B Common, par .30 Mexican

*Norway*

Storebrand AS: Convertible preferred A shares, par

*Philippines*

Ayala Corporation: Class B common shares, par 1
Ayala Land Inc.: Class B Common Shares, par 1

*Singapore*

Haw Par Brothers International Ltd.: Ordinary shares, par S$1.00
Inchcape Berhad: Ordinary shares, par S$0.50

*Sweden*

Nordbanken AB: Restricted shares, par 12.50
Sparbanken Sverige AB (Swedbank): Series A, par 10 Swedish krona

*Switzerland*

Elektrowatt AG: Bearer shares, par 50 Swiss francs

*United Kingdom*

Cowie Group PLC: Ordinary shares, par 5 p
Grand Metropolitan PLC: Ordinary shares, par 25 p
Guinness PLC: Ordinary shares, par 25 p
Harrisons & Crosfield PLC: Ordinary shares, par 25 p
Mercury Asset Management Group PLC: Ordinary shares, par 5 p
Redland PLC: Ordinary shares, par 25 p
TR City of London Trust PLC: Ordinary shares, par 25 p

## Additions to the Foreign Margin List

*Australia*

Telstra Corporation: Ordinary shares, par A$1.00

*Austria*

Austrian Tabak: Ordinary shares, par 1000 Austrian

*Belgium*

UCB SA: Ordinary shares, No par

*France*

France Telecom SA: Ordinary shares, par 25 French

Usinor SA: Common, par 40 French francs

*Germany*

Hoechst AG: Bearer shares, par DM 50

*Hong Kong*

CLP Holdings, Limited: HK$5.00 par ordinary shares
KMB Holdings, Limited: HK$1.00 par ordinary shares

*Italy*

Banca Intesa SPA: Ordinary shares, par 1000 lira
Banca Intesa SPA: Non-convertible savings shares, par

*Japan*

JSR Corporation: ¥50 par common
Rinnai Corporation: ¥50 par common

*Mexico*

Cifra S.A. De CV: Series V, No par common

*Norway*

Storebrand AS: A Common Shares, par 5 Norwegian

*Philippines*

Ayala Corporation: Common, par 1 Philippine peso
Ayalo Land, Inc.: Common, par 1 Philippine peso

*Singapore*

Haw Par Corporation: Ordinary shares, par S$1.00
Inchcape Motors, Ltd.: Ordinary shares, par S$.50

*Sweden*

Forenings Sparbanken AB: Series A, par 10 Swedish krona
Nordbanken Holding AB: Registered shares, par 12.50

*United Kingdom*

Arriva PLC: Ordinary shares, par 5 p
City of London PLC: Ordinary shares, par 25 p
Diageo PLC: Ordinary shares, par 25 p
Elementis PLC: Ordinary shares, par 25 p

## *Orders Issued Under Section 4 of the Bank Holding Company Act*

### Fleet Financial Group, Inc.
### Boston, Massachusetts

*Order Approving a Notice to Engage in Nonbanking Activities*

Fleet Financial Group, Inc., Boston, Massachusetts ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire all the voting shares of The Quick & Reilly Group, Inc., Palm Beach, Florida ("Q&R Group"), and the wholly owned subsidiaries of Q&R Group.[1] In connection with this transaction, Fleet proposes to engage in the following activities:

(1) Underwriting and dealing in, to a limited extent, all types of debt and equity securities (other than ownership interests in open-end investment companies) that a member bank may not underwrite or deal in ("bank-ineligible securities");[2]
(2) Providing administrative services to open-end investment companies;
(3) Providing credit and credit related services, pursuant to sections 225.28(b)(1) and (2) of Regulation Y (12 C.F.R. 225.28(b)(1) and (2));
(4) Providing financial and investment advisory services, pursuant to section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(5) Providing securities brokerage, riskless principal, private placement, and other agency transactional services, pursuant to section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
(6) Underwriting and dealing in government obligations and money market instruments and buying and selling bullion and related activities, pursuant to section 225.28(b)(8) of Regulation Y (12 C.F.R. 225.28(b)(8)); and
(7) Providing data processing services, pursuant to section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14)), and activities incidental thereto.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 65,429 (1997)). The time for filing comments has expired, and the Board has considered the

1. These subsidiaries include: Quick & Reilly, Inc., U.S. Clearing Corp., JJC Specialist Corp. ("JJC Specialist"), Nash, Weiss & Co. ("Nash Weiss"), SureTrade Corp., Quick & Reilly Limited, and Financial Systemware, Inc.

2. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under section 16 of the Glass-Steagall Act (12 U.S.C. § 24(7)).

notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Fleet, with total consolidated assets of approximately $83.6 billion, is the 12th largest banking organization in the United States. Fleet operates banking subsidiaries in six states and engages through subsidiaries in a broad range of permissible nonbanking activities.[3] Q&R Group, with consolidated assets of $4.5 billion, engages directly and through its affiliates in securities brokerage and other related activities, including market-maker activities. In particular, JJC Specialist serves as a specialist on the New York Stock Exchange, and Nash Weiss serves as a market-maker on the National Association of Securities Dealers Automated Quotations System.[4]

Fleet currently engages through Fleet Securities, Inc., in limited underwriting and dealing in bank-ineligible securities, as permitted under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[5] Fleet proposes to merge Fleet Securities, Inc., and Fleet Clearing Corporation, a subsidiary of Fleet, with the following subsidiaries of Q&R Group: JJC Specialist, Nash Weiss, and U.S. Clearing Corp. The combined organization ("Company"), which will be named Fleet Securities, Inc., will be a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers, Inc. ("NASD"). Company, therefore, will be subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

*Underwriting and Dealing Activities*

The Board has determined that, subject to the framework of prudential limitations to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, underwriting and dealing in bank-ineligible securities is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6] The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in underwriting and dealing activities derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities over a two-year period.[7] Fleet has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's 25-percent revenue limit.[8] No other Fleet company will engage in underwriting and dealing in bank-ineligible securities. As a condition of this order, Fleet is required to conduct its bank-ineligible securities activities subject to the revenue restriction and Operating Standards established for section 20 subsidiaries ("Operating Standards").[9]

*Other Activities Approved by Regulation or Order*

The Board previously has determined by regulation that credit and credit-related activities; data processing activities; financial and investment advisory services; brokerage, riskless principal, private placement, and other transactional activities; and bank-eligible underwriting and dealing activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[10] Fleet has committed that it will conduct each of these activities in accordance with Regulation Y and the relevant Board interpretations and orders. The Board also previously has determined by order that providing investment company administrative services is closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[11]

3. Asset and ranking data are as of September 30, 1997.

4. Fleet has represented that neither JJC Specialist nor Nash Weiss has taken a market portion of more than 5 percent of any class of voting shares of any company for which they act as market-maker.

5. Fleet Securities, Inc., has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds and commercial paper. *See Fleet/Norstar Financial Group, Inc.*, 74 *Federal Reserve Bulletin* 819 (1988). Fleet Securities, Inc., also is authorized to engage in a variety of other nonbanking activities.

6. *See J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 486 U.S. 1059 (1988); as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996), and *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997) (collectively, the "Section 20 Orders").

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

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

9. *See* 12 C.F.R. 225.200.

10. *See* sections 225.28(b)(1), (2), (6), (7), (8), and (14) of Regulation Y (12 C.F.R. 225.28(b)(1), (2), (6), (7), (8), and (14)).

11. *See Bankers Trust New York Corp.*, 83 *Federal Reserve Bulletin* 780 (1997), *Commerzbank AG*, 83 *Federal Reserve Bulletin* 678 (1997), and *Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993). The Board's approval of the proposal by Fleet to provide administrative services to investment companies is subject to Fleet's compliance with the prudential and other limitations relating to administrative services established by the Board in these orders.

*Proper Incident to Banking Standard*

In order to approve this proposal, the Board must determine that the proposed activities are a proper incident to banking, that is, that the performance of the activities "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]

As part of its review of these factors, the Board considered the financial resources of Fleet, and the effect the transaction would have on such resources. The Board also has reviewed the capitalization of Fleet and Fleet Securities, Inc., in accordance with the standards set forth in the Section 20 Orders and finds the capitalization of each to be consistent with approval of the proposal. The Board's determination about the capitalization of Fleet Securities, Inc., is based on all the facts of record, including Fleet's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities.

The Board also has reviewed the managerial resources of Fleet and each of the entities involved in the proposal.[13] The Board has reviewed these resources in light of relevant reports of examination, and on the basis of these and all the facts of record, including the commitments provided in this case, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

The Board also has carefully considered the competitive effects of the proposed acquisition. To the extent that Fleet and Q&R Group offer different types of products, the proposed acquisition would result in no loss of competition. In those markets in which Fleet and Q&R Group overlap, such as the market for securities brokerage services, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the markets for these services, and the Board concludes that the proposal would not result in any significantly adverse competitive effects in any relevant market.

The Board expects that the proposed transaction would increase Fleet's ability to serve the needs of its customers, and would allow the combined organization to provide both existing and new customers with a broader range of products and services through an expanded distribution channel. The Board also expects that the proposed acquisition would result in operational efficiencies, allowing the combined organization to be a more effective competitor.

Under the framework and conditions established in this order and the Section 20 Orders, and based on all the facts of record, the Board concludes that consummation of the proposal can reasonably be expected to produce public benefits that outweigh any adverse effects of the proposal. Accordingly, the Board has determined that performance of the proposed activities by Fleet is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

*Conclusion*

On the basis of the record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions discussed in this order and in the Section 20 Orders, as modified by Modification Orders.[14] The Board's approval of this proposal extends only to activities conducted within the limitations of those orders and this order, including the Board's reservation of authority to establish additional limitations to ensure that Fleet's activities are consistent with safety and soundness, avoid-

12. 12 U.S.C. § 1843(c)(8).

13. In its review of the statutory factors in this case, the Board has considered comments filed in connection with this notice. One commenter contends that an employee at a branch office of Fleet Bank, N.A., Jersey City, New Jersey, participated in a fraudulent scheme against the commenter, and argues that this reflects negatively on Fleet's internal controls and risk management systems. The Board has reviewed commenter's contention in light of Fleet's extensive supervisory record, which includes examination reports by appropriate supervisory authorities of the bank and information provided by Fleet regarding its risk systems and internal controls.

Another commenter alleges that Fleet financed the purchase of rehabilitated residential property in the Dorchester area of Boston at inflated prices, resulting in excessive debt service for minority and low- to moderate-income purchasers of these properties. The Board previously has considered these allegations in connection with a prior application by Fleet. *See Fleet Financial Group, Inc.*, 82 *Federal Reserve Bulletin* 50 (1995). Fleet continues to deny any complicity with redevelopers in these transactions and maintains that all loans were made on the basis of independent appraisals. Fleet indicates that it has worked with a community-based organization to improve mortgage products available in Dorchester, and that it continues to perform in a responsible and responsive manner in the Dorchester community.

In addition, without alleging or providing any facts to show that Fleet has violated any law, the latter commenter contends that the underwriting criteria for the first-time home buyer programs of Fleet National Bank, Providence, Rhode Island, may have negative effects on low- to moderate-income individuals. Fleet asserts that its flexible mortgage programs provide a major source of financing for low- to moderate-income individuals. The Board notes that the Office of the Comptroller of the Currency, the primary federal regulator of Fleet National Bank, and the Board have sufficient supervisory authority to address any violations of law by Fleet involving any of its home mortgage lending programs if any such violation is found.

14. Commenters have requested a hearing or a public meeting on the proposal. Section 4 of the BHC Act and the Board's rules thereunder provide for a hearing on an application to acquire a savings association if there are disputed issues of material fact that cannot be resolved in some other manner. *See* 12 U.S.C. § 1843(c)(8). This case does not involve the acquisition of a savings association.

Under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application or notice to clarify factual issues related to the notice and to provide an opportunity for testimony, if appropriate. *See* 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered commenters' requests for a hearing in light of all the facts of record. In the Board's view, commenters have had ample opportunity to present their views, and they have submitted written comments that have been carefully considered by the Board in acting on the proposal. Commenters' requests fail to demonstrate why their written presentations do not adequately present their evidence, allegations, and views. For these reasons, and based on all the facts of record, the Board has determined that a public hearing or meeting is not required or warranted to clarify the factual record in the proposal, or otherwise warranted in this case. Accordingly, the request for a hearing on the proposal is hereby denied.

ance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders, as modified by Modification Orders, is not authorized.

The Board's approval of the proposal by Fleet to engage in underwriting and dealing in all types of debt and equity securities is conditioned on a determination by the Board that Fleet and Company have established policies and procedures for debt and equity underwriting and dealing to ensure compliance with the requirements of this order, the Section 20 Orders, and Modification Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. Fleet has requested a delay in conducting the infrastructure review until after Fleet has acquired Q&R Group in order to provide additional time for developing enhanced policies and procedures for the proposed bank-ineligible securities activities, most of which are not currently conducted by Q&R Group. As part of the request, Fleet has committed not to engage in any bank-ineligible securities underwriting or dealing activity, not already conducted by Q&R Group or Fleet, until the Board determines that a satisfactory infrastructure is in place. Accordingly, the Board has determined that Fleet may continue the current activities of Q&R Group while the infrastructure review is being conducted, subject to the condition that, if the initial results of the infrastructure review are not satisfactory to the Board, Fleet terminate, divest, or reduce the activities as the Board deems appropriate until a satisfactory review is achieved.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries 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 the operating standards and with all the commitments made in connection with this notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The 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 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 Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective January 14, 1998.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## *ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT*

### Bank of Scotland
### Edinburgh, Scotland

*Order Approving Establishment of a Representative Office*

Bank of Scotland ("Bank"), Edinburgh, Scotland, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Seattle, Washington. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Seattle, Washington (*The Seattle Times*, August 5, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with approximately $77.1 billion in assets,[1] is the eighth largest bank in the United Kingdom. Bank's shares are publicly traded and widely held.

Bank has an extensive worldwide network of branches and subsidiaries and provides a wide range of banking and financial services throughout the United Kingdom and internationally. In the United States, Bank operates a branch in New York, New York; and representative offices in Houston, Texas; Chicago, Illinois; Jacksonville, Florida; and Los Angeles, California.

Bank proposes to establish the representative office in Seattle in order to develop business opportunities in the Pacific Northwest. The proposed representative office would report to the New York branch, and all credit decisions would be made by the New York branch or Bank's head office in Scotland. No funds would be solicited, received or disbursed at or through the representative office.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R.

1. Asset data are as of February 28, 1997.

211.24).[2] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)). As noted above, Bank engages directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in the United Kingdom, that those banks were subject to home country supervision on a consolidated basis.[3] Bank is supervised by the Bank of England on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (12 U.S.C. § 3105(d)(3),(4); 12 C.F.R. 211.24(c)(2)). The Bank of England has no objection to Bank's establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective January 14, 1998.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

## Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja Valencia, Spain

*Order Approving Establishment of an Agency*

Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja ("Bank"), Valencia, Spain, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"),

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

3. *See Coutts & Co. AG*, 79 *Federal Reserve Bulletin* 636 (1993); *Singer & Friedlander*, 79 *Federal Reserve Bulletin* 809 (1993); *West Merchant Bank Limited*, 81 *Federal Reserve Bulletin* 519 (1995).

4. The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Washington to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Washington and the Washington State Banking Department ("Department") to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish an agency in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in Miami, Florida (*The Miami Herald*, September 15, 1997). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately $14.3 billion,[1] is the fourth largest savings bank and the parent entity of the ninth largest financial group in Spain. Bank is a not-for-profit organization whose operations are controlled and governed by its general assembly and board of directors. The Government of the Community of Valencia has the power to elect 28 percent of Bank's general assembly and board of directors.[2] Bank's depositors and the municipalities in which Bank's branches are located each has the power to elect an additional 28 percent of the general assembly and board of directors.[3]

Bank engages primarily in retail deposit-taking, public and private sector lending, foreign exchange trading activities, foreign debt conversion, and trade-related financing. Bank operates more than 650 branches in Spain. In addition, Bank owns a number of bank and nonbank subsidiaries that engage in commercial banking, financial brokerage, insurance services, travel services, valuations, real estate sales and development, and repossessions. Bank's only operations outside Spain consist of two subsidiaries in the Cayman Islands that engage in the issuance of debt securities.

Bank's primary purpose for establishing the proposed agency in Florida is to expand its international customer base. The agency would provide correspondent, corporate, and private banking services. Bank does not engage directly or indirectly in any nonbanking activities in the United States, and it is a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

The Bank of Spain, Bank's primary home supervisor, has indicated no objection to the establishment of the proposed agency.

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

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

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[4]

With respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is supervised and regulated by the Bank of Spain. The Board previously has determined that other Spanish credit institutions are subject to comprehensive supervision on a consolidated basis by the Bank of Spain.[5] The Board has determined that Bank is supervised on substantially the same terms and conditions as the Spanish credit institutions previously considered by the Board. Based on all the facts of record, the Board concludes that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the Bank of Spain has indicated no objection to the establishment of the proposed agency.

1. Asset data are as of June 30, 1997.

2. The Community of Valencia is one of Spain's autonomous regions and consists of three provinces: Castellón, Alicante, and Valencia. The Government of the Community of Valencia ("GCV") does not provide financial support to Bank, nor is it required to do so by law or regulation.

3. The remaining 16 percent of the general assembly and board of directors is elected by Bank's employees (11 percent) and the Royal Society of Friends of the Valencian People (5 percent), the non-profit civic improvement organization that founded Bank in 1878.

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

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and

(v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

5. *See Banco de Sabadell, S.A.*, 79 *Federal Reserve Bulletin* 366 (1993); *Banco Santander, S.A.*, 79 *Federal Reserve Bulletin* 622 (1993); and *Banco Exterior de España, S.A.*, 81 *Federal Reserve Bulletin* 616 (1995).

Spain's risk-based capital standards conform to European Union capital standards which are consistent with those established by the Basle Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels that would be required by the Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval of the proposed agency, and Bank appears to have the experience and capacity to support the proposed agency. Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law, as well as controls and procedures for its operations in general.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has committed to make available to the Board such information on the operations of Bank and any affiliate of Bank that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law. To the extent that the provision of such information is prohibited or impeded by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of such information. In addition, subject to certain conditions, the Bank of Spain may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed agency should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[6] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective January 21, 1998.

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

JENNIFER J. JOHNSON
*Deputy Secretary of the Board*

6. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the Florida Department of Banking and Finance to license offices of a foreign bank. The Board's approval of the application does not supplant the authority of the State of Florida, and its agent, the Florida Department of Banking and Finance, to license the proposed agency of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

## *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 |
|---|---|---|
| First Empire State Corporation, Buffalo, New York | OnBank & Trust Co., Syracuse, New York<br>Franklin First Savings Bank, Wilkes-Barre, Pennsylvania<br>Olympia Financial Corp., Buffalo, New York<br>ONBANCorp, Inc., Syracuse, New York | January 9, 1998 |

Section 3—Continued

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| First Security Corporation,<br>Salt Lake City, Utah | Rio Grande Bancshares, Inc.,<br>Las Cruces, New Mexico<br>First National Bank<br>of Dona Ana County,<br>Las Cruces, New Mexico<br>First National Bank of Chaves County,<br>Roswell, New Mexico | January 8, 1998 |
| Olympia Financial Corp.,<br>Buffalo, New York | Manufacturers and Traders Trust Company,<br>Buffalo, New York<br>OnBank & Trust Co.,<br>Syracuse, New York<br>Franklin First Savings Bank,<br>Wilkes-Barre, Pennsylvania | January 9, 1998 |

Section 4

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| National City Corporation,<br>Cleveland, Ohio<br>National Processing, Inc.,<br>Louisville, Kentucky | JBH Travel Audit, Inc.,<br>Denver, Colorado | January 16, 1998 |
| Norwest Corporation,<br>Minneapolis, Minnesota | Oahe Ag Services, Inc.,<br>Pierre, South Dakota | January 7, 1998 |
| South Alabama Bancorporation, Inc.,<br>Mobile, Alabama | South Alabama Trust Company, Inc.,<br>Mobile, Alabama | January 5, 1998 |
| Wachovia Corporation,<br>Winston-Salem, North Carolina | Honor Technologies, Inc.,<br>Maitland, Florida | January 9, 1998 |
| Wachovia Corporation,<br>Winston-Salem, North Carolina | Security First Network Bank,<br>Atlanta, Georgia<br>Security First Technologies, Inc.,<br>Atlanta, Georgia<br>SecureWare, Inc.,<br>Atlanta, Georgia | January 23, 1998 |

Sections 3 and 4

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| Fulton Financial Corporation,<br>Lancaster, Pennsylvania | Keystone Heritage Group, Inc.,<br>Lebanon, Pennsylvania<br>Lebanon Valley National Bank,<br>Lebanon, Pennsylvania<br>Keystone Heritage Life Insurance<br>Corporation,<br>Lebanon, Pennsylvania | January 6, 1998 |

*By Federal Reserve Banks*

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

Section 3

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| American State Financial Corporation, Lubbock, Texas<br>American State Financial Corporation of Delaware, Wilmington, Delaware | Security Shares, Inc., Abilene, Texas<br>Security State Bank, Abilene, Texas | Dallas | December 29, 1997 |
| Buckhead Community Bancorp, Inc., Atlanta, Georgia | The Buckhead Community Bank, N.A., Atlanta, Georgia | Atlanta | January 22, 1998 |
| Central Illinois Bancorp, Inc., Champaign, Illinois | CIB Bank, Indianapolis, Indiana | Chicago | January 12, 1998 |
| Century Bank Corp., Fairmount, Indiana | Citizens Exchange Bank, Fairmount, Indiana | Chicago | January 21, 1998 |
| Commerce Bancshares, Inc., Albertville, Alabama | Commerce Bank of Alabama, Albertville, Alabama | Atlanta | January 8, 1998 |
| Commerce Bancshares, Inc., Kansas City, Missouri<br>CBI-Kansas, Inc., Kansas City, Missouri | Pittsburg Bancshares, Inc., Pittsburg, Kansas | Kansas City | December 29, 1997 |
| Community Bancshares of Mississippi, Inc., Forest, Mississippi | Community Bank, DeSoto County, Southaven, Mississippi | Atlanta | December 23, 1997 |
| FBOP Corporation, Oak Park, Illinois | P.N.B. Financial Corporation, Chicago, Illinois<br>Park National Bank and Trust of Chicago, Chicago, Illinois | Chicago | January 8, 1998 |
| F & M Bancorporation, Inc., Kaukauna, Wisconsin | Bank of South Wayne, South Wayne, Wisconsin | Chicago | December 23, 1997 |
| F & M Bancorporation, Inc., Kaukauna, Wisconsin<br>F & M Merger Corporation, Kaukauna, Wisconsin | Sentry Bancorp, Inc., Edina, Minnesota<br>Cannon Valley Bank, Dundas, Minnesota | Chicago | December 23, 1997 |
| First Busey Corporation, Urbana, Illinois | Busey Business Bank, Indianapolis, Indiana | Chicago | December 24, 1997 |
| Firstrust Corporation, New Orleans, Louisiana | Peoples Bank of Louisiana, Amite, Louisiana | Atlanta | January 13, 1998 |
| First United Bancshares, Inc., El Dorado, Arkansas | Citizens National Bancshares of Hope, Inc., Hope, Arkansas<br>Citizens National Bank of Hope, Hope, Arkansas<br>Peoples Bank and Loan Company, Lewisville, Arkansas | St. Louis | January 16, 1998 |
| Gifford Bancorp, Inc., Employee Stock Ownership Plan, Gifford, Illinois | Gifford Bancorp, Gifford, Illinois<br>Gifford State Bank, Gifford, Illinois | Chicago | January 16, 1998 |

Section 3—Continued

| Applicant(s) | Bank(s) | Reserve Bank | Effective Date |
|---|---|---|---|
| Glacier Bancorp, Inc., Kalispell, Montana | Glacier Bank, Kalispell, Montana | Minneapolis | January 2, 1998 |
| Hogan Investments, Inc., Forsyth, Georgia | Hogan Investments Limited, Forsyth, Georgia | Atlanta | December 23, 1997 |
| Hogan Investments Limited, Forsyth, Georgia | Laurens Bancshares, Inc., Dudley, Georgia | Atlanta | December 23, 1997 |
| Industry Bancshares, Inc., Industry, Texas | Citizens State Bank, Buffalo, Texas | Dallas | January 21, 1998 |
| J.R. Montgomery Bancorporation, Lawton, Oklahoma | Fort Sill National Bank, Fort Sill, Oklahoma | Kansas City | December 24, 1997 |
| Lakeland Bancorp, Inc., Oak Ridge, New Jersey | Metropolitan State Bank, Montville, New Jersey | New York | January 2, 1998 |
| Laurens Bancshares, Inc., Dudley, Georgia | Bank of Dudley, Dudley, Georgia | Atlanta | December 23, 1997 |
| Mellon Bank Corporation, Pittsburgh, Pennsylvania | United Bankshares Inc., Miami, Florida | Cleveland | January 8, 1998 |
| Midland Bancshares, Inc., Kincaid, Illinois | The Midland Community Bank, Kincaid, Illinois | Chicago | December 23, 1997 |
| Millbrook Bank System, Inc., Millbrook, New York | Bank of Millbrook, Millbrook, New York | New York | January 6, 1998 |
| Mississippi Valley Bancshares, Inc., Clayton, Missouri | Southwest Bank, Belleville, Illinois | St. Louis | December 29, 1997 |
| Narragansett Financial Corp., Fall River, Massachusetts | Citizens-Union Savings Bank, Fall River, Massachusetts | Boston | December 19, 1997 |
| National Commerce Bancorporation, Memphis, Tennessee<br>National Commerce Community Bancorp, Inc. II, Memphis, Tennessee | Bancshares of West Memphis, Inc., West Memphis, Arkansas<br>Bank of West Memphis, West Memphis, Arkansas | St. Louis | January 7, 1998 |
| National Commerce Bancorporation, Memphis, Tennessee<br>National Commerce Community Bancorp, Inc. I, Memphis, Tennessee | First Citizens Bancshares Company, Marion, Arkansas<br>Citizens Bank, Marion, Arkansas | St. Louis | January 7, 1998 |
| Newton Financial Management Company, LLC, Atlanta, Georgia | Williams Partners, L.P., Atlanta, Georgia | Atlanta | December 24, 1997 |
| Regions Financial Corporation, Birmingham, Alabama | Greenville Financial Corporation, Greenville, South Carolina<br>Greenville National Bank, Greenville, South Carolina | Atlanta | January 8, 1998 |
| Regions Financial Corporation, Birmingham, Alabama | St. Mary Holding Corporation, Franklin, Louisiana<br>The St. Mary Bank and Trust Company, Franklin, Louisiana | Atlanta | January 14, 1998 |
| SNB Bancorp, Pine Plains, New York | The Stissing National Bank of Pine Plains, Pine Plains, New York | New York | January 6, 1998 |
| VIB Corp., El Centro, California | Valley Independent Bank, El Centro, California | San Francisco | December 29, 1997 |
| Williams Partners, L.P., Atlanta, Georgia | FNB Newton Bancshares, Inc., Covington, Georgia | Atlanta | December 24, 1997 |

Section 4

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| AMCORE Financial, Inc., Rockford, Illinois | Midwest Federal Financial Corp., Baraboo, Wisconsin<br>Baraboo Federal Bank, F.S.B., Baraboo, Wisconsin<br>B.T. Financial Services, Inc., Baraboo, Wisconsin | Chicago | January 9, 1998 |
| Bank of the Ozarks, Inc., Little Rock, Arkansas | Heritage Banc Holding, Inc., Little Rock, Arkansas<br>HEARTLAND Community Bank, F.S.B., Little Rock, Arkansas | St. Louis | January 6, 1998 |
| Bayerische Vereinsbank AG, Munich, Federal Republic of Germany | Hypo Securities Inc., New York, New York | New York | January 15, 1998 |
| F&M National Corporation, Winchester, Virginia | F&M Trust Company, Winchester, Virginia | Richmond | December 23, 1997 |
| First Business Bancshares, Inc., Madison, Wisconsin | M2 Lease Funds LLC, Madison, Wisconsin | Chicago | January 14, 1998 |
| First Western Bancorp, Inc., Huron, South Dakota | Jacobson Insurance Agency, Sturgis, South Dakota | Minneapolis | January 6, 1998 |
| Marshall & Ilsley Corporation, Milwaukee, Wisconsin | Advantage Bancorp, Inc., Kenosha, Wisconsin<br>Advantage Bank, FSB, Kenosha, Wisconsin | Chicago | December 29, 1997 |
| Mellon Bank Corporation, Pittsburgh, Pennsylvania | Source2 Group, LLC, Pittsburgh, Pennsylvania | Cleveland | December 24, 1997 |
| Mercantile Bancorporation Inc., St. Louis, Missouri | HomeCorp, Inc., Rockford, Illinois<br>HomeBanc, FSB, Rockford, Illinois | St. Louis | January 8, 1998 |
| Middle Georgia Corporation, Ellaville, Georgia | Fairbanco Holding Company, Inc., Fairburn, Georgia<br>Fairburn Banking Company, Fairburn, Georgia | Atlanta | January 13, 1998 |
| Norwest Corporation, Minneapolis, Minnesota | Heritage Trust Company, Grand Junction, Colorado | Minneapolis | December 31, 1997 |
| Regions Financial Corporation, Birmingham, Alabama | PALFED, Inc., Aiken, South Carolina<br>Palmetto Federal Savings Bank, Aiken, South Carolina | Atlanta | December 30, 1997 |
| Regions Financial Corporation, Birmingham, Alabama | PALFED Investment Services, Inc., Aiken, South Carolina | Atlanta | January 9, 1998 |
| Stockmens Financial Corporation, Rushville, Nebraska | Electronic Commerce Management Group, LLC, Greenwood Village, Colorado | Kansas City | December 30, 1997 |

Sections 3 and 4

| Applicant(s) | Nonbanking Activity/Company | Reserve Bank | Effective Date |
|---|---|---|---|
| Regions Financial Corporation,<br>Birmingham, Alabama | First United Bancorporation,<br>Anderson, South Carolina<br>Anderson National Bank,<br>Anderson, South Carolina<br>Spartanburg National Bank,<br>Spartanburg, South Carolina<br>Quick Credit Corporation,<br>Anderson, South Carolina | Atlanta | January 14, 1998 |

*APPLICATIONS APPROVED UNDER BANK MERGER ACT*
*By the Secretary of the Board*

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

| Applicant(s) | Bank(s) | Effective Date |
|---|---|---|
| Citizens Trust Bank,<br>Atlanta, Georgia | First Southern Bank,<br>Lithonia, Georgia | January 6, 1998 |
| Manufacturers and Traders Trust Company,<br>Buffalo, New York | OnBank & Trust Co.,<br>Syracuse, New York<br>Franklin First Savings Bank,<br>Wilkes-Barre, Pennsylvania | January 9, 1998 |

*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 |
|---|---|---|---|
| Bank of Lancaster,<br>Kilmarnock, Virginia | Northern Neck State Bank,<br>Warsaw, Virginia<br>First Union National Bank,<br>Charlotte, North Carolina | Richmond | January 6, 1998 |
| Capital One Bank,<br>Glen Allen, Virginia | Capital One, F.S.B.,<br>Falls Church, Virginia | Richmond | January 22, 1998 |
| Farmers Bank of Maryland,<br>Annapolis, Maryland | The Caroline County Bank,<br>Greensboro, Maryland | Richmond | January 13, 1998 |

## *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.*

*Logan v. Greenspan*, No. 1:98CV00049 (D.D.C., filed January 9, 1998). Employment discrimination complaint.

*Goldman v. Department of the Treasury*, No. 1–97–CV–3798 (N.D. Ga., filed December 23, 1997). Declaratory judgment action challenging Federal Reserve notes as lawful money.

*Kerr v. Department of the Treasury*, No. CV–S–97–01877–DWH (S.D. Nev., filed December 22, 1997). Challenge to income taxation and Federal Reserve notes.

*Allen v. Indiana Western Mortgage Corp.*, No. 97–7744 RJK (C.D. Cal., filed November 12, 1997. Customer dispute with a bank.

*Patrick v. United States*, No. 97–75564 (E.D. Mich., filed November 7, 1997). Action for damages arising out of tax dispute.

*Leuthe v. Office of Financial Institution Adjudication*, No. 97–1826 (3d Cir., filed October 22, 1997). Appeal of district court dismissal of action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication.

*Patrick v. United States*, No. 97–75017 (E.D. Mich., filed September 30, 1997). Action for damages arising out of tax dispute.

*Artis v. Greenspan*, No. 97–5234 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination action. On January 29, 1998, the Court of Appeals granted the Board's motion for summary affirmance of the District Court's dismissal of the complaint.

*Artis v. Greenspan*, No. 97–5235 (D.C. Cir., filed September 19, 1997). Appeal of district court order dismissing employment discrimination class action.

*Towe v. Board of Governors*, No. 97–71143 (9th Cir., filed September 15, 1997). Petition for review of a Board order dated August 18, 1997, prohibiting Edward Towe and Thomas E. Towe from further participation in the banking industry.

*Branch v. Board of Governors*, No. 97–5229 (D.C. Cir., filed September 12, 1997). Appeal of district court order denying motion to compel production of pre-decisional supervisory documents and testimony sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. On November 10, 1997, the court denied appellant's request for expedited consideration of the appeal. Oral argument is scheduled for May 4, 1998.

*Wilkins v. Reno*, No. 97–2275 (4th Cir., filed September 12, 1997). Appeal of district court dismissal of complaint concerning customer dispute with bank. On December 9, 1997, the court of appeals affirmed the district court's dismissal.

*Clarkson v. Greenspan*, No. 97–CV–2035 (D.D.C., filed September 5, 1997). Freedom of Information Act case. On January 20, 1998, the Board filed a motion to dismiss the action.

*Banking Consultants of America v. Board of Governors*, No. 97–2791 (W.D. Tenn., filed September 2, 1997). Action to enjoin investigation by the Board, the Office of the Comptroller of the Currency, and the Department of Labor. On January 23, 1998, the court granted the Board's motion to dismiss the action.

*Bettersworth v. Board of Governors*, No. 97–CA–624 (W.D. Tex., filed August 21, 1997). Privacy Act case. On January 5, 1998, the Board filed a motion to dismiss the action.

*Wilkins v. Warren*, No. 97-CV-590 (E.D. Va., filed August 4, 1997). Customer dispute with a bank. On October 31, 1997, the Board filed a motion to dismiss.

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

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

*Maunsell v. Greenspan*, No. 97–6131 (2d Cir., filed May 22, 1997). Appeal of district court dismissal of action for compensatory and punitive damages for alleged violations of civil rights by federal savings bank.

*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. Oral argument is scheduled for February 24, 1998.

*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. Oral argument was held on December 8, 1997.

*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. Oral argument was held on October 30, 1997, and on December 29, 1997, the court of appeals affirmed the district court's dismissal of the action.

*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. On January 21, 1998, the Court ordered the petition transferred to the United States Court of Appeals for the District of Columbia Circuit.

*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.

*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.

# Financial and Business Statistics

*INTERNATIONAL STATISTICS*

*Summary Statistics*



*Reported by Banks in the United States*



*Reported by Nonbanking Business Enterprises in the United States*



*Securities Holdings and Transactions*



*Interest and Exchange Rates*

# Guide to Tabular Presentation

## *SYMBOLS AND ABBREVIATIONS*

| | |
|---|---|
| c | Corrected |
| e | Estimated |
| n.a. | Not available |
| 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 |
| 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 | 1997 | | | | 1997 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Aug.[r] | Sept. | Oct.[r] | Nov. | Dec. |
| *Reserves of depository institutions*[2] | | | | | | | | | |
| 1 Total | −8.3 | −14.3 | −1.8 | −1.3 | 13.5 | −18.9 | −5.5 | 10.6 | 8.5 |
| 2 Required | −8.4 | −15.0 | −2.4 | −4.1 | 12.6 | −20.5 | −8.3 | 5.1 | 7.0 |
| 3 Nonborrowed | −7.2 | −16.0 | −3.4 | .7 | 8.8 | −15.0 | −1.2 | 13.7 | 4.1 |
| 4 Monetary base[3] | 5.6 | 3.3 | 6.0 | 8.5 | 5.8 | 7.5 | 6.8 | 11.3 | 12.0 |
| *Concepts of money, liquid assets, and debt*[4] | | | | | | | | | |
| 5 M1 | −.7 | −5.5 | .2 | −.3 | 8.5 | −9.9 | −3.8 | 7.5 | 5.3 |
| 6 M2 | 5.5[r] | 3.8 | 4.9[r] | 6.3 | 10.5 | 5.6[r] | 4.6 | 6.9 | 6.9 |
| 7 M3 | 8.2[r] | 6.8[r] | 7.7[r] | 9.4 | 11.0 | 8.5[r] | 7.4 | 11.0 | 11.2 |
| 8 L | 6.5[r] | 8.3[r] | 6.9[r] | n.a. | 11.6 | 7.7[r] | 4.4 | 11.7 | n.a. |
| 9 Debt | 4.2 | 4.7 | 3.8[r] | n.a. | 4.3 | 4.3 | 4.9 | 4.5 | n.a. |
| *Nontransaction components* | | | | | | | | | |
| 10 In M2[5] | 7.9[r] | 7.4 | 6.7[r] | 8.7 | 11.3 | 11.4[r] | 7.7 | 6.7 | 7.4 |
| 11 In M3 only[6] | 17.7[r] | 17.3[r] | 16.9[r] | 19.2 | 12.7 | 17.8[r] | 16.4 | 23.9[r] | 24.7 |
| *Time and savings deposits* | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| 12 Savings, including MMDAs | 14.0 | 10.7 | 8.6 | 15.9 | 14.4 | 19.2 | 16.0 | 11.9 | 16.8 |
| 13 Small time[7] | 2.7 | 5.5 | 7.6[r] | 3.4 | 1.4 | 4.1[r] | 3.3 | 5.1[r] | 1.0 |
| 14 Large time[8,9] | 17.4[r] | 24.7[r] | 18.9[r] | 13.1 | 3.1 | 22.5[r] | 6.0 | 19.0[r] | 12.6 |
| Thrift institutions | | | | | | | | | |
| 15 Savings, including MMDAs | 2.7 | 5.8 | −.1 | 1.2 | .6 | −1.0 | 1.3 | .0 | 8.0 |
| 16 Small time[7] | −.1 | −2.7[r] | −4.5[r] | −3.1 | .0 | −4.5[r] | −.3 | −9.0 | .3 |
| 17 Large time[8] | 12.8 | 5.6 | 11.6 | 3.6 | 5.7 | 5.6 | −2.8 | 7.0 | 9.8 |
| *Money market mutual funds* | | | | | | | | | |
| 18 Retail | 12.5[r] | 11.4 | 14.0[r] | 14.3 | 31.4 | 24.0[r] | 7.0 | 12.7[r] | 2.2 |
| 19 Institution-only | 15.5 | 12.5 | 21.3 | 23.8 | 18.9 | 35.4 | 22.7 | 3.8 | 45.4 |
| *Repurchase agreements and Eurodollars* | | | | | | | | | |
| 20 Repurchase agreements[10] | 10.7 | 4.2 | 9.3 | 42.2 | 8.7 | −16.7 | 69.4 | 87.7 | 12.3 |
| 21 Eurodollars[10] | 40.2 | 33.4 | 14.7[r] | 3.6 | 44.1 | 18.6[r] | −31.4 | .9[r] | 46.6 |
| *Debt components*[4] | | | | | | | | | |
| 22 Federal | 1.8 | .4 | −.6 | n.a. | 1.6 | 1.1 | .5 | .3 | n.a. |
| 23 Nonfederal | 5.1 | 6.2 | 5.3 | n.a. | 5.2 | 5.4 | 6.3 | 5.9 | 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, 1997, Oct. | Nov. | Dec. | Average of daily figures for week ending on date indicated, 1997, Nov. 19 | Nov. 26 | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 453,689 | 460,675[r] | 469,564 | 460,816 | 460,484[r] | 467,060 | 464,028 | 466,689 | 471,648 | 476,257 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account[3] | 413,890 | 416,535 | 427,860 | 417,448 | 419,912 | 419,942 | 424,393 | 430,419 | 429,198 | 430,866 |
| 3 Held under repurchase agreements | 5,321 | 8,910 | 7,197 | 7,573 | 7,401 | 12,575 | 5,393 | 2,900 | 7,270 | 9,917 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 789 | 686 | 685 | 685 | 685 | 685 | 685 | 685 | 685 | 685 |
| 5 Held under repurchase agreements | 1,157 | 1,698 | 1,156 | 1,303 | 1,735 | 2,166 | 912 | 798 | 1,483 | 1,502 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 33 | 49 | 252 | 73 | 4 | 44 | 32 | 278 | 92 | 673 |
| 8 Seasonal credit | 225 | 110 | 79 | 110 | 100 | 90 | 85 | 84 | 78 | 64 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | 453 | 585 | 931 | 1,555 | −280 | 366 | 1,604 | 486 | 907 | 768 |
| 11 Other Federal Reserve assets | 31,820 | 32,102[r] | 31,404 | 32,069 | 30,928[r] | 31,192 | 30,925 | 31,040 | 31,936 | 31,782 |
| 12 Gold stock | 11,050 | 11,050 | 11,049 | 11,050 | 11,050 | 11,050 | 11,050 | 11,049 | 11,049 | 11,048 |
| 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 | 25,498[r] | 25,559[r] | 25,620 | 25,560[r] | 25,574[r] | 25,588 | 25,602 | 25,616 | 25,630 | 25,644 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 460,733[r] | 466,903[r] | 475,678 | 467,156[r] | 468,253[r] | 471,860 | 472,194 | 473,095 | 477,146 | 481,584 |
| 16 Treasury cash holdings | 244 | 244 | 230 | 247 | 244 | 234 | 230 | 231 | 229 | 229 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 5,386 | 5,126 | 5,107 | 5,059 | 5,002 | 4,762 | 4,529 | 6,330 | 5,001 | 4,758 |
| 18 Foreign | 189 | 213 | 177 | 270 | 168 | 173 | 172 | 170 | 156 | 213 |
| 19 Service-related balances and adjustments | 6,940 | 6,950[r] | 6,922 | 6,880 | 6,811[r] | 7,178 | 6,835 | 6,803 | 6,988 | 6,957 |
| 20 Other | 377 | 364 | 354 | 346 | 339 | 410 | 348 | 379 | 333 | 365 |
| 21 Other Federal Reserve liabilities and capital | 16,016 | 16,140 | 16,025 | 16,191 | 16,144 | 15,603 | 15,544 | 16,192 | 16,343 | 16,223 |
| 22 Reserve balances with Federal Reserve Banks[4] | 9,552 | 10,544[r] | 10,939 | 10,476 | 9,346[r] | 12,679 | 10,030 | 9,354 | 11,330 | 11,820 |

| Factor | End-of-month figures, Oct. | Nov. | Dec. | Wednesday figures, Nov. 19 | Nov. 26 | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| SUPPLYING RESERVE FUNDS | | | | | | | | | | |
| 1 Reserve Bank credit outstanding | 455,998 | 465,930[r] | 490,036 | 460,564 | 463,694[r] | 471,888 | 466,091 | 476,015 | 475,609 | 490,036 |
| U.S. government securities[2] | | | | | | | | | | |
| 2 Bought outright—System account[3] | 410,767 | 419,882 | 430,736 | 418,528 | 420,418 | 419,668 | 427,716 | 430,546 | 432,059 | 430,736 |
| 3 Held under repurchase agreements | 9,862 | 10,416 | 21,188 | 7,352 | 12,021 | 17,947 | 1,500 | 9,415 | 7,123 | 21,188 |
| Federal agency obligations | | | | | | | | | | |
| 4 Bought outright | 711 | 685 | 685 | 685 | 685 | 685 | 685 | 685 | 685 | 685 |
| 5 Held under repurchase agreements | 1,704 | 3,782 | 2,652 | 2,601 | 862 | 1,025 | 0 | 1,880 | 1,902 | 2,652 |
| 6 Acceptances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans to depository institutions | | | | | | | | | | |
| 7 Adjustment credit | 24 | 3 | 2,001 | 486 | 2 | 103 | 14 | 894 | 21 | 2,001 |
| 8 Seasonal credit | 151 | 87 | 35 | 106 | 100 | 88 | 85 | 84 | 75 | 35 |
| 9 Extended credit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 10 Float | −114 | 74[r] | 721 | 348 | −1,991 | 1,068 | 4,945 | 400 | 2,138 | 721 |
| 11 Other Federal Reserve assets | 32,893 | 31,001[r] | 32,020 | 30,458 | 31,598[r] | 31,304 | 31,146 | 32,111 | 31,606 | 32,020 |
| 12 Gold stock | 11,050 | 11,051 | 11,047 | 11,050 | 11,051 | 11,050 | 11,050 | 11,049 | 11,048 | 11,047 |
| 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 | 25,532[r] | 25,588[r] | 25,644 | 25,560[r] | 25,574[r] | 25,588 | 25,602 | 25,616 | 25,630 | 25,644 |
| ABSORBING RESERVE FUNDS | | | | | | | | | | |
| 15 Currency in circulation | 461,542[r] | 471,216[r] | 482,428 | 467,713[r] | 471,465[r] | 472,801 | 473,497 | 475,357 | 480,548 | 482,428 |
| 16 Treasury cash holdings | 237 | 234 | 225 | 246 | 234 | 230 | 231 | 229 | 229 | 225 |
| Deposits, other than reserve balances, with Federal Reserve Banks | | | | | | | | | | |
| 17 Treasury | 4,616 | 5,127 | 5,444 | 4,126 | 3,963 | 4,211 | 4,499 | 7,493 | 4,949 | 5,444 |
| 18 Foreign | 190 | 167 | 457 | 180 | 192 | 173 | 160 | 154 | 157 | 457 |
| 19 Service-related balances and adjustments | 6,962 | 7,178[r] | 6,954 | 6,880 | 6,811[r] | 7,178 | 6,835 | 6,803 | 6,986 | 6,954 |
| 20 Other | 337 | 509 | 900 | 342 | 324 | 330 | 383 | 381 | 296 | 900 |
| 21 Other Federal Reserve liabilities and capital | 16,328 | 15,559 | 15,500 | 15,926 | 15,892 | 15,383 | 15,615 | 16,021 | 16,141 | 15,500 |
| 22 Reserve balances with Federal Reserve Banks[4] | 11,567 | 11,780[r] | 24,019 | 10,962 | 10,638[r] | 17,422 | 10,724 | 15,442 | 12,181 | 24,019 |

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 | 1995 Dec. | 1996 Dec. | 1997 Dec. | 1997 June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|
| | Prorated monthly averages of biweekly averages | | | | | | | | | |
| 1 Reserve balances with Reserve Banks[2] | 20,440 | 13,395 | 10,674 | 10,291 | 9,851 | 10,489 | 9,742 | 9,990 | 10,559 | 10,674 |
| 2 Total vault cash[3] | 42,094 | 44,426 | 43,970 | 42,398 | 43,129 | 42,363 | 43,052 | 41,730 | 42,114 | 43,970 |
| 3 Applied vault cash[4] | 37,460 | 37,848 | 37,206 | 36,319 | 36,529 | 36,156 | 36,314 | 35,631 | 35,892 | 37,206 |
| 4 Surplus vault cash[5] | 4,634 | 6,578 | 6,763 | 6,079 | 6,600 | 6,208 | 6,738 | 6,100 | 6,222 | 6,763 |
| 5 Total reserves[6] | 57,900 | 51,243 | 47,880 | 46,610 | 46,380 | 46,645 | 46,056 | 45,621 | 46,451 | 47,880 |
| 6 Required reserves | 56,622 | 49,819 | 46,197 | 45,330 | 45,179 | 45,392 | 44,761 | 44,225 | 44,834 | 46,197 |
| 7 Excess reserve balances at Reserve Banks[7] | 1,278 | 1,424 | 1,683 | 1,280 | 1,201 | 1,253 | 1,295 | 1,396 | 1,617 | 1,683 |
| 8 Total borrowings at Reserve Banks[8] | 257 | 155 | 324 | 367 | 409 | 598 | 438 | 270 | 153 | 324 |
| 9 Seasonal borrowings | 40 | 68 | 79 | 243 | 330 | 385 | 368 | 227 | 115 | 79 |
| 10 Extended credit[9] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| Reserve classification | 1997 Aug. 27 | Sept. 10 | Sept. 24 | Oct. 8 | Oct. 22 | Nov. 5 | Nov. 19 | Dec. 3[1] | Dec. 17 | Dec. 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Biweekly averages of daily figures for two week periods ending on dates indicated | | | | | | | | | |
| 1 Reserve balances with Reserve Banks[2] | 10,754 | 10,417 | 9,201 | 9,883 | 9,756 | 10,451 | 10,234 | 11,022 | 9,678 | 11,582 |
| 2 Total vault cash[3] | 41,480 | 42,573 | 43,588 | 42,603 | 41,098 | 41,940 | 42,129 | 42,175 | 44,267 | 44,058 |
| 3 Applied vault cash[4] | 35,596 | 36,507 | 36,170 | 36,329 | 35,177 | 35,718 | 35,817 | 36,068 | 36,965 | 37,693 |
| 4 Surplus vault cash[5] | 5,884 | 6,066 | 7,418 | 6,275 | 5,921 | 6,222 | 6,312 | 6,108 | 7,302 | 6,365 |
| 5 Total reserves[6] | 46,350 | 46,924 | 45,371 | 46,211 | 44,932 | 46,168 | 46,051 | 47,090 | 46,643 | 49,275 |
| 6 Required reserves | 45,153 | 45,679 | 44,101 | 44,772 | 43,731 | 44,507 | 44,540 | 45,357 | 45,170 | 47,403 |
| 7 Excess reserve balances at Reserve Banks[7] | 1,197 | 1,245 | 1,269 | 1,439 | 1,201 | 1,661 | 1,510 | 1,733 | 1,473 | 1,871 |
| 8 Total borrowings at Reserve Banks[8] | 785 | 503 | 427 | 356 | 241 | 238 | 149 | 119 | 240 | 454 |
| 9 Seasonal borrowings | 396 | 392 | 377 | 308 | 220 | 167 | 112 | 95 | 85 | 71 |
| 10 Extended credit[9] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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

## 1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

| Federal Reserve Bank | Adjustment credit[1] | | | Seasonal credit[2] | | | Extended credit[3] | | |
|---|---|---|---|---|---|---|---|---|---|
| | On 2/6/98 | Effective date | Previous rate | On 2/6/98 | Effective date | Previous rate | On 2/6/98 | Effective date | Previous rate |
| Boston | 5.00 | 2/1/96 | 5.25 | 5.50 | 1/29/98 | 5.60 | 6.00 | 1/29/98 | 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 | 5.50 | 1/29/98 | 5.60 | 6.00 | 1/29/98 | 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 Feb. 6, 1998 | 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–$47.8 million[3] | 3 | 1/1/98 |
| 2 | More than $47.8 million[4] | 10 | 1/1/98 |
| 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 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the amount was decreased from $49.3 million to $47.8 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 1, 1998, for depository institutions that report weekly, and with the period beginning January 15, 1998, for institutions that report quarterly, the exemption was raised from $4.4 million to $4.7 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 | 1997 May | 1997 June | 1997 July | 1997 Aug. | 1997 Sept. | 1997 Oct. | 1997 Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. TREASURY SECURITIES[2] | | | | | | | | | | |
| | *Outright transactions (excluding matched transactions)* | | | | | | | | | | |
| | Treasury bills | | | | | | | | | | |
| 1 | Gross purchases | 17,484 | 10,932 | 9,901 | 0 | 596 | 0 | 0 | 0 | 0 | 0 |
| 2 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Exchanges | 380,327 | 405,296 | 426,928 | 47,456 | 33,022 | 35,948 | 35,666 | 28,328 | 39,313 | 33,485 |
| 4 | For new bills | 380,327 | 405,296 | 426,928 | 47,456 | 33,022 | 35,948 | 35,666[r] | 28,328 | 39,313 | 33,485 |
| 5 | Redemptions | 0 | 900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Others within one year | | | | | | | | | | |
| 6 | Gross purchases | 733 | 390 | 524 | 383 | 494 | 0 | 0 | 644 | 0 | 1,462 |
| 7 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 8 | Maturity shifts | 0 | 43,574 | 30,512 | 5,666 | 1,476 | 4,359 | 7,487 | 1,596 | 3,193 | 5,231 |
| 9 | Exchanges | −31,949 | −35,407 | −41,394 | −4,229 | −2,250 | −1,087 | −2,780 | −2,382 | −1,267 | −4,126 |
| 10 | Redemptions | 2,337 | 1,776 | 2,015 | 0 | 0 | 598 | 0 | 0 | 416 | 0 |
| | One to five years | | | | | | | | | | |
| 11 | Gross purchases | 9,916 | 5,366 | 3,898 | 1,102 | 2,797 | 0 | 0 | 2,697 | 0 | 3,323 |
| 12 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 13 | Maturity shifts | −6,004 | −34,646 | −25,022 | −4,685 | −1,476 | −4,359 | −5,247 | −1,596 | −3,193 | −4,883 |
| 14 | Exchanges | 26,458 | 26,387 | 31,459 | 2,479 | 2,250 | 1,087 | 1,170 | 2,382 | 1,267 | 1,651 |
| | Five to ten years | | | | | | | | | | |
| 15 | Gross purchases | 3,575 | 1,432 | 1,116 | 734 | 499 | 0 | 0 | 0 | 770 | 485 |
| 16 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 17 | Maturity shifts | −3,145 | −3,093 | −5,469 | −981 | 0 | 0 | −2,240 | 0 | 0 | 31 |
| 18 | Exchanges | 4,717 | 7,220 | 6,666 | 1,750 | 0 | 0 | 880 | 0 | 0 | 1,295 |
| | More than ten years | | | | | | | | | | |
| 19 | Gross purchases | 3,606 | 2,529 | 1,655 | 988 | 906 | 0 | 0 | 0 | 648 | 954 |
| 20 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 | Maturity shifts | −918 | −2,253 | −20 | 0 | 0 | 0 | 0 | 0 | 0 | −379 |
| 22 | Exchanges | 775 | 1,800 | 3,270 | 0 | 0 | 0 | 730 | 0 | 0 | 1,180 |
| | All maturities | | | | | | | | | | |
| 23 | Gross purchases | 35,314 | 20,649 | 17,094 | 3,206 | 5,292 | 0 | 0 | 3,341 | 1,418 | 6,224 |
| 24 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 | Redemptions | 2,337 | 2,676 | 2,015 | 0 | 0 | 598 | 0 | 0 | 416 | 0 |
| | *Matched transactions* | | | | | | | | | | |
| 26 | Gross purchases | 1,700,836 | 2,197,736 | 3,092,399 | 287,229 | 293,506 | 307,101 | 317,008 | 311,153 | 316,425 | 272,474 |
| 27 | Gross sales | 1,701,309 | 2,202,030 | 3,094,769 | 287,826 | 293,008 | 309,578 | 315,439 | 312,083 | 318,485 | 269,586 |
| | *Repurchase agreements* | | | | | | | | | | |
| 28 | Gross purchases | 309,276 | 331,694 | 457,568 | 46,552 | 55,073[r] | 44,087[r] | 54,561 | 77,109 | 75,323[r] | 73,618 |
| 29 | Gross sales | 311,898 | 328,497 | 450,359 | 89,477 | 47,070 | 53,217 | 50,340[r] | 74,960[r] | 78,157[r] | 73,064 |
| 30 | Net change in U.S. Treasury securities | 29,882 | 16,875 | 19,919 | −40,316 | 13,793[r] | −12,205[r] | 5,790[r] | 4,560[r] | −3,893[r] | 9,666 |
| | FEDERAL AGENCY OBLIGATIONS | | | | | | | | | | |
| | *Outright transactions* | | | | | | | | | | |
| 31 | Gross purchases | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 | Gross sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 33 | Redemptions | 942 | 1,003 | 409 | 0 | 474 | 287 | 179 | 105 | 215[r] | 26 |
| | *Repurchase agreements* | | | | | | | | | | |
| 34 | Gross purchases | 52,696 | 36,851 | 75,354 | 7,954 | 8,401 | 10,437 | 13,131 | 9,796 | 15,639[r] | 23,054 |
| 35 | Gross sales | 52,696 | 36,776 | 74,842 | 7,096 | 9,131 | 10,811 | 11,252 | 11,196 | 15,157 | 20,976 |
| 36 | Net change in federal agency obligations | −942 | −928 | 103 | 858 | −1,204 | −661 | 1,700 | −1,505 | 267[r] | 2,052 |
| 37 | **Total net change in System Open Market Account** | **28,940** | **15,948** | **20,021** | **−39,458** | **12,589[r]** | **−12,866[r]** | **7,490[r]** | **3,055[r]** | **−3,626[r]** | **11,718** |

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 Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 | End of month 1997 Oct. 31 | Nov. 30 | Dec. 31 |
|---|---|---|---|---|---|---|---|---|
| | Consolidated condition statement | | | | | | | |
| ASSETS | | | | | | | | |
| 1 Gold certificate account | 11,050 | 11,050 | 11,049 | 11,048 | 11,047 | 11,050 | 11,051 | 11,047 |
| 2 Special drawing rights certificate account | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 | 9,200 |
| 3 Coin | 483 | 484 | 497 | 485 | 460 | 532 | 495 | 460 |
| *Loans* | | | | | | | | |
| 4 To depository institutions | 191 | 99 | 978 | 96 | 2,035 | 175 | 90 | 2,035 |
| 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 | 685 | 685 | 685 | 685 | 685 | 711 | 685 | 685 |
| 8 Held under repurchase agreements | 1,025 | 0 | 1,880 | 1,902 | 2,652 | 1,704 | 3,782 | 2,652 |
| 9 **Total U.S. Treasury securities** | **437,615** | **429,216** | **439,961** | **439,182** | **451,924** | **420,629** | **430,298** | **451,924** |
| 10 Bought outright[2] | 419,668 | 427,716 | 430,546 | 432,059 | 430,736 | 410,767 | 419,882 | 430,736 |
| 11 Bills | 194,304 | 196,747 | 196,935 | 198,447 | 197,123 | 191,632 | 194,519 | 197,123 |
| 12 Notes | 167,170 | 171,562 | 174,204 | 174,205 | 174,206 | 163,076 | 167,170 | 174,206 |
| 13 Bonds | 58,193 | 59,407 | 59,407 | 59,407 | 59,407 | 56,059 | 58,193 | 59,407 |
| 14 Held under repurchase agreements | 17,947 | 1,500 | 9,415 | 7,123 | 21,188 | 9,862 | 10,416 | 21,188 |
| 15 **Total loans and securities** | **439,515** | **429,999** | **443,504** | **441,865** | **457,295** | **423,219** | **434,855** | **457,295** |
| 16 Items in process of collection | 8,184 | 8,824 | 8,016 | 10,884 | 7,800 | 4,529 | 3,262 | 7,800 |
| 17 Bank premises | 1,264 | 1,268 | 1,268 | 1,271 | 1,272 | 1,273 | 1,264 | 1,272 |
| *Other assets* | | | | | | | | |
| 18 Denominated in foreign currencies[3] | 17,351 | 17,359 | 17,367 | 17,375 | 17,046 | 17,945 | 17,345 | 17,046 |
| 19 All other[4] | 12,677 | 12,519 | 13,488 | 13,013 | 13,726 | 13,728 | 12,384 | 13,726 |
| 20 **Total assets** | **499,725** | **490,703** | **504,388** | **505,142** | **517,847** | **481,475** | **489,856** | **517,847** |
| LIABILITIES | | | | | | | | |
| 21 Federal Reserve notes | 447,926 | 448,610 | 450,467 | 455,632 | 457,469 | 436,780 | 446,357 | 457,469 |
| 22 **Total deposits** | **29,606** | **19,689** | **30,474** | **25,499** | **37,639** | **23,852** | **25,073** | **37,639** |
| 23 Depository institutions | 24,877 | 14,649 | 22,447 | 20,097 | 30,838 | 18,709 | 19,271 | 30,838 |
| 24 U.S. Treasury—General account | 4,211 | 4,499 | 7,493 | 4,949 | 5,444 | 4,616 | 5,127 | 5,444 |
| 25 Foreign—Official accounts | 173 | 160 | 154 | 157 | 457 | 190 | 167 | 457 |
| 26 Other | 330 | 383 | 381 | 296 | 900 | 337 | 509 | 900 |
| 27 Deferred credit items | 6,810 | 6,790 | 7,426 | 7,870 | 7,239 | 4,515 | 2,866 | 7,239 |
| 28 Other liabilities and accrued dividends[5] | 4,900 | 4,653 | 4,941 | 4,932 | 4,846 | 4,936 | 4,908 | 4,846 |
| 29 **Total liabilities** | **489,242** | **479,742** | **493,308** | **493,933** | **507,193** | **470,083** | **479,204** | **507,193** |
| CAPITAL ACCOUNTS | | | | | | | | |
| 30 Capital paid in | 5,315 | 5,325 | 5,356 | 5,443 | 5,433 | 5,279 | 5,314 | 5,433 |
| 31 Surplus | 4,386 | 4,389 | 4,389 | 4,389 | 5,220 | 4,389 | 4,348 | 5,220 |
| 32 Other capital accounts | 782 | 1,248 | 1,335 | 1,377 | 0 | 1,724 | 990 | 0 |
| 33 **Total liabilities and capital accounts** | **499,725** | **490,703** | **504,388** | **505,142** | **517,847** | **481,475** | **489,856** | **517,847** |
| MEMO | | | | | | | | |
| 34 Marketable U.S. Treasury securities held in custody for foreign and international accounts | 624,477 | 627,306 | 615,850 | 603,376 | 602,834 | 624,722 | 618,612 | 602,834 |
| | Federal Reserve note statement | | | | | | | |
| 35 Federal Reserve notes outstanding (issued to Banks) | 548,856 | 550,179 | 552,564 | 551,126 | 549,600 | 548,595 | 547,796 | 549,600 |
| 36 LESS: Held by Federal Reserve Banks | 100,930 | 101,569 | 102,097 | 95,494 | 92,131 | 111,815 | 101,440 | 92,131 |
| 37 Federal Reserve notes, net | 447,926 | 448,610 | 450,467 | 455,632 | 457,469 | 436,780 | 446,357 | 457,469 |
| *Collateral held against notes, net* | | | | | | | | |
| 38 Gold certificate account | 11,050 | 11,050 | 11,049 | 11,048 | 11,047 | 11,050 | 11,051 | 11,047 |
| 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 | 427,676 | 428,360 | 430,218 | 435,384 | 437,222 | 416,530 | 426,106 | 437,222 |
| 42 **Total collateral** | **447,926** | **448,610** | **450,467** | **455,632** | **457,469** | **436,780** | **446,357** | **457,469** |

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 | | |
| | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 | Oct. 31 | Nov. 28 | Dec. 31 |
| 1 **Total loans** | **191** | **99** | **978** | **96** | **2,035** | **176** | **90** | **737** |
| 2 Within fifteen days[1] | 114 | 17 | 971 | 96 | 2,014 | 96 | 35 | 734 |
| 3 Sixteen days to ninety days | 76 | 82 | 7 | n.a. | 21 | 79 | 55 | 3 |
| 4 **Total U.S. Treasury securities**[2] | **437,615** | **429,216** | **439,961** | **439,182** | **451,924** | **420,629** | **431,903** | **451,924** |
| 5 Within fifteen days[1] | 28,878 | 14,641 | 17,689 | 19,907 | 34,147 | 15,483 | 17,366 | 34,147 |
| 6 Sixteen days to ninety days | 92,662 | 99,052 | 98,487 | 95,600 | 95,648 | 90,393 | 97,369 | 95,648 |
| 7 Ninety-one days to one year | 136,960 | 132,749 | 138,369 | 138,259 | 137,886 | 140,643 | 137,454 | 137,886 |
| 8 One year to five years | 91,728 | 93,560 | 96,201 | 96,201 | 95,028 | 90,291 | 92,328 | 95,028 |
| 9 Five years to ten years | 40,292 | 40,905 | 40,905 | 40,906 | 40,906 | 38,429 | 40,292 | 40,906 |
| 10 More than ten years | 47,094 | 48,308 | 48,961 | 48,308 | 48,308 | 45,389 | 47,094 | 48,308 |
| 11 **Total federal agency obligations** | **1,709** | **685** | **2,565** | **2,587** | **3,337** | **2,415** | **1,547** | **3,337** |
| 12 Within fifteen days[1] | 1,025 | 0 | 1,880 | 1,902 | 2,652 | 1,730 | 862 | 2,652 |
| 13 Sixteen days to ninety days | 10 | 10 | 60 | 60 | 60 | n.a. | 10 | 60 |
| 14 Ninety-one days to one year | 197 | 242 | 192 | 192 | 192 | 202 | 197 | 192 |
| 15 One year to five years | 198 | 153 | 153 | 153 | 153 | 203 | 198 | 153 |
| 16 Five years to ten years | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 |
| 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 | 1994 Dec. | 1995 Dec. | 1996 Dec. | 1997 Dec. | 1997 May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Seasonally adjusted | | | | | | | |
| ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2] | | | | | | | | | | | | |
| 1 Total reserves[3] | 59.40 | 56.39 | 50.06 | 47.20 | 47.05 | 47.11 | 46.89 | 47.41 | 46.67 | 46.45 | 46.87 | 47.20 |
| 2 Nonborrowed reserves[4] | 59.20 | 56.13 | 49.91 | 46.87 | 46.81 | 46.74 | 46.48 | 46.82 | 46.23 | 46.18 | 46.71 | 46.87 |
| 3 Nonborrowed reserves plus extended credit[5] | 59.20 | 56.13 | 49.91 | 46.87 | 46.81 | 46.74 | 46.48 | 46.82 | 46.23 | 46.18 | 46.71 | 46.87 |
| 4 Required reserves | 58.24 | 55.11 | 48.64 | 45.51 | 45.81 | 45.83 | 45.68 | 46.16 | 45.37 | 45.06 | 45.25 | 45.51 |
| 5 Monetary base[6] | 418.48 | 434.52 | 452.67 | 481.23 | 459.60 | 461.40 | 464.21 | 466.46 | 469.35 | 472.02 | 476.48 | 481.23 |
| | | | | | Not seasonally adjusted | | | | | | | |
| 6 Total reserves[7] | 61.13 | 58.02 | 51.52 | 48.56 | 46.26 | 46.93 | 46.76 | 47.09 | 46.55 | 46.16 | 47.05 | 48.56 |
| 7 Nonborrowed reserves | 60.92 | 57.76 | 51.37 | 48.23 | 46.02 | 46.56 | 46.35 | 46.49 | 46.11 | 45.89 | 46.90 | 48.23 |
| 8 Nonborrowed reserves plus extended credit[5] | 60.92 | 57.76 | 51.37 | 48.23 | 46.02 | 46.56 | 46.35 | 46.49 | 46.11 | 45.89 | 46.90 | 48.23 |
| 9 Required reserves[8] | 59.96 | 56.74 | 50.10 | 46.87 | 45.02 | 45.65 | 45.56 | 45.83 | 45.25 | 44.77 | 45.44 | 46.87 |
| 10 Monetary base[9] | 422.51 | 439.03 | 456.72 | 485.49 | 458.29 | 461.81 | 465.55 | 467.24 | 468.63 | 470.67 | 476.90 | 485.49 |
| NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10] | | | | | | | | | | | | |
| 11 Total reserves[11] | 61.34 | 57.90 | 51.24 | 47.88 | 46.00 | 46.61 | 46.38 | 46.65 | 46.06 | 45.62 | 46.45 | 47.88 |
| 12 Nonborrowed reserves | 61.13 | 57.64 | 51.09 | 47.56 | 45.75 | 46.24 | 45.97 | 46.05 | 45.62 | 45.35 | 46.30 | 47.56 |
| 13 Nonborrowed reserves plus extended credit[5] | 61.13 | 57.64 | 51.09 | 47.56 | 45.75 | 46.24 | 45.97 | 46.05 | 45.62 | 45.35 | 46.30 | 47.56 |
| 14 Required reserves | 60.17 | 56.62 | 49.82 | 46.20 | 44.76 | 45.33 | 45.18 | 45.39 | 44.76 | 44.23 | 44.83 | 46.20 |
| 15 Monetary base[12] | 427.25 | 444.45 | 463.49 | 491.93 | 465.22 | 468.78 | 472.58 | 474.01 | 475.32 | 477.25 | 483.46 | 491.93 |
| 16 Excess reserves[13] | 1.17 | 1.28 | 1.42 | 1.68 | 1.24 | 1.28 | 1.20 | 1.25 | 1.30 | 1.40 | 1.62 | 1.68 |
| 17 Borrowings from the Federal Reserve | .21 | .26 | .16 | .32 | .24 | .37 | .41 | .60 | .44 | .27 | .15 | .32 |

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 | 1994 Dec. | 1995 Dec. | 1996 Dec. | 1997 Dec. | 1997 Sept.[r] | 1997 Oct.[r] | 1997 Nov. | 1997 Dec. |
|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | |
| *Measures[2]* | | | | | | | | |
| 1 M1 | 1,150.7 | 1,129.0 | 1,081.1 | 1,068.7 | 1,060.8 | 1,057.4 | 1,064.0 | 1,068.7 |
| 2 M2 | 3,502.1 | 3,655.0 | 3,821.8[r] | 4,020.7 | 3,959.8 | 3,975.0 | 3,997.8[r] | 4,020.7 |
| 3 M3 | 4,327.3 | 4,592.5 | 4,920.5[r] | 5,334.4 | 5,204.9 | 5,237.1 | 5,285.0[r] | 5,334.4 |
| 4 L | 5,308.4 | 5,697.6 | 6,071.7[r] | n.a. | 6,421.3 | 6,444.8 | 6,507.4 | n.a. |
| 5 Debt | 13,072.0 | 13,768.0 | 14,483.0 | n.a. | 14,946.3 | 15,006.9 | 15,063.3 | n.a. |
| *M1 components* | | | | | | | | |
| 6 Currency[3] | 354.4 | 372.6 | 395.2 | 426.0 | 415.4 | 418.0 | 421.9 | 426.0 |
| 7 Travelers checks[4] | 8.5 | 8.9 | 8.6 | 8.2 | 8.1 | 8.1 | 8.2 | 8.2 |
| 8 Demand deposits[5] | 384.1 | 391.1 | 402.6 | 391.6 | 390.6 | 386.4 | 391.0 | 391.6 |
| 9 Other checkable deposits[6] | 403.8 | 356.5 | 274.8 | 242.8 | 246.7 | 244.8 | 243.0 | 242.8 |
| *Nontransaction components* | | | | | | | | |
| 10 In M2[7] | 2,351.4 | 2,526.0 | 2,740.7[r] | 2,952.0 | 2,899.1 | 2,917.6 | 2,933.8[r] | 2,952.0 |
| 11 In M3 only[8] | 825.3 | 937.5 | 1,098.7 | 1,313.7 | 1,245.1 | 1,262.1 | 1,287.2[r] | 1,313.7 |
| *Commercial banks* | | | | | | | | |
| 12 Savings deposits, including MMDAs | 752.4 | 776.0 | 903.9 | 1,019.3 | 982.2 | 995.3 | 1,005.2 | 1,019.3 |
| 13 Small time deposits[9] | 503.2 | 576.0 | 592.0 | 619.9 | 615.1 | 616.8 | 619.4[r] | 619.9 |
| 14 Large time deposits[10, 11] | 298.4 | 344.7 | 412.3 | 492.6 | 477.5 | 479.9 | 487.5[r] | 492.6 |
| *Thrift institutions* | | | | | | | | |
| 15 Savings deposits, including MMDAs | 397.2 | 361.1 | 367.1 | 377.4 | 374.5 | 374.9 | 374.9 | 377.4 |
| 16 Small time deposits[9] | 314.3 | 357.7 | 353.7 | 343.9 | 346.5 | 346.4 | 343.8[r] | 343.9 |
| 17 Large time deposits[10] | 64.7 | 75.1 | 79.2 | 86.6 | 85.6 | 85.4 | 85.9[r] | 86.6 |
| *Money market mutual funds* | | | | | | | | |
| 18 Retail | 384.3 | 455.2 | 523.9[r] | 591.5 | 580.8 | 584.2 | 590.4[r] | 591.5 |
| 19 Institution-only | 198.5 | 246.9 | 299.3 | 359.5 | 338.9 | 345.3 | 346.4 | 359.5 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 20 Repurchase agreements[12] | 182.9 | 182.1 | 194.1 | 235.9 | 205.7 | 217.6 | 233.5 | 235.9 |
| 21 Eurodollars[12] | 80.8 | 88.7 | 113.9 | 139.1 | 137.4 | 133.8 | 133.9[r] | 139.1 |
| *Debt components* | | | | | | | | |
| 22 Federal debt | 3,491.9 | 3,638.5 | 3,780.0 | n.a. | 3,788.0 | 3,789.6 | 3,790.4 | n.a. |
| 23 Nonfederal debt | 9,580.1 | 10,129.5 | 10,703.0 | n.a. | 11,158.3 | 11,217.3 | 11,272.9 | n.a. |
| | Not seasonally adjusted | | | | | | | |
| *Measures[2]* | | | | | | | | |
| 24 M1 | 1,174.4 | 1,152.8 | 1,103.1 | 1,089.9 | 1,057.7 | 1,054.6 | 1,068.9 | 1,089.9 |
| 25 M2 | 3,522.5 | 3,675.3 | 3,840.2[r] | 4,038.1 | 3,952.2 | 3,964.5 | 4,000.0[r] | 4,038.1 |
| 26 M3 | 4,347.4 | 4,612.0 | 4,937.5[r] | 5,349.2 | 5,192.0 | 5,233.8 | 5,292.9[r] | 5,349.2 |
| 27 L | 5,338.8 | 5,729.5 | 6,100.6[r] | n.a. | 6,402.7 | 6,434.5 | 6,517.7 | n.a. |
| 28 Debt | 13,073.9 | 13,768.6 | 14,482.4 | n.a. | 14,912.8 | 14,970.8 | 15,043.6 | n.a. |
| *M1 components* | | | | | | | | |
| 29 Currency[3] | 357.5 | 376.2 | 397.9 | 429.0 | 414.2 | 417.3 | 422.4 | 429.0 |
| 30 Travelers checks[4] | 8.1 | 8.5 | 8.3 | 7.9 | 8.4 | 8.2 | 8.0 | 7.9 |
| 31 Demand deposits[5] | 400.3 | 407.3 | 418.9 | 407.4 | 389.6 | 386.5 | 396.1[r] | 407.4 |
| 32 Other checkable deposits[6] | 408.6 | 360.8 | 278.0 | 245.6 | 245.4 | 242.6 | 242.5 | 245.6 |
| *Nontransaction components* | | | | | | | | |
| 33 In M2[7] | 2,348.1 | 2,522.6 | 2,737.1[r] | 2,948.2 | 2,894.5 | 2,909.9 | 2,931.0[r] | 2,948.2 |
| 34 In M3 only[8] | 824.9 | 936.6 | 1,097.3 | 1,311.1 | 1,239.9 | 1,269.3 | 1,292.9[r] | 1,311.1 |
| *Commercial banks* | | | | | | | | |
| 35 Savings deposits, including MMDAs | 751.7 | 775.3 | 902.9 | 1,017.9 | 983.2 | 994.7 | 1,007.1 | 1,017.9 |
| 36 Small time deposits[9] | 501.5 | 573.8 | 589.8 | 617.7 | 614.3 | 616.0 | 617.9[r] | 617.7 |
| 37 Large time deposits[10, 11] | 298.9 | 345.7 | 413.7 | 494.6 | 476.6 | 485.6 | 493.5[r] | 494.6 |
| *Thrift institutions* | | | | | | | | |
| 38 Savings deposits, including MMDAs | 396.8 | 360.8 | 366.7 | 376.9 | 374.9 | 374.7 | 375.6 | 376.9 |
| 39 Small time deposits[9] | 313.2 | 356.3 | 352.4 | 342.6 | 346.0 | 345.9 | 343.0[r] | 342.6 |
| 40 Large time deposits[10] | 64.8 | 75.4 | 79.5 | 87.0 | 85.5 | 86.4 | 86.9 | 87.0 |
| *Money market mutual funds* | | | | | | | | |
| 41 Retail | 385.0 | 456.3 | 525.4[r] | 593.1 | 576.1 | 578.5 | 587.5[r] | 593.1 |
| 42 Institution-only | 199.8 | 248.2 | 300.5 | 360.5 | 333.1 | 341.2 | 346.8 | 360.5 |
| *Repurchase agreements and Eurodollars* | | | | | | | | |
| 43 Repurchase agreements[12] | 179.6 | 178.0 | 188.8 | 228.9 | 208.2 | 221.0 | 232.0 | 228.9 |
| 44 Eurodollars[12] | 81.8 | 89.4 | 114.7 | 140.1 | 136.5 | 135.1 | 133.7[r] | 140.1 |
| *Debt components* | | | | | | | | |
| 45 Federal debt | 3,499.0 | 3,645.9 | 3,787.9 | n.a. | 3,780.4 | 3,774.4 | 3,792.1 | n.a. |
| 46 Nonfederal debt | 9,575.0 | 10,122.7 | 10,694.5 | n.a. | 11,132.5 | 11,196.4 | 11,251.5 | n.a. |

Footnotes appear on following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Includes both overnight and term.

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

### A. All commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997[r] | | | | | | | 1997 | | | |
| | Dec. | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 3,770.3[r] | 3,922.3 | 3,957.6 | 3,971.2 | 3,996.0 | 4,030.2 | 4,075.4 | 4,110.4 | 4,094.9 | 4,095.3 | 4,125.9 | 4,134.6 |
| 2 Securities in bank credit | 989.8[r] | 1,010.2 | 1,031.6 | 1,025.4 | 1,032.1 | 1,046.1 | 1,081.1 | 1,101.6 | 1,093.3 | 1,090.3 | 1,108.1 | 1,116.9 |
| 3 U.S. government securities | 705.4 | 724.9 | 726.7 | 715.5 | 724.4 | 731.9 | 745.3 | 751.5 | 741.4 | 740.4 | 756.0 | 769.3 |
| 4 Other securities | 284.5[r] | 285.3 | 305.0 | 309.9 | 307.6 | 314.2 | 335.8 | 350.1 | 351.9 | 349.8 | 352.1 | 347.7 |
| 5 Loans and leases in bank credit[2] | 2,780.4[r] | 2,912.1 | 2,926.0 | 2,945.7 | 2,963.9 | 2,984.1 | 2,994.2 | 3,008.8 | 3,001.6 | 3,005.0 | 3,017.8 | 3,017.7 |
| 6 Commercial and industrial | 782.2 | 813.8 | 817.0 | 825.6 | 837.6 | 844.3 | 847.2 | 857.0 | 851.0 | 855.8 | 860.2 | 863.0 |
| 7 Real estate | 1,129.0 | 1,189.4 | 1,198.2 | 1,205.5 | 1,214.0 | 1,219.3 | 1,225.8 | 1,225.9 | 1,228.5 | 1,224.5 | 1,224.9 | 1,225.6 |
| 8 Revolving home equity | 84.8 | 91.9 | 93.2 | 94.3 | 95.5 | 96.4 | 97.4 | 98.3 | 98.0 | 98.2 | 98.6 | 98.6 |
| 9 Other | 1,044.2[r] | 1,097.5 | 1,105.1 | 1,111.2 | 1,118.5 | 1,122.9 | 1,128.4 | 1,127.6 | 1,130.5 | 1,126.3 | 1,126.2 | 1,127.1 |
| 10 Consumer | 521.0 | 517.7 | 517.6 | 518.8 | 515.2 | 509.2 | 509.7 | 509.7 | 511.7 | 510.0 | 508.8 | 506.9 |
| 11 Security[3] | 78.5 | 92.6 | 93.5 | 93.3 | 94.5 | 104.4 | 97.6 | 97.1 | 95.0 | 97.0 | 98.5 | 100.1 |
| 12 Other loans and leases | 269.8[r] | 298.6 | 299.7 | 302.6 | 302.6 | 306.9 | 314.0 | 319.2 | 315.3 | 317.7 | 325.4 | 322.1 |
| 13 Interbank loans | 203.5 | 190.3 | 184.6 | 191.5 | 199.6 | 202.0 | 207.5 | 215.9 | 227.5 | 216.1 | 215.4 | 204.2 |
| 14 Cash assets[4] | 231.1 | 248.0 | 245.3 | 262.9 | 258.9 | 269.3 | 279.1 | 268.9 | 280.7 | 265.2 | 271.8 | 259.2 |
| 15 Other assets[5] | 262.2 | 286.2 | 282.1 | 283.9 | 284.2 | 293.9 | 303.8 | 305.7 | 304.6 | 293.1 | 306.6 | 318.7 |
| 16 **Total assets**[6] | **4,410.6**[r] | **4,590.1** | **4,612.8** | **4,652.6** | **4,682.0** | **4,738.7** | **4,808.8** | **4,844.0** | **4,850.7** | **4,812.8** | **4,862.9** | **4,859.7** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 2,858.6 | 2,969.0 | 3,005.2 | 3,029.8 | 3,045.8 | 3,060.1 | 3,105.1 | 3,115.9 | 3,111.5 | 3,107.7 | 3,138.3 | 3,108.5 |
| 18 Transaction | 718.5[r] | 693.6 | 690.1 | 697.2 | 683.0 | 682.3 | 692.3 | 687.5 | 682.3 | 675.0 | 708.4 | 692.2 |
| 19 Nontransaction | 2,140.0[r] | 2,275.4 | 2,315.0 | 2,332.6 | 2,362.8 | 2,377.8 | 2,412.8 | 2,428.3 | 2,429.3 | 2,432.7 | 2,429.9 | 2,416.2 |
| 20 Large time | 520.1 | 577.1 | 597.5 | 603.1 | 618.4 | 617.0 | 636.2 | 646.2 | 646.1 | 650.9 | 648.1 | 639.0 |
| 21 Other | 1,619.9[r] | 1,698.3 | 1,717.5 | 1,729.5 | 1,744.5 | 1,760.8 | 1,776.6 | 1,782.1 | 1,783.2 | 1,781.8 | 1,781.8 | 1,777.3 |
| 22 Borrowings | 705.8 | 730.1 | 730.3 | 744.9 | 767.2 | 807.6 | 828.3 | 832.3 | 848.3 | 823.8 | 822.6 | 833.7 |
| 23 From banks in the U.S. | 305.2 | 270.2 | 266.1 | 277.8 | 285.4 | 294.9 | 306.1 | 313.6 | 328.7 | 312.2 | 307.6 | 304.6 |
| 24 From others | 400.5 | 459.9 | 464.1 | 467.1 | 481.8 | 512.8 | 522.2 | 518.7 | 519.6 | 511.6 | 515.0 | 529.1 |
| 25 Net due to related foreign offices | 231.1 | 229.6 | 216.6 | 210.5 | 212.0 | 193.0 | 193.7 | 203.3 | 197.2 | 197.9 | 204.8 | 218.3 |
| 26 Other liabilities | 258.8[r] | 266.4 | 278.0 | 281.7 | 269.0 | 285.3 | 295.6 | 308.3 | 304.1 | 307.6 | 308.0 | 314.7 |
| 27 **Total liabilities** | **4,054.1**[r] | **4,195.1** | **4,230.0** | **4,266.8** | **4,294.0** | **4,346.1** | **4,422.7** | **4,459.8** | **4,461.1** | **4,437.0** | **4,473.6** | **4,475.2** |
| 28 Residual (assets less liabilities)[7] | 356.5 | 395.1 | 382.8 | 385.8 | 388.0 | 392.6 | 386.1 | 384.2 | 389.6 | 375.9 | 389.3 | 384.5 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 3,769.6[r] | 3,926.2 | 3,953.5 | 3,972.3 | 3,997.5 | 4,031.6 | 4,078.9 | 4,105.2 | 4,081.7 | 4,092.6 | 4,114.6 | 4,137.9 |
| 30 Securities in bank credit | 976.2[r] | 1,016.8 | 1,029.1 | 1,030.6 | 1,032.3 | 1,046.0 | 1,079.6 | 1,083.4 | 1,078.1 | 1,073.8 | 1,082.4 | 1,095.9 |
| 31 U.S. government securities | 701.3 | 724.9 | 722.7 | 718.2 | 725.6 | 732.5 | 745.8 | 746.2 | 741.5 | 739.8 | 746.0 | 755.0 |
| 32 Other securities | 274.9[r] | 292.0 | 306.3 | 312.4 | 306.7 | 313.4 | 333.8 | 337.2 | 336.6 | 334.0 | 336.4 | 340.9 |
| 33 Loans and leases in bank credit[2] | 2,793.4[r] | 2,909.3 | 2,924.5 | 2,941.8 | 2,965.2 | 2,985.7 | 2,999.2 | 3,021.8 | 3,003.5 | 3,018.7 | 3,032.3 | 3,042.0 |
| 34 Commercial and industrial | 779.1 | 817.2 | 818.2 | 821.4 | 831.8 | 840.2 | 845.0 | 853.3 | 842.4 | 851.0 | 858.6 | 863.5 |
| 35 Real estate | 1,133.9 | 1,187.7 | 1,198.3 | 1,207.2 | 1,217.3 | 1,222.7 | 1,230.2 | 1,231.2 | 1,235.2 | 1,230.5 | 1,229.1 | 1,230.4 |
| 36 Revolving home equity | 84.9 | 91.9 | 93.2 | 94.6 | 96.2 | 97.0 | 97.9 | 98.4 | 98.2 | 98.4 | 98.6 | 98.6 |
| 37 Other | 1,049.0 | 1,095.8 | 1,105.1 | 1,112.6 | 1,121.2 | 1,125.6 | 1,132.3 | 1,132.8 | 1,137.0 | 1,132.1 | 1,130.5 | 1,131.8 |
| 38 Consumer | 525.8 | 514.9 | 515.2 | 519.2 | 517.4 | 509.3 | 510.1 | 514.5 | 512.9 | 514.3 | 515.8 | 515.3 |
| 39 Security[3] | 79.7 | 92.2 | 92.0 | 91.4 | 93.6 | 104.2 | 99.6 | 98.5 | 97.1 | 100.3 | 99.3 | 99.6 |
| 40 Other loans and leases | 274.9[r] | 297.3 | 300.7 | 302.6 | 305.1 | 309.3 | 314.4 | 324.3 | 316.0 | 322.8 | 329.4 | 333.2 |
| 41 Interbank loans | 212.8 | 187.7 | 182.3 | 187.1 | 194.1 | 196.8 | 212.2 | 225.3 | 237.1 | 228.4 | 218.6 | 214.8 |
| 42 Cash assets[4] | 247.5 | 244.7 | 241.7 | 249.3 | 255.6 | 270.2 | 287.3 | 287.5 | 272.5 | 285.3 | 280.6 | 314.2 |
| 43 Other assets[5] | 262.1 | 286.4 | 284.3 | 287.3 | 286.7 | 290.8 | 302.1 | 305.8 | 301.5 | 292.1 | 303.2 | 325.9 |
| 44 **Total assets**[6] | **4,435.3**[r] | **4,588.3** | **4,605.1** | **4,639.0** | **4,677.0** | **4,732.9** | **4,823.5** | **4,866.8** | **4,835.6** | **4,841.4** | **4,860.2** | **4,935.9** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 2,890.7 | 2,964.2 | 2,996.5 | 3,019.7 | 3,046.0 | 3,067.7 | 3,123.0 | 3,146.1 | 3,125.2 | 3,138.9 | 3,146.1 | 3,176.1 |
| 46 Transaction | 751.6[r] | 687.9 | 683.8 | 684.7 | 681.5 | 680.2 | 701.8 | 719.1 | 686.5 | 707.0 | 725.9 | 768.0 |
| 47 Nontransaction | 2,139.1[r] | 2,276.3 | 2,312.7 | 2,335.0 | 2,364.5 | 2,387.5 | 2,421.2 | 2,427.0 | 2,438.7 | 2,431.9 | 2,420.2 | 2,408.2 |
| 48 Large time | 518.8 | 576.9 | 593.2 | 602.2 | 613.7 | 624.4 | 640.7 | 644.4 | 648.6 | 648.9 | 645.6 | 632.6 |
| 49 Other | 1,620.3[r] | 1,699.4 | 1,719.5 | 1,732.8 | 1,750.8 | 1,763.1 | 1,780.5 | 1,782.6 | 1,790.1 | 1,783.0 | 1,774.6 | 1,775.6 |
| 50 Borrowings | 698.0 | 750.5 | 744.7 | 749.8 | 770.5 | 797.7 | 815.2 | 822.5 | 820.7 | 819.3 | 818.5 | 829.3 |
| 51 From banks in the U.S. | 299.9 | 283.9 | 274.9 | 282.6 | 286.7 | 287.1 | 299.3 | 307.4 | 314.2 | 307.8 | 301.5 | 304.3 |
| 52 From others | 398.1 | 466.6 | 469.8 | 467.2 | 483.7 | 510.6 | 515.8 | 515.0 | 506.5 | 511.5 | 517.1 | 525.0 |
| 53 Net due to related foreign offices | 229.8 | 219.9 | 212.9 | 206.2 | 204.3 | 193.6 | 188.3 | 199.8 | 186.6 | 188.1 | 204.4 | 229.3 |
| 54 Other liabilities | 254.7[r] | 268.7 | 276.3 | 280.7 | 269.5 | 283.9 | 299.9 | 303.3 | 304.4 | 300.6 | 298.3 | 307.5 |
| 55 **Total liabilities** | **4,073.3**[r] | **4,203.3** | **4,230.4** | **4,256.3** | **4,290.2** | **4,343.0** | **4,426.3** | **4,471.7** | **4,437.0** | **4,446.9** | **4,467.3** | **4,542.3** |
| 56 Residual (assets less liabilities)[7] | 362.1 | 385.0 | 374.6 | 382.6 | 386.8 | 389.9 | 397.2 | 395.1 | 398.7 | 394.5 | 392.9 | 393.6 |
| MEMO | | | | | | | | | | | | |
| 57 Revaluation gains on off-balance-sheet items[8] | 69.4 | 76.0 | 84.2 | 86.1 | 78.3 | 77.7 | 83.1 | 81.9 | 85.0 | 78.4 | 80.5 | 83.4 |
| 58 Revaluation losses on off-balance-sheet items[8] | 64.4 | 79.9 | 87.5 | 89.2 | 81.3 | 81.0 | 85.2 | 85.5 | 88.7 | 83.0 | 84.3 | 85.8 |

Footnotes appear on p. A21.

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

B. Domestically chartered commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997 | | | | | | | 1997 | | | |
| | Dec. | June | July | Aug. | Sept.[r] | Oct.[r] | Nov.[r] | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 3,264.8[r] | 3,388.3[r] | 3,421.4[r] | 3,438.5[r] | 3,458.6 | 3,486.1 | 3,522.7 | 3,549.9 | 3,542.2 | 3,540.3 | 3,562.1 | 3,562.9 |
| 2 Securities in bank credit | 824.9[r] | 836.5[r] | 851.5[r] | 847.5[r] | 849.7 | 864.9 | 884.8 | 901.1 | 896.8 | 895.2 | 905.6 | 910.1 |
| 3 U.S. government securities | 618.6 | 635.2[r] | 636.4[r] | 629.8[r] | 636.7 | 645.5 | 659.2 | 667.2 | 662.8 | 662.6 | 669.5 | 676.2 |
| 4 Other securities | 206.3[r] | 201.3[r] | 215.1 | 217.7[r] | 213.0 | 219.4 | 225.6 | 233.8 | 233.9 | 232.6 | 236.2 | 233.9 |
| 5 Loans and leases in bank credit[2] | 2,439.9[r] | 2,551.8[r] | 2,569.9[r] | 2,591.0[r] | 2,608.9 | 2,621.1 | 2,637.9 | 2,648.8 | 2,645.4 | 2,645.0 | 2,656.5 | 2,652.8 |
| 6 Commercial and industrial | 569.2 | 595.6 | 598.9 | 605.9 | 615.5 | 620.7 | 624.6 | 632.9 | 629.2 | 630.9 | 635.4 | 638.2 |
| 7 Real estate | 1,097.0 | 1,159.9[r] | 1,169.7[r] | 1,177.1[r] | 1,186.1 | 1,191.6 | 1,198.8 | 1,199.3 | 1,201.7 | 1,197.6 | 1,198.6 | 1,199.5 |
| 8 Revolving home equity | 84.8 | 91.9 | 93.2 | 94.3 | 95.5 | 96.4 | 97.4 | 98.3 | 98.0 | 98.2 | 98.6 | 98.6 |
| 9 Other | 1,012.2[r] | 1,068.0[r] | 1,076.6[r] | 1,082.9[r] | 1,090.7 | 1,095.2 | 1,101.4 | 1,101.0 | 1,103.8 | 1,099.4 | 1,100.0 | 1,100.9 |
| 10 Consumer | 521.0 | 517.7 | 517.6 | 518.8 | 515.2 | 509.2 | 509.7 | 509.7 | 511.7 | 510.0 | 508.8 | 506.9 |
| 11 Security[3] | 42.3 | 47.8 | 50.0 | 51.0 | 51.5 | 57.8 | 56.4 | 52.6 | 50.9 | 51.9 | 55.8 | 51.9 |
| 12 Other loans and leases | 210.4[r] | 230.8[r] | 233.7[r] | 238.2[r] | 240.6 | 241.9 | 248.4 | 254.3 | 251.7 | 254.6 | 257.9 | 256.4 |
| 13 Interbank loans | 181.8 | 171.6 | 166.0 | 173.5 | 181.6 | 181.9 | 184.3 | 185.4 | 191.4 | 185.6 | 185.6 | 176.5 |
| 14 Cash assets[4] | 200.0 | 212.9 | 211.7 | 228.5 | 223.4 | 234.5 | 242.9 | 234.2 | 246.5 | 230.8 | 237.4 | 223.5 |
| 15 Other assets[5] | 225.9 | 245.6 | 239.6 | 241.4 | 242.1 | 252.7 | 259.2 | 264.4 | 260.0 | 253.3 | 266.7 | 278.2 |
| 16 **Total assets**[6] | **3,816.2** | **3,962.2**[r] | **3,982.1**[r] | **4,025.2**[r] | **4,049.3** | **4,098.7** | **4,152.6** | **4,177.1** | **4,183.4** | **4,153.4** | **4,195.4** | **4,184.4** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 2,639.0 | 2,715.6 | 2,740.6 | 2,766.4 | 2,780.3 | 2,799.2 | 2,833.0 | 2,837.9 | 2,831.7 | 2,827.7 | 2,860.3 | 2,835.6 |
| 18 Transaction | 708.3[r] | 683.0[r] | 679.5[r] | 686.0[r] | 672.2 | 671.9 | 681.6 | 677.0 | 671.0 | 665.2 | 697.5 | 681.9 |
| 19 Nontransaction | 1,930.7[r] | 2,032.6[r] | 2,061.1[r] | 2,080.4[r] | 2,108.1 | 2,127.3 | 2,151.4 | 2,160.9 | 2,160.8 | 2,162.5 | 2,162.8 | 2,153.7 |
| 20 Large time | 313.6 | 336.9 | 346.2 | 353.4 | 366.1 | 368.9 | 377.2 | 381.3 | 380.0 | 383.2 | 383.4 | 378.9 |
| 21 Other | 1,617.1[r] | 1,695.7[r] | 1,714.9[r] | 1,727.0[r] | 1,742.0 | 1,758.4 | 1,774.2 | 1,779.7 | 1,780.8 | 1,779.4 | 1,779.4 | 1,774.8 |
| 22 Borrowings | 584.0 | 591.7 | 595.2 | 607.4 | 623.9 | 645.8 | 663.2 | 675.0 | 684.3 | 662.1 | 677.7 | 676.4 |
| 23 From banks in the U.S. | 272.3 | 239.8 | 235.9 | 246.6 | 249.5 | 257.2 | 275.6 | 285.9 | 296.0 | 284.1 | 283.6 | 278.8 |
| 24 From others | 311.7 | 351.8 | 359.4 | 360.8 | 374.3 | 388.6 | 387.7 | 389.1 | 388.3 | 378.1 | 394.1 | 397.6 |
| 25 Net due to related foreign offices | 69.0 | 81.1 | 85.6 | 79.8 | 84.7 | 74.4 | 74.3 | 77.4 | 77.4 | 80.7 | 66.0 | 88.1 |
| 26 Other liabilities | 175.8 | 177.1 | 182.6 | 185.7 | 174.9 | 191.9 | 198.5 | 209.8 | 202.9 | 207.6 | 211.1 | 219.3 |
| 27 **Total liabilities** | **3,467.9**[r] | **3,565.5** | **3,604.1** | **3,639.4** | **3,663.7** | **3,711.3** | **3,769.1** | **3,800.1** | **3,796.4** | **3,778.2** | **3,815.0** | **3,819.4** |
| 28 Residual (assets less liabilities)[7] | 348.2[r] | 396.7[r] | 378.0[r] | 385.8[r] | 385.5 | 387.4 | 383.5 | 377.0 | 387.0 | 375.2 | 380.3 | 365.0 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 3,267.8[r] | 3,391.8[r] | 3,416.8[r] | 3,435.8[r] | 3,462.2 | 3,488.9 | 3,527.2 | 3,550.1 | 3,536.0 | 3,544.0 | 3,557.0 | 3,569.1 |
| 30 Securities in bank credit | 817.4[r] | 842.4[r] | 849.9[r] | 849.1[r] | 851.6 | 864.9 | 884.0 | 890.8 | 888.5 | 886.7 | 890.4 | 897.8 |
| 31 U.S. government securities | 616.9 | 636.4[r] | 635.0[r] | 630.9[r] | 638.9 | 647.0 | 660.2 | 664.5 | 664.4 | 663.0 | 663.8 | 666.4 |
| 32 Other securities | 200.5[r] | 206.0[r] | 214.9 | 218.2 | 212.7 | 217.9 | 223.8 | 226.4 | 224.1 | 223.7 | 226.6 | 231.3 |
| 33 Loans and leases in bank credit[2] | 2,450.5[r] | 2,549.3[r] | 2,566.9[r] | 2,586.7[r] | 2,610.6 | 2,624.1 | 2,643.2 | 2,659.3 | 2,647.5 | 2,657.4 | 2,666.6 | 2,671.3 |
| 34 Commercial and industrial | 565.7 | 598.3 | 599.0 | 601.5 | 611.1 | 617.9 | 622.6 | 628.8 | 621.8 | 626.5 | 632.0 | 637.0 |
| 35 Real estate | 1,101.7 | 1,158.3[r] | 1,169.9[r] | 1,178.8[r] | 1,189.4 | 1,194.8 | 1,202.8 | 1,204.5 | 1,208.1 | 1,203.4 | 1,202.9 | 1,204.1 |
| 36 Revolving home equity | 84.9 | 91.9 | 93.2 | 94.6 | 96.2 | 97.0 | 97.9 | 98.4 | 98.2 | 98.4 | 98.6 | 98.6 |
| 37 Other | 1,016.8 | 1,066.4[r] | 1,076.7[r] | 1,084.2[r] | 1,093.2 | 1,097.8 | 1,104.9 | 1,106.1 | 1,109.9 | 1,105.0 | 1,104.2 | 1,105.5 |
| 38 Consumer | 525.8 | 514.9 | 515.2 | 519.2 | 517.4 | 509.3 | 510.1 | 514.5 | 512.9 | 514.3 | 515.8 | 515.3 |
| 39 Security[3] | 43.6 | 47.4 | 48.5 | 49.1 | 50.6 | 57.6 | 58.4 | 54.1 | 53.0 | 55.1 | 56.6 | 51.4 |
| 40 Other loans and leases | 213.7[r] | 230.4[r] | 234.2[r] | 238.0[r] | 242.1 | 244.5 | 249.3 | 257.4 | 251.7 | 258.1 | 259.3 | 263.6 |
| 41 Interbank loans | 191.1 | 169.1 | 163.8 | 169.1 | 176.1 | 176.8 | 189.0 | 194.7 | 201.0 | 197.9 | 188.9 | 187.2 |
| 42 Cash assets[4] | 215.3 | 208.8 | 207.9 | 215.0 | 220.9 | 235.1 | 250.7 | 251.5 | 237.6 | 249.9 | 244.2 | 276.5 |
| 43 Other assets[5] | 225.0 | 245.9 | 242.5 | 243.9 | 244.3 | 249.9 | 257.3 | 263.5 | 254.4 | 251.0 | 263.5 | 285.7 |
| 44 **Total assets**[6] | **3,842.8**[r] | **3,959.1**[r] | **3,974.5**[r] | **4,006.9**[r] | **4,046.8** | **4,094.4** | **4,167.7** | **4,203.0** | **4,172.1** | **4,186.1** | **4,197.0** | **4,261.8** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 2,668.4 | 2,710.4 | 2,734.9 | 2,758.5 | 2,781.4 | 2,798.9 | 2,847.3 | 2,865.1 | 2,842.0 | 2,856.3 | 2,863.4 | 2,901.2 |
| 46 Transaction | 740.7[r] | 677.4[r] | 673.2[r] | 673.8[r] | 670.3 | 669.7 | 691.1 | 707.9 | 675.0 | 696.5 | 714.2 | 756.4 |
| 47 Nontransaction | 1,927.7[r] | 2,033.0[r] | 2,061.7[r] | 2,084.7[r] | 2,111.2 | 2,129.2 | 2,156.2 | 2,157.2 | 2,167.0 | 2,159.7 | 2,149.2 | 2,144.8 |
| 48 Large time | 310.2 | 336.2 | 344.8 | 354.4 | 362.8 | 368.5 | 378.1 | 377.1 | 379.3 | 379.2 | 377.1 | 371.6 |
| 49 Other | 1,617.5[r] | 1,696.8[r] | 1,716.9[r] | 1,730.3[r] | 1,748.3 | 1,760.6 | 1,778.1 | 1,780.1 | 1,787.6 | 1,780.5 | 1,772.1 | 1,773.1 |
| 50 Borrowings | 577.5 | 607.1 | 600.8 | 607.1 | 626.2 | 640.7 | 655.4 | 667.2 | 659.8 | 660.2 | 674.5 | 674.5 |
| 51 From banks in the U.S. | 266.4 | 251.9 | 242.9 | 250.9 | 251.8 | 252.7 | 268.9 | 279.2 | 281.7 | 278.4 | 278.1 | 277.2 |
| 52 From others | 311.1 | 355.3 | 357.9 | 356.2 | 374.5 | 388.0 | 386.5 | 388.0 | 378.0 | 381.8 | 396.3 | 397.3 |
| 53 Net due to related foreign offices | 66.2 | 79.6 | 83.2 | 77.4 | 80.1 | 76.0 | 70.6 | 73.6 | 74.0 | 76.1 | 65.0 | 82.7 |
| 54 Other liabilities | 173.2 | 178.4 | 183.1 | 184.2 | 175.5 | 192.5 | 202.1 | 206.4 | 202.0 | 203.4 | 205.3 | 214.0 |
| 55 **Total liabilities** | **3,485.3** | **3,575.6** | **3,602.0** | **3,627.3** | **3,663.3** | **3,708.1** | **3,775.3** | **3,812.2** | **3,777.8** | **3,796.0** | **3,808.1** | **3,872.3** |
| 56 Residual (assets less liabilities)[7] | 357.5[r] | 383.5[r] | 372.5[r] | 379.6[r] | 383.4 | 386.2 | 392.3 | 390.8 | 394.3 | 390.1 | 388.9 | 389.5 |
| MEMO | | | | | | | | | | | | |
| 57 Revaluation gains on off-balance-sheet items[8] | 36.0 | 38.5 | 44.3 | 45.1 | 37.5 | 38.2 | 41.5 | 41.3 | 42.3 | 38.8 | 40.8 | 42.8 |
| 58 Revaluation losses on off-balance-sheet items[8] | 31.8 | 40.2 | 45.9 | 46.5 | 40.0 | 41.3 | 43.6 | 44.2 | 45.0 | 42.8 | 43.9 | 44.7 |
| 59 Mortgage-backed securities[9] | 241.5 | 250.6[r] | 254.5[r] | 256.2[r] | 258.8 | 263.7 | 272.9 | 278.9 | 276.4 | 279.5 | 279.2 | 281.7 |

Footnotes appear on p. A21.

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

### C. Large domestically chartered commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997[r] | | | | | | | 1997 | | | |
| | Dec.[r] | June | July | Aug. | Sept | Oct. | Nov. | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 1,942.2 | 2,008.9 | 2,027.3 | 2,029.9 | 2,041.2 | 2,066.6 | 2,087.5 | 2,103.5 | 2,098.7 | 2,094.8 | 2,114.0 | 2,113.2 |
| 2 Securities in bank credit | 432.2 | 432.8 | 445.0 | 440.2 | 443.0 | 458.8 | 476.2 | 490.3 | 487.5 | 486.4 | 493.9 | 496.5 |
| 3 U.S. government securities | 305.4 | 314.1 | 313.0 | 305.2 | 312.1 | 321.6 | 334.9 | 341.7 | 338.3 | 338.7 | 343.4 | 348.2 |
| 4 Trading account | 19.6 | 22.2 | 23.7 | 20.6 | 23.3 | 25.2 | 26.5 | 29.4 | 28.4 | 28.3 | 29.8 | 32.0 |
| 5 Investment account | 285.8 | 291.9 | 289.4 | 284.6 | 288.8 | 296.5 | 308.4 | 312.3 | 310.0 | 310.4 | 313.6 | 316.2 |
| 6 Other securities | 126.8 | 118.7 | 132.0 | 135.0 | 130.9 | 137.2 | 141.3 | 148.6 | 149.2 | 147.6 | 150.4 | 148.3 |
| 7 Trading account | 60.7 | 51.8 | 64.2 | 63.7 | 59.6 | 65.4 | 68.8 | 72.2 | 73.9 | 71.5 | 73.6 | 69.9 |
| 8 Investment account | 66.1 | 66.9 | 67.8 | 71.4 | 71.3 | 71.8 | 72.5 | 76.5 | 75.3 | 76.1 | 76.8 | 78.4 |
| 9 State and local government | 20.5 | 21.9 | 22.3 | 22.4 | 22.2 | 22.2 | 22.0 | 21.8 | 21.8 | 21.8 | 21.8 | 22.0 |
| 10 Other | 45.6 | 45.0 | 45.4 | 48.9 | 49.0 | 49.6 | 50.5 | 54.6 | 53.6 | 54.3 | 55.0 | 56.4 |
| 11 Loans and leases in bank credit[2] | 1,510.0 | 1,576.2 | 1,582.3 | 1,589.6 | 1,598.2 | 1,607.8 | 1,611.3 | 1,613.2 | 1,611.2 | 1,608.4 | 1,620.1 | 1,616.7 |
| 12 Commercial and industrial | 401.3 | 419.7 | 420.6 | 425.5 | 433.4 | 437.9 | 439.4 | 445.8 | 442.6 | 444.2 | 448.5 | 449.8 |
| 13 Bankers acceptances | 2.1 | 1.6 | 1.6 | 1.5 | 1.5 | 1.3 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| 14 Other | 399.2 | 418.0 | 419.0 | 424.0 | 431.9 | 436.6 | 438.2 | 444.5 | 441.4 | 442.9 | 447.1 | 448.6 |
| 15 Real estate | 619.7 | 642.1 | 641.6 | 642.1 | 643.6 | 643.8 | 644.5 | 641.5 | 644.4 | 639.8 | 640.0 | 641.3 |
| 16 Revolving home equity | 60.1 | 64.3 | 65.0 | 65.6 | 66.6 | 67.2 | 67.6 | 68.3 | 68.1 | 68.3 | 68.5 | 68.4 |
| 17 Other | 559.6 | 577.8 | 576.6 | 576.5 | 577.0 | 576.7 | 576.9 | 573.2 | 576.4 | 571.5 | 571.5 | 572.9 |
| 18 Consumer | 301.7 | 305.3 | 306.0 | 303.8 | 301.6 | 298.3 | 295.9 | 293.3 | 295.5 | 292.3 | 292.4 | 292.0 |
| 19 Security[3] | 37.8 | 43.3 | 45.4 | 46.3 | 46.6 | 52.5 | 51.3 | 47.3 | 45.5 | 46.6 | 50.4 | 46.6 |
| 20 Federal funds sold to and repurchase agreements with broker–dealers | 21.9 | 26.4 | 28.6 | 30.0 | 29.7 | 35.4 | 35.0 | 31.1 | 30.0 | 29.5 | 33.8 | 30.4 |
| 21 Other | 15.9 | 16.9 | 16.9 | 16.3 | 16.9 | 17.1 | 16.2 | 16.2 | 15.5 | 17.1 | 16.7 | 16.1 |
| 22 State and local government | 11.9 | 11.2 | 11.1 | 11.2 | 11.3 | 11.2 | 11.0 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 |
| 23 Agricultural | 9.0 | 9.1 | 9.0 | 9.0 | 9.1 | 9.3 | 9.5 | 9.6 | 9.6 | 9.6 | 9.6 | 9.6 |
| 24 Federal funds sold to and repurchase agreements with others | 5.7 | 6.5 | 7.4 | 6.4 | 6.6 | 8.9 | 10.7 | 12.4 | 11.4 | 12.3 | 12.8 | 14.4 |
| 25 All other loans | 61.9 | 66.7 | 66.5 | 69.2 | 68.9 | 67.9 | 69.9 | 71.4 | 70.8 | 72.1 | 74.1 | 69.8 |
| 26 Lease-financing receivables | 61.0 | 72.3 | 74.5 | 76.3 | 77.2 | 78.0 | 79.1 | 80.9 | 80.2 | 80.5 | 81.3 | 82.0 |
| 27 Interbank loans | 135.7 | 122.4 | 116.1 | 122.0 | 128.5 | 125.0 | 127.5 | 124.8 | 131.0 | 125.7 | 123.8 | 116.4 |
| 28 Federal funds sold to and repurchase agreements with commercial banks | 86.0 | 70.3 | 70.1 | 74.4 | 81.2 | 78.4 | 81.8 | 80.8 | 85.9 | 81.7 | 80.5 | 72.7 |
| 29 Other | 49.7 | 52.0 | 46.0 | 47.6 | 47.3 | 46.6 | 45.7 | 44.0 | 45.1 | 44.1 | 43.3 | 43.7 |
| 30 Cash assets[4] | 139.8 | 144.5 | 143.7 | 157.0 | 151.4 | 164.2 | 170.2 | 162.9 | 174.6 | 160.8 | 164.7 | 153.3 |
| 31 Other assets[5] | 178.7 | 185.7 | 178.0 | 177.7 | 180.3 | 188.2 | 192.5 | 199.0 | 192.9 | 191.2 | 199.4 | 213.5 |
| 32 **Total assets**[6] | **2,359.0** | **2,424.5** | **2,427.9** | **2,449.8** | **2,464.9** | **2,507.4** | **2,541.2** | **2,553.7** | **2,560.7** | **2,536.2** | **2,565.6** | **2,559.7** |
| *Liabilities* | | | | | | | | | | | | |
| 33 Deposits | 1,483.0 | 1,500.1 | 1,494.8 | 1,509.0 | 1,516.9 | 1,525.5 | 1,545.8 | 1,548.5 | 1,545.5 | 1,545.2 | 1,565.5 | 1,541.9 |
| 34 Transaction | 412.8 | 385.1 | 379.2 | 383.4 | 371.9 | 372.8 | 379.0 | 377.4 | 375.8 | 370.2 | 392.8 | 377.8 |
| 35 Nontransaction | 1,070.1 | 1,115.1 | 1,115.6 | 1,125.5 | 1,145.0 | 1,152.7 | 1,166.7 | 1,171.1 | 1,169.6 | 1,175.0 | 1,172.7 | 1,164.0 |
| 36 Large time | 165.0 | 180.0 | 184.7 | 190.3 | 200.5 | 201.8 | 208.1 | 210.2 | 209.6 | 213.5 | 211.7 | 206.2 |
| 37 Other | 905.1 | 935.0 | 930.9 | 935.3 | 944.5 | 950.9 | 958.6 | 960.9 | 960.1 | 961.6 | 961.0 | 957.9 |
| 38 Borrowings | 431.6 | 441.3 | 440.3 | 449.4 | 467.1 | 491.1 | 506.4 | 514.4 | 522.8 | 500.8 | 517.7 | 517.3 |
| 39 From banks in the U.S. | 187.5 | 159.3 | 158.7 | 168.7 | 175.5 | 182.8 | 200.7 | 209.7 | 219.1 | 206.6 | 208.2 | 203.9 |
| 40 From others | 244.1 | 282.0 | 281.6 | 280.7 | 291.6 | 308.3 | 305.7 | 304.7 | 303.7 | 294.2 | 309.5 | 313.4 |
| 41 Net due to related foreign offices | 66.3 | 77.3 | 80.8 | 75.3 | 79.9 | 69.2 | 69.3 | 73.1 | 73.5 | 76.6 | 61.6 | 83.4 |
| 42 Other liabilities | 151.9 | 150.7 | 156.7 | 158.5 | 146.7 | 163.9 | 169.9 | 180.7 | 173.6 | 178.4 | 182.3 | 190.3 |
| 43 **Total liabilities** | **2,132.8** | **2,169.4** | **2,172.6** | **2,192.2** | **2,210.6** | **2,249.7** | **2,291.4** | **2,316.7** | **2,315.3** | **2,301.1** | **2,327.1** | **2,332.9** |
| 44 Residual (assets less liabilities)[7] | 226.2 | 255.1 | 255.2 | 257.5 | 254.2 | 257.7 | 249.8 | 236.9 | 245.4 | 235.1 | 238.5 | 226.8 |

Footnotes appear on p. A21.

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

C. Large domestically chartered commercial banks—Continued

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997[r] | | | | | | | 1997 | | | |
| | Dec.[r] | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 45 Bank credit | 1,942.5 | 2,011.4 | 2,022.2 | 2,027.4 | 2,040.8 | 2,066.7 | 2,090.3 | 2,100.8 | 2,091.1 | 2,095.9 | 2,104.2 | 2,115.3 |
| 46 Securities in bank credit | 425.1 | 436.9 | 444.2 | 443.6 | 444.5 | 459.7 | 476.9 | 480.5 | 480.3 | 478.1 | 477.4 | 484.9 |
| 47 U.S. government securities | 304.1 | 313.4 | 312.5 | 307.9 | 313.8 | 324.1 | 337.5 | 339.3 | 340.7 | 339.4 | 336.7 | 339.3 |
| 48 Trading account | 18.3 | 20.8 | 22.6 | 21.3 | 23.4 | 26.1 | 28.0 | 27.0 | 28.4 | 27.4 | 24.8 | 26.2 |
| 49 Investment account | 285.9 | 292.6 | 289.9 | 286.7 | 290.4 | 298.0 | 309.5 | 312.3 | 312.3 | 312.0 | 311.9 | 313.1 |
| 50 Mortgage-backed securities | 180.3 | 188.2 | 189.6 | 188.6 | 190.4 | 196.1 | 204.6 | 209.2 | 207.6 | 209.6 | 210.4 | 212.7 |
| 51 Other | 103.7 | 102.4 | 98.3 | 96.1 | 98.0 | 100.0 | 102.9 | 101.1 | 104.7 | 102.4 | 101.5 | 100.4 |
| 52 One year or less | 27.6 | 27.9 | 26.3 | 26.2 | 27.0 | 25.7 | 28.3 | 26.9 | 29.1 | 27.4 | 27.6 | 24.5 |
| 53 Between one and five years | 62.4 | 55.3 | 51.3 | 48.9 | 48.7 | 51.6 | 52.4 | 52.2 | 53.5 | 53.1 | 51.4 | 53.2 |
| 54 More than five years | 13.7 | 19.2 | 20.8 | 21.0 | 22.2 | 22.6 | 22.3 | 22.1 | 22.0 | 21.9 | 22.6 | 22.7 |
| 55 Other securities | 121.0 | 123.5 | 131.7 | 135.7 | 130.7 | 135.7 | 139.4 | 141.2 | 139.6 | 138.7 | 140.7 | 145.5 |
| 56 Trading account | 54.2 | 57.0 | 64.9 | 64.8 | 59.4 | 63.3 | 65.9 | 63.9 | 63.3 | 61.8 | 63.2 | 66.7 |
| 57 Investment account | 66.8 | 66.5 | 66.9 | 70.9 | 71.3 | 72.3 | 73.5 | 77.2 | 76.3 | 76.9 | 77.5 | 78.9 |
| 58 State and local government | 20.6 | 21.9 | 21.9 | 22.2 | 22.2 | 22.2 | 22.1 | 22.0 | 21.9 | 21.9 | 22.0 | 22.1 |
| 59 Other | 46.1 | 44.6 | 44.9 | 48.7 | 49.1 | 50.2 | 51.4 | 55.3 | 54.4 | 55.0 | 55.5 | 56.8 |
| 60 Loans and leases in bank credit[2] | 1,517.4 | 1,574.6 | 1,577.9 | 1,583.8 | 1,596.4 | 1,607.0 | 1,613.4 | 1,620.3 | 1,610.8 | 1,617.9 | 1,626.8 | 1,630.5 |
| 61 Commercial and industrial | 398.3 | 421.2 | 420.7 | 422.2 | 430.0 | 435.7 | 438.1 | 442.2 | 436.3 | 440.6 | 445.1 | 448.4 |
| 62 Bankers acceptances | 2.1 | 1.6 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| 63 Other | 396.2 | 419.6 | 419.2 | 420.8 | 428.5 | 434.4 | 436.8 | 440.9 | 435.0 | 439.2 | 443.8 | 447.1 |
| 64 Real estate | 622.5 | 640.7 | 641.4 | 642.6 | 644.6 | 644.7 | 646.2 | 644.6 | 648.7 | 643.5 | 642.2 | 643.7 |
| 65 Revolving home equity | 60.2 | 64.3 | 65.0 | 65.8 | 66.9 | 67.5 | 68.0 | 68.3 | 68.2 | 68.3 | 68.4 | 68.5 |
| 66 Other | 345.0 | 355.3 | 355.4 | 356.2 | 355.9 | 354.1 | 354.1 | 351.3 | 359.0 | 352.9 | 351.5 | 353.6 |
| 67 Commercial | 212.3 | 215.9 | 215.8 | 215.4 | 216.6 | 217.9 | 219.0 | 219.8 | 221.5 | 222.3 | 222.2 | 221.6 |
| 68 Consumer | 305.6 | 304.3 | 303.8 | 304.3 | 303.0 | 297.8 | 295.6 | 297.3 | 296.3 | 295.7 | 298.2 | 299.5 |
| 69 Security[3] | 38.8 | 43.0 | 44.1 | 44.4 | 45.7 | 52.4 | 53.0 | 48.5 | 47.1 | 49.6 | 51.2 | 45.9 |
| 70 Federal funds sold to and repurchase agreements with broker–dealers | 22.0 | 26.0 | 27.9 | 28.5 | 29.3 | 35.5 | 36.5 | 31.3 | 31.6 | 30.7 | 32.9 | 29.0 |
| 71 Other | 16.9 | 17.0 | 16.2 | 15.9 | 16.5 | 16.9 | 16.5 | 17.2 | 15.5 | 18.9 | 18.3 | 16.9 |
| 72 State and local government | 11.8 | 11.2 | 11.2 | 11.3 | 11.4 | 11.2 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 | 11.1 |
| 73 Agricultural | 8.9 | 9.2 | 9.3 | 9.3 | 9.4 | 9.4 | 9.5 | 9.5 | 9.4 | 9.4 | 9.5 | 9.7 |
| 74 Federal funds sold to and repurchase agreements with others | 5.1 | 6.7 | 7.6 | 6.2 | 7.3 | 8.8 | 8.7 | 10.9 | 10.3 | 11.2 | 10.6 | 12.8 |
| 75 All other loans | 65.1 | 66.2 | 65.9 | 68.0 | 68.5 | 69.0 | 72.1 | 75.1 | 71.3 | 76.2 | 77.5 | 76.5 |
| 76 Lease-financing receivables | 61.2 | 72.2 | 74.0 | 75.4 | 76.5 | 78.0 | 79.1 | 81.2 | 80.2 | 80.6 | 81.4 | 83.0 |
| 77 Interbank loans | 142.0 | 122.7 | 116.4 | 118.6 | 124.7 | 119.6 | 127.2 | 130.8 | 131.7 | 134.4 | 127.8 | 126.9 |
| 78 Federal funds sold to and repurchase agreements with commercial banks | 89.5 | 71.7 | 69.5 | 71.3 | 78.0 | 73.3 | 81.9 | 84.5 | 85.9 | 88.2 | 81.2 | 79.4 |
| 79 Other | 52.4 | 51.0 | 47.0 | 47.3 | 46.7 | 46.4 | 45.3 | 46.3 | 45.9 | 46.2 | 46.6 | 47.4 |
| 80 Cash assets[4] | 151.3 | 141.8 | 140.3 | 145.8 | 150.6 | 163.7 | 175.3 | 176.3 | 166.8 | 176.8 | 170.8 | 193.6 |
| 81 Other assets[5] | 177.3 | 187.9 | 180.9 | 180.2 | 182.0 | 185.7 | 189.9 | 197.4 | 188.4 | 188.9 | 198.3 | 215.2 |
| 82 **Total assets**[6] | **2,375.5** | **2,426.8** | **2,422.8** | **2,435.0** | **2,461.3** | **2,499.3** | **2,546.0** | **2,568.7** | **2,541.4** | **2,559.5** | **2,564.7** | **2,614.5** |
| *Liabilities* | | | | | | | | | | | | |
| 83 Deposits | 1,499.0 | 1,496.8 | 1,492.5 | 1,503.7 | 1,515.8 | 1,522.9 | 1,552.3 | 1,562.7 | 1,544.7 | 1,561.8 | 1,563.0 | 1,584.4 |
| 84 Transaction | 434.0 | 381.1 | 375.1 | 374.4 | 370.7 | 370.2 | 385.2 | 397.8 | 374.2 | 392.3 | 403.5 | 430.4 |
| 85 Nontransaction | 1,065.0 | 1,115.8 | 1,117.4 | 1,129.3 | 1,145.1 | 1,152.8 | 1,167.1 | 1,164.9 | 1,170.5 | 1,169.5 | 1,159.5 | 1,154.0 |
| 86 Large time | 162.6 | 179.8 | 184.2 | 191.6 | 197.5 | 201.0 | 208.6 | 207.1 | 209.0 | 210.4 | 206.7 | 200.9 |
| 87 Other | 902.4 | 935.9 | 933.2 | 937.7 | 947.6 | 951.7 | 958.5 | 957.9 | 961.5 | 959.1 | 952.8 | 953.1 |
| 88 Borrowings | 425.5 | 453.0 | 445.8 | 450.6 | 470.1 | 485.9 | 500.3 | 507.2 | 501.9 | 500.2 | 513.2 | 513.1 |
| 89 From banks in the U.S. | 182.2 | 168.3 | 164.2 | 173.0 | 177.1 | 178.9 | 195.8 | 203.7 | 207.7 | 202.4 | 202.6 | 200.5 |
| 90 From nonbanks in the U.S. | 243.4 | 284.8 | 281.6 | 277.6 | 293.0 | 307.0 | 304.5 | 303.5 | 294.3 | 297.8 | 310.7 | 312.6 |
| 91 Net due to related foreign offices | 63.4 | 75.8 | 78.4 | 72.9 | 75.3 | 70.8 | 65.6 | 69.3 | 70.1 | 72.0 | 60.6 | 78.0 |
| 92 Other liabilities | 149.7 | 152.6 | 157.0 | 156.9 | 147.6 | 164.6 | 173.6 | 177.8 | 172.9 | 174.7 | 177.1 | 185.8 |
| 93 **Total liabilities** | **2,137.7** | **2,178.2** | **2,173.7** | **2,184.1** | **2,208.9** | **2,244.2** | **2,291.8** | **2,317.0** | **2,289.6** | **2,308.7** | **2,314.0** | **2,361.3** |
| 94 Residual (assets less liabilities)[7] | 237.7 | 248.6 | 249.1 | 250.9 | 252.4 | 255.0 | 254.2 | 251.7 | 251.7 | 250.7 | 250.7 | 253.1 |
| MEMO | | | | | | | | | | | | |
| 95 Revaluation gains on off-balance-sheet items[8] | 36.0 | 38.5 | 44.3 | 45.1 | 37.5 | 38.2 | 41.5 | 41.3 | 42.3 | 38.8 | 40.8 | 42.8 |
| 96 Revaluation losses on off-balance-sheet items[8] | 31.8 | 40.2 | 45.9 | 46.5 | 40.0 | 41.3 | 43.6 | 44.2 | 45.0 | 42.8 | 43.9 | 44.7 |
| 97 Mortgage-backed securities[9] | 203.6 | 207.3 | 207.7 | 206.9 | 208.8 | 214.4 | 222.8 | 228.3 | 225.7 | 228.6 | 228.3 | 230.9 |
| 98 Pass-through securities | 136.0 | 142.9 | 143.5 | 142.2 | 143.7 | 148.4 | 153.2 | 156.9 | 154.4 | 157.3 | 157.4 | 158.2 |
| 99 CMOs, REMICs, and other mortgage-backed securities | 67.6 | 64.5 | 64.3 | 64.7 | 65.0 | 66.0 | 69.6 | 71.4 | 71.2 | 71.4 | 70.9 | 72.6 |
| 100 Net unrealized gains (losses) on available-for-sale securities[10] | 2.8 | 2.6 | 3.1 | 3.7 | 3.3 | 3.9 | 3.6 | 3.5 | 3.4 | 3.4 | 3.3 | 4.0 |
| 101 Offshore credit to U.S. residents[11] | 31.7 | 33.4 | 33.7 | 34.0 | 34.1 | 34.2 | 34.4 | 34.2 | 33.9 | 34.1 | 34.6 | 34.4 |

Footnotes appear on p. A21.

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

### D. Small domestically chartered commercial banks

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997[r] | | | | | | | 1997 | | | |
| | Dec.[r] | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 1,322.6 | 1,379.4 | 1,394.1 | 1,408.7 | 1,417.4 | 1,419.5 | 1,435.2 | 1,446.4 | 1,443.4 | 1,445.4 | 1,448.2 | 1,449.7 |
| 2 Securities in bank credit | 392.7 | 403.7 | 406.5 | 407.3 | 406.7 | 406.1 | 408.6 | 410.8 | 409.2 | 408.9 | 411.8 | 413.6 |
| 3 U.S. government securities | 313.2 | 321.2 | 323.3 | 324.6 | 324.6 | 323.9 | 324.3 | 325.6 | 324.5 | 323.9 | 326.0 | 328.0 |
| 4 Other securities | 79.5 | 82.6 | 83.1 | 82.7 | 82.1 | 82.3 | 84.3 | 85.2 | 84.7 | 85.0 | 85.7 | 85.6 |
| 5 Loans and leases in bank credit[2] | 929.9 | 975.7 | 987.7 | 1,001.4 | 1,010.7 | 1,013.4 | 1,026.6 | 1,035.6 | 1,034.2 | 1,036.6 | 1,036.4 | 1,036.1 |
| 6 Commercial and industrial | 167.9 | 176.0 | 178.3 | 180.5 | 182.1 | 182.8 | 185.2 | 187.1 | 186.6 | 186.7 | 187.0 | 188.4 |
| 7 Real estate | 477.3 | 517.8 | 528.1 | 535.0 | 542.6 | 547.8 | 554.3 | 557.8 | 557.3 | 557.8 | 558.6 | 558.1 |
| 8 Revolving home equity | 24.6 | 27.6 | 28.1 | 28.6 | 28.9 | 29.3 | 29.8 | 30.0 | 29.9 | 30.0 | 30.1 | 30.1 |
| 9 Other | 452.6 | 490.2 | 500.0 | 506.4 | 513.7 | 518.5 | 524.5 | 527.8 | 527.4 | 527.9 | 528.5 | 528.0 |
| 10 Consumer | 219.3 | 212.4 | 211.6 | 215.0 | 213.6 | 210.9 | 213.9 | 216.4 | 216.2 | 217.7 | 216.4 | 214.9 |
| 11 Security[3] | 4.5 | 4.5 | 4.6 | 4.7 | 4.9 | 5.3 | 5.2 | 5.4 | 5.4 | 5.3 | 5.4 | 5.3 |
| 12 Other loans and leases | 61.0 | 65.0 | 65.1 | 66.2 | 67.5 | 66.7 | 68.1 | 69.0 | 68.6 | 69.0 | 69.1 | 69.4 |
| 13 Interbank loans | 46.1 | 49.3 | 49.9 | 51.4 | 53.1 | 56.9 | 56.8 | 60.5 | 60.4 | 59.9 | 61.8 | 60.1 |
| 14 Cash assets[4] | 60.1 | 68.4 | 68.1 | 71.5 | 71.9 | 70.2 | 72.7 | 71.3 | 71.9 | 70.0 | 72.7 | 70.2 |
| 15 Other assets[5] | 47.1 | 59.9 | 61.6 | 63.6 | 61.8 | 64.4 | 66.8 | 65.4 | 67.1 | 62.2 | 67.2 | 64.7 |
| 16 **Total assets**[6] | **1,457.2** | **1,537.7** | **1,554.2** | **1,575.5** | **1,584.4** | **1,591.2** | **1,611.4** | **1,623.4** | **1,622.7** | **1,617.3** | **1,629.8** | **1,624.7** |
| *Liabilities* | | | | | | | | | | | | |
| 17 Deposits | 1,156.0 | 1,215.5 | 1,245.8 | 1,257.4 | 1,263.4 | 1,273.7 | 1,287.3 | 1,289.4 | 1,286.2 | 1,282.5 | 1,294.8 | 1,293.7 |
| 18 Transaction | 295.5 | 298.0 | 300.3 | 302.6 | 300.3 | 299.1 | 302.6 | 299.6 | 295.1 | 295.0 | 304.7 | 304.0 |
| 19 Nontransaction | 860.5 | 917.5 | 945.5 | 954.8 | 963.1 | 974.6 | 984.7 | 989.8 | 991.1 | 987.5 | 990.1 | 989.7 |
| 20 Large time | 148.6 | 156.9 | 161.4 | 163.1 | 165.6 | 167.1 | 169.1 | 171.0 | 170.4 | 169.7 | 171.7 | 172.7 |
| 21 Other | 712.0 | 760.7 | 784.1 | 791.7 | 797.5 | 807.5 | 815.6 | 818.8 | 820.7 | 817.8 | 818.4 | 817.0 |
| 22 Borrowings | 152.4 | 150.4 | 155.0 | 158.1 | 156.8 | 154.7 | 156.8 | 160.6 | 161.6 | 161.3 | 160.1 | 159.1 |
| 23 From banks in the U.S. | 84.8 | 80.6 | 77.2 | 78.0 | 74.0 | 74.4 | 74.9 | 76.2 | 76.9 | 77.4 | 75.4 | 74.9 |
| 24 From others | 67.6 | 69.9 | 77.8 | 80.1 | 82.8 | 80.3 | 82.0 | 84.4 | 84.6 | 83.9 | 84.6 | 84.2 |
| 25 Net due to related foreign offices | 2.7 | 3.8 | 4.8 | 4.5 | 4.8 | 5.2 | 5.0 | 4.3 | 3.9 | 4.1 | 4.4 | 4.7 |
| 26 Other liabilities | 23.9 | 26.4 | 25.9 | 27.2 | 28.2 | 28.0 | 28.6 | 29.1 | 29.3 | 29.2 | 28.8 | 29.1 |
| 27 **Total liabilities** | **1,335.1** | **1,396.1** | **1,431.5** | **1,447.2** | **1,453.1** | **1,461.6** | **1,477.7** | **1,483.4** | **1,481.0** | **1,477.1** | **1,488.0** | **1,486.5** |
| 28 Residual (assets less liabilities)[7] | 122.1 | 141.6 | 122.8 | 128.3 | 131.3 | 129.7 | 133.7 | 140.0 | 141.6 | 140.1 | 141.8 | 138.2 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 29 Bank credit | 1,325.3 | 1,380.3 | 1,394.6 | 1,408.4 | 1,421.3 | 1,422.2 | 1,436.9 | 1,449.3 | 1,444.9 | 1,448.1 | 1,452.8 | 1,453.8 |
| 30 Securities in bank credit | 392.2 | 405.5 | 405.7 | 405.5 | 407.1 | 405.2 | 407.1 | 410.4 | 408.2 | 408.6 | 413.0 | 412.9 |
| 31 U.S. government securities | 312.8 | 323.1 | 322.5 | 323.0 | 325.1 | 322.9 | 322.7 | 325.2 | 323.7 | 323.6 | 327.1 | 327.1 |
| 32 Other securities | 79.5 | 82.5 | 83.1 | 82.5 | 82.0 | 82.3 | 84.4 | 85.2 | 84.5 | 85.0 | 85.9 | 85.8 |
| 33 Loans and leases in bank credit[2] | 933.1 | 974.8 | 988.9 | 1,002.9 | 1,014.2 | 1,017.1 | 1,029.8 | 1,039.0 | 1,036.7 | 1,039.5 | 1,039.8 | 1,040.9 |
| 34 Commercial and industrial | 167.4 | 177.2 | 178.3 | 179.3 | 181.1 | 182.2 | 184.4 | 186.6 | 185.5 | 185.9 | 186.8 | 188.6 |
| 35 Real estate | 479.2 | 517.6 | 528.5 | 536.2 | 544.8 | 550.1 | 556.6 | 560.0 | 559.4 | 559.9 | 560.7 | 560.5 |
| 36 Revolving home equity | 24.7 | 27.6 | 28.2 | 28.7 | 29.2 | 29.5 | 29.9 | 30.1 | 30.1 | 30.1 | 30.2 | 30.1 |
| 37 Other | 454.5 | 490.0 | 500.4 | 507.5 | 515.6 | 520.7 | 526.7 | 529.8 | 529.3 | 529.8 | 530.5 | 530.3 |
| 38 Consumer | 220.2 | 210.6 | 211.4 | 214.9 | 214.4 | 211.5 | 214.5 | 217.2 | 216.6 | 218.5 | 217.6 | 215.8 |
| 39 Security[3] | 4.7 | 4.4 | 4.4 | 4.7 | 4.8 | 5.2 | 5.4 | 5.6 | 5.9 | 5.5 | 5.4 | 5.5 |
| 40 Other loans and leases | 61.6 | 64.9 | 66.2 | 67.8 | 69.1 | 68.1 | 68.8 | 69.6 | 69.4 | 69.6 | 69.2 | 70.5 |
| 41 Interbank loans | 49.1 | 46.4 | 47.4 | 50.5 | 51.4 | 57.1 | 61.8 | 63.9 | 69.3 | 63.4 | 61.0 | 60.3 |
| 42 Cash assets[4] | 64.0 | 67.0 | 67.6 | 69.1 | 70.3 | 71.4 | 75.5 | 75.1 | 70.8 | 73.1 | 73.5 | 82.9 |
| 43 Other assets[5] | 47.7 | 58.0 | 61.6 | 63.7 | 62.3 | 64.1 | 67.4 | 66.1 | 65.9 | 62.2 | 65.2 | 70.5 |
| 44 **Total assets**[6] | **1,467.3** | **1,532.3** | **1,551.7** | **1,571.9** | **1,585.5** | **1,595.1** | **1,621.6** | **1,634.3** | **1,630.7** | **1,626.6** | **1,632.3** | **1,647.3** |
| *Liabilities* | | | | | | | | | | | | |
| 45 Deposits | 1,169.4 | 1,213.6 | 1,242.4 | 1,254.8 | 1,265.6 | 1,276.0 | 1,295.0 | 1,302.4 | 1,297.3 | 1,294.5 | 1,300.3 | 1,316.7 |
| 46 Transaction | 306.6 | 296.3 | 298.1 | 299.4 | 299.6 | 299.6 | 305.9 | 310.1 | 300.9 | 304.3 | 310.6 | 326.0 |
| 47 Nontransaction | 862.8 | 917.3 | 944.3 | 955.4 | 966.1 | 976.4 | 989.1 | 992.3 | 996.4 | 990.2 | 989.7 | 990.7 |
| 48 Large time | 147.6 | 156.3 | 160.6 | 162.8 | 165.3 | 167.5 | 169.5 | 170.0 | 170.3 | 168.9 | 170.4 | 170.7 |
| 49 Other | 715.1 | 760.9 | 783.7 | 792.6 | 800.8 | 808.9 | 819.5 | 822.2 | 826.1 | 821.4 | 819.3 | 820.0 |
| 50 Borrowings | 151.9 | 154.1 | 155.0 | 156.6 | 156.1 | 154.8 | 155.1 | 160.0 | 157.8 | 159.9 | 161.2 | 161.4 |
| 51 From banks in the U.S. | 84.2 | 83.6 | 78.7 | 77.9 | 74.6 | 73.7 | 73.0 | 75.5 | 74.0 | 76.0 | 75.6 | 76.7 |
| 52 From others | 67.7 | 70.5 | 76.2 | 78.7 | 81.5 | 81.0 | 82.0 | 84.5 | 83.8 | 83.9 | 85.7 | 84.7 |
| 53 Net due to related foreign offices | 2.7 | 3.8 | 4.8 | 4.5 | 4.8 | 5.2 | 5.0 | 4.3 | 3.9 | 4.1 | 4.4 | 4.7 |
| 54 Other liabilities | 23.5 | 25.9 | 26.1 | 27.3 | 27.9 | 28.0 | 28.5 | 28.6 | 29.1 | 28.7 | 28.2 | 28.1 |
| 55 **Total liabilities** | **1,347.5** | **1,397.4** | **1,428.3** | **1,443.2** | **1,454.4** | **1,463.9** | **1,483.5** | **1,495.2** | **1,488.1** | **1,487.3** | **1,494.1** | **1,511.0** |
| 56 Residual (assets less liabilities)[7] | 119.8 | 134.9 | 123.4 | 128.7 | 131.0 | 131.2 | 138.1 | 139.1 | 142.6 | 139.3 | 138.2 | 136.3 |
| MEMO | | | | | | | | | | | | |
| 57 Mortgage-backed securities[9] | 38.0 | 43.2 | 46.8 | 49.2 | 50.1 | 49.3 | 50.1 | 50.6 | 50.8 | 50.9 | 50.9 | 50.8 |

Footnotes appear on p. A21.

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

E. Foreign-related institutions

Billions of dollars

| Account | Monthly averages | | | | | | | | Wednesday figures | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997 | | | | | | | 1997 | | | |
| | Dec. | June | July | Aug. | Sept. | Oct. | Nov. | Dec. | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| | Seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 1 Bank credit | 505.5[r] | 533.9[r] | 536.2[r] | 532.6[r] | 537.5[r] | 544.1[r] | 552.6[r] | 560.5 | 552.7 | 555.0 | 563.7 | 571.7 |
| 2 Securities in bank credit | 164.9[r] | 173.7[r] | 180.2[r] | 177.9[r] | 182.4[r] | 181.2[r] | 196.3[r] | 200.5 | 196.5 | 195.0 | 202.5 | 206.8 |
| 3 U.S. government securities | 86.7 | 89.7 | 90.3 | 85.8 | 87.8 | 86.4 | 86.1 | 84.3 | 78.5 | 77.8 | 86.5 | 93.1 |
| 4 Other securities | 78.2[r] | 84.0[r] | 89.9[r] | 92.1[r] | 94.6[r] | 94.8[r] | 110.2[r] | 116.2 | 118.0 | 117.2 | 115.9 | 113.8 |
| 5 Loans and leases in bank credit[2] | 340.6 | 360.3 | 356.1 | 354.7 | 355.0 | 362.9 | 356.3 | 360.0 | 356.2 | 360.0 | 361.3 | 364.9 |
| 6 Commercial and industrial | 213.0 | 218.1 | 218.0 | 219.7 | 222.2 | 223.6 | 222.6 | 224.1 | 221.7 | 224.9 | 224.8 | 224.8 |
| 7 Real estate | 32.0 | 29.5 | 28.5 | 28.3 | 27.9 | 27.7 | 27.0 | 26.5 | 26.8 | 26.9 | 26.3 | 26.2 |
| 8 Security[3] | 36.2 | 44.8 | 43.5 | 42.2 | 43.0 | 46.6 | 41.1 | 44.4 | 44.1 | 45.2 | 42.7 | 48.2 |
| 9 Other loans and leases | 59.3 | 67.8 | 66.0 | 64.4 | 62.0 | 65.0 | 65.6 | 64.9 | 63.6 | 63.0 | 67.5 | 65.7 |
| 10 Interbank loans | 21.7 | 18.6 | 18.5 | 18.0 | 18.0 | 20.0 | 23.1 | 30.6 | 36.0 | 30.5 | 29.7 | 27.7 |
| 11 Cash assets[4] | 31.1 | 35.1 | 33.6 | 34.4 | 35.5 | 34.8 | 36.2 | 34.7 | 34.2 | 34.4 | 34.4 | 35.6 |
| 12 Other assets[5] | 36.4 | 40.6 | 42.5 | 42.6 | 42.0 | 41.3 | 44.5 | 41.4 | 44.6 | 39.7 | 39.9 | 40.5 |
| 13 **Total assets**[6] | **594.5**[r] | **628.0**[r] | **630.6**[r] | **627.4**[r] | **632.8**[r] | **640.0**[r] | **656.2**[r] | **666.9** | **667.4** | **659.4** | **667.5** | **675.3** |
| *Liabilities* | | | | | | | | | | | | |
| 14 Deposits | 219.6 | 253.3 | 264.6 | 263.4 | 265.6 | 260.9 | 272.1 | 278.0 | 279.8 | 280.0 | 278.0 | 272.9 |
| 15 Transaction | 10.2 | 10.6 | 10.6 | 11.2 | 10.8 | 10.4 | 10.7 | 10.5 | 11.3 | 9.8 | 11.0 | 10.4 |
| 16 Nontransaction | 209.3 | 242.8 | 253.9 | 252.2 | 254.8 | 250.5 | 261.4 | 267.4 | 268.5 | 270.2 | 267.0 | 262.5 |
| 17 Large time | 206.5 | 240.2 | 251.4 | 249.7 | 252.3 | 248.1 | 259.0 | 265.0 | 266.1 | 267.8 | 264.6 | 260.1 |
| 18 Other | 2.8 | 2.5 | 2.6 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| 19 Borrowings | 121.7 | 138.4 | 135.0 | 137.4 | 143.3 | 161.8 | 165.1 | 157.3 | 164.0 | 161.6 | 144.8 | 157.3 |
| 20 From banks in the U.S. | 32.9 | 30.4 | 30.3 | 31.2 | 35.9 | 37.7 | 30.5 | 27.7 | 32.7 | 28.1 | 24.0 | 25.8 |
| 21 From others | 88.8 | 108.1 | 104.7 | 106.3 | 107.4 | 124.2 | 134.5 | 129.6 | 131.3 | 133.5 | 120.8 | 131.6 |
| 22 Net due to related foreign offices | 162.0 | 148.5 | 130.9 | 130.6 | 127.3 | 118.6 | 119.4 | 125.9 | 119.7 | 117.1 | 138.8 | 130.2 |
| 23 Other liabilities | 82.9[r] | 89.3[r] | 95.3[r] | 96.0[r] | 94.1[r] | 93.4[r] | 97.1[r] | 98.5 | 101.2 | 100.0 | 96.9 | 95.4 |
| 24 **Total liabilities** | **586.2**[r] | **629.6**[r] | **625.9**[r] | **627.4**[r] | **630.3**[r] | **634.8**[r] | **653.6**[r] | **659.7** | **664.7** | **658.7** | **658.5** | **655.8** |
| 25 Residual (assets less liabilities)[7] | 8.2 | −1.6 | 4.8 | 0.0 | 2.5 | 5.2 | 2.6 | 7.2 | 2.6 | 0.7 | 9.0 | 19.5 |
| | Not seasonally adjusted | | | | | | | | | | | |
| *Assets* | | | | | | | | | | | | |
| 26 Bank credit | 501.7[r] | 534.4[r] | 536.8[r] | 536.5[r] | 535.4[r] | 542.7[r] | 551.7[r] | 555.1 | 545.7 | 548.6 | 557.6 | 568.8 |
| 27 Securities in bank credit | 158.8[r] | 174.4[r] | 179.1[r] | 181.5[r] | 180.7[r] | 181.1[r] | 195.6[r] | 192.6 | 189.6 | 187.2 | 191.9 | 198.1 |
| 28 U.S. government securities | 84.4 | 88.4 | 87.7 | 87.3 | 86.7 | 85.6 | 85.7 | 81.7 | 77.1 | 76.8 | 82.2 | 88.6 |
| 29 Trading account | 19.1 | 17.8 | 17.0 | 18.3 | 17.2 | 15.1 | 17.6 | 15.9 | 11.4 | 12.5 | 17.5 | 21.1 |
| 30 Investment account | 65.3 | 70.6 | 70.7 | 68.9 | 69.5 | 70.5 | 68.1 | 65.7 | 65.7 | 64.4 | 64.6 | 67.5 |
| 31 Other securities | 74.4[r] | 86.0[r] | 91.4[r] | 94.2[r] | 94.0[r] | 95.5[r] | 110.0[r] | 110.9 | 112.5 | 110.3 | 109.8 | 109.5 |
| 32 Trading account | 50.7 | 57.3 | 59.9 | 61.0 | 61.0 | 62.3 | 69.4 | 69.9 | 71.4 | 68.5 | 69.5 | 70.7 |
| 33 Investment account | 23.3 | 28.2 | 31.1 | 32.8 | 32.6 | 32.8 | 40.1 | 40.6 | 41.1 | 41.8 | 40.3 | 38.9 |
| 34 Loans and leases in bank credit[2] | 342.9 | 360.0 | 357.6 | 355.1 | 354.6 | 361.6 | 356.1 | 362.6 | 356.1 | 361.4 | 365.7 | 370.6 |
| 35 Commercial and industrial | 213.4 | 218.9 | 219.2 | 219.9 | 220.7 | 222.2 | 222.4 | 224.5 | 220.6 | 224.5 | 226.7 | 226.5 |
| 36 Real estate | 32.2 | 29.3 | 28.4 | 28.4 | 28.0 | 27.9 | 27.4 | 26.7 | 27.1 | 27.0 | 26.3 | 26.3 |
| 37 Security[3] | 36.2 | 44.8 | 43.5 | 42.2 | 43.0 | 46.6 | 41.1 | 44.4 | 44.1 | 45.2 | 42.7 | 48.2 |
| 38 Other loans and leases | 61.2 | 67.0 | 66.5 | 64.6 | 63.0 | 64.9 | 65.1 | 66.9 | 64.2 | 64.7 | 70.1 | 69.7 |
| 39 Interbank loans | 21.7 | 18.6 | 18.5 | 18.0 | 18.0 | 20.0 | 23.1 | 30.6 | 36.0 | 30.5 | 29.7 | 27.7 |
| 40 Cash assets[4] | 32.2 | 35.9 | 33.8 | 34.3 | 34.7 | 35.2 | 36.5 | 36.0 | 34.9 | 35.5 | 36.3 | 37.7 |
| 41 Other assets[5] | 37.1 | 40.5 | 41.7 | 43.4 | 42.4 | 40.9 | 44.8 | 42.3 | 47.2 | 41.1 | 39.8 | 40.3 |
| 42 **Total assets**[6] | **592.5**[r] | **629.1**[r] | **630.6**[r] | **632.1**[r] | **630.2**[r] | **638.6**[r] | **655.9**[r] | **663.8** | **663.5** | **655.4** | **663.3** | **674.1** |
| *Liabilities* | | | | | | | | | | | | |
| 43 Deposits | 222.3 | 253.8 | 261.6 | 261.2 | 264.6 | 268.8 | 275.7 | 281.0 | 283.2 | 282.6 | 282.7 | 275.0 |
| 44 Transaction | 10.9 | 10.5 | 10.6 | 10.9 | 11.2 | 10.5 | 10.7 | 11.2 | 11.5 | 10.5 | 11.7 | 11.6 |
| 45 Nontransaction | 211.4 | 243.3 | 251.0 | 250.3 | 253.3 | 258.3 | 265.0 | 269.8 | 271.7 | 272.1 | 271.0 | 263.4 |
| 46 Large time | 208.5 | 240.7 | 248.5 | 247.8 | 250.9 | 255.9 | 262.6 | 267.3 | 269.3 | 269.7 | 268.6 | 260.9 |
| 47 Other | 2.8 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.5 |
| 48 Borrowings | 120.6 | 143.3 | 143.9 | 142.6 | 144.2 | 157.1 | 159.8 | 155.2 | 160.9 | 159.1 | 144.1 | 154.8 |
| 49 From banks in the U.S. | 33.5 | 32.0 | 31.9 | 31.7 | 34.9 | 34.5 | 30.5 | 28.2 | 32.4 | 29.4 | 23.3 | 27.1 |
| 50 From others | 87.0 | 111.3 | 112.0 | 110.9 | 109.3 | 122.6 | 129.3 | 127.0 | 128.5 | 129.7 | 120.7 | 127.7 |
| 51 Net due to related foreign offices | 163.6 | 140.3 | 129.7 | 128.7 | 124.1 | 117.6 | 117.6 | 126.3 | 112.6 | 112.0 | 139.5 | 146.7 |
| 52 Other liabilities | 81.6[r] | 90.3[r] | 93.2[r] | 96.4[r] | 94.0[r] | 91.4[r] | 97.9[r] | 97.0 | 102.4 | 97.2 | 92.9 | 93.5 |
| 53 **Total liabilities** | **588.0**[r] | **627.7**[r] | **628.4**[r] | **629.0**[r] | **626.9**[r] | **634.9**[r] | **651.0**[r] | **659.5** | **659.2** | **650.9** | **659.2** | **670.0** |
| 54 Residual (assets less liabilities)[7] | 4.5 | 1.5 | 2.2 | 3.0 | 3.4 | 3.7 | 4.9 | 4.3 | 4.3 | 4.4 | 4.0 | 4.1 |
| MEMO | | | | | | | | | | | | |
| 55 Revaluation gains on off-balance-sheet items[8] | 33.4 | 37.6 | 39.9 | 41.1 | 40.8 | 39.5 | 41.6 | 40.6 | 42.6 | 39.6 | 39.7 | 40.5 |
| 56 Revaluation losses on off-balance-sheet items[8] | 32.6 | 39.7 | 41.7 | 42.6 | 41.4 | 39.8 | 41.6 | 41.3 | 43.6 | 40.2 | 40.4 | 41.1 |

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

| Item | Year ending December | | | | | 1997 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1992 Dec. | 1993 Dec. | 1994 Dec. | 1995 Dec. | 1996 Dec. | June | July | Aug. | Sept. | Oct. | Nov. |
| | Commercial paper (seasonally adjusted unless noted otherwise) | | | | | | | | | | |
| 1 **All issuers** | **545,619** | **555,075** | **595,382** | **674,904** | **775,371** | **864,758** | **889,494** | **885,601** | **908,640** | **921,769** | **940,524** |
| Financial companies[1] | | | | | | | | | | | |
| 2 Dealer-placed paper[2], total | 226,456 | 218,947 | 223,038 | 275,815 | 361,147 | 414,475 | 440,262 | 437,340 | 475,792 | 483,489 | 483,475 |
| 3 Directly placed paper[3], total | 171,605 | 180,389 | 207,701 | 210,829 | 229,662 | 256,165 | 253,971 | 253,934 | 235,030 | 237,544 | 249,781 |
| 4 Nonfinancial companies[4] | 147,558 | 155,739 | 164,643 | 188,260 | 184,563 | 194,119 | 195,260 | 194,327 | 197,818 | 200,736 | 207,268 |
| | Bankers dollar acceptances (not seasonally adjusted)[5] | | | | | | | | | | |
| 5 **Total** | **38,194** | **32,348** | **29,835** | **29,242** | **25,754** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By holder* | | | | | | | | | | | |
| 6 Accepting banks | 10,555 | 12,421 | 11,783 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 7 Own bills | 9,097 | 10,707 | 10,462 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 8 Bills bought from other banks | 1,458 | 1,714 | 1,321 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Federal Reserve Banks[6] | | | | | | | | | | | |
| 9 Foreign correspondents | 1,276 | 725 | 410 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 10 Others | 26,364 | 19,202 | 17,642 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *By basis* | | | | | | | | | | | |
| 11 Imports into United States | 12,209 | 10,217 | 10,062 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 12 Exports from United States | 8,096 | 7,293 | 6,355 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 13 All other | 17,890 | 14,838 | 13,417 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

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

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

Percent per year

| Date of change | Rate | Period | Average rate | Period | Average rate | Period | Average rate |
|---|---|---|---|---|---|---|---|
| 1995—Jan. 1 | 8.50 | 1995 | 8.83 | 1996—Jan. | 8.50 | 1997—Jan. | 8.25 |
| Feb. 1 | 9.00 | 1996 | 8.27 | Feb. | 8.25 | Feb. | 8.25 |
| July 7 | 8.75 | 1997 | 8.44 | Mar. | 8.25 | Mar. | 8.30 |
| Dec. 20 | 8.50 | | | Apr | 8.25 | Apr. | 8.50 |
| | | 1995—Jan. | 8.50 | May | 8.25 | May | 8.50 |
| 1996—Feb. 1 | 8.25 | Feb. | 9.00 | June | 8.25 | June | 8.50 |
| 1997—Mar. 26 | 8.50 | Mar. | 9.00 | July | 8.25 | July | 8.50 |
| | | Apr. | 9.00 | Aug. | 8.25 | Aug. | 8.50 |
| | | May | 9.00 | Sept. | 8.25 | Sept. | 8.50 |
| | | June | 9.00 | Oct. | 8.25 | Oct. | 8.50 |
| | | July | 8.80 | Nov. | 8.25 | Nov. | 8.50 |
| | | Aug. | 8.75 | Dec. | 8.25 | Dec. | 8.50 |
| | | Sept. | 8.75 | | | | |
| | | Oct. | 8.75 | | | 1998—Jan. | 8.50 |
| | | Nov. | 8.75 | | | | |
| | | Dec. | 8.65 | | | | |

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 | 1995 | 1996 | 1997 | 1997 | | | | 1997, week ending | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Sept. | Oct. | Nov. | Dec. | Nov. 28 | Dec. 5 | Dec. 12 | Dec. 19 | Dec. 26 |
| MONEY MARKET INSTRUMENTS | | | | | | | | | | | | |
| 1 Federal funds[1,2,3] | 5.83 | 5.30 | 5.46 | 5.54 | 5.50 | 5.52 | 5.50 | 5.49 | 5.58 | 5.40 | 5.66 | 5.44 |
| 2 Discount window borrowing[2,4] | 5.21 | 5.02 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| *Commercial paper*[3,4,5,6] | | | | | | | | | | | | |
| Nonfinancial | | | | | | | | | | | | |
| 3 1-month | n.a. | n.a. | 5.57 | 5.49 | 5.49 | 5.53 | 5.78 | 5.56 | 5.68 | 5.74 | 5.82 | 5.90 |
| 4 2-month | n.a. | n.a. | 5.57 | 5.48 | 5.48 | 5.59 | 5.71 | 5.64 | 5.67 | 5.71 | 5.72 | 5.75 |
| 5 3-month | n.a. | n.a. | 5.56 | 5.48 | 5.51 | 5.60 | 5.67 | 5.64 | 5.67 | 5.69 | 5.66 | 5.67 |
| Financial | | | | | | | | | | | | |
| 6 1-month | n.a. | n.a. | 5.59 | 5.51 | 5.50 | 5.55 | 5.80 | 5.55 | 5.74 | 5.79 | 5.83 | 5.90 |
| 7 2-month | n.a. | n.a. | 5.59 | 5.51 | 5.50 | 5.65 | 5.72 | 5.70 | 5.72 | 5.72 | 5.73 | 5.76 |
| 8 3-month | n.a. | n.a. | 5.60 | 5.51 | 5.55 | 5.64 | 5.70 | 5.66 | 5.71 | 5.72 | 5.71 | 5.72 |
| *Commercial paper (historical)*[3,5,6,7] | | | | | | | | | | | | |
| 9 1-month | 5.93 | 5.43 | 5.54 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 10 3-month | 5.93 | 5.41 | 5.58 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 11 6-month | 5.93 | 5.42 | 5.62 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *Finance paper, directly placed (historical)*[3,5,7,8] | | | | | | | | | | | | |
| 12 1-month | 5.81 | 5.31 | 5.44 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 13 3-month | 5.78 | 5.29 | 5.48 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 14 6-month | 5.68 | 5.21 | 5.48 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| *Bankers acceptances*[3,5,9] | | | | | | | | | | | | |
| 15 3-month | 5.81 | 5.31 | 5.54 | 5.54 | 5.57 | 5.66 | 5.75 | 5.72 | 5.77 | 5.78 | 5.77 | 5.76 |
| 16 6-month | 5.80 | 5.31 | 5.57 | 5.58 | 5.56 | 5.63 | 5.68 | 5.68 | 5.71 | 5.69 | 5.67 | 5.69 |
| *Certificates of deposit, secondary market*[3,10] | | | | | | | | | | | | |
| 17 1-month | 5.87 | 5.35 | 5.54 | 5.56 | 5.55 | 5.61 | 5.88 | 5.64 | 5.90 | 5.88 | 5.88 | 5.92 |
| 18 3-month | 5.92 | 5.39 | 5.62 | 5.60 | 5.65 | 5.74 | 5.80 | 5.78 | 5.81 | 5.81 | 5.80 | 5.82 |
| 19 6-month | 5.98 | 5.47 | 5.73 | 5.71 | 5.72 | 5.78 | 5.82 | 5.81 | 5.83 | 5.85 | 5.80 | 5.82 |
| 20 Eurodollar deposits, 3-month[3,11] | 5.93 | 5.38 | 5.61 | 5.59 | 5.63 | 5.71 | 5.79 | 5.76 | 5.80 | 5.81 | 5.79 | 5.78 |
| *U.S. Treasury bills* | | | | | | | | | | | | |
| Secondary market[3,5] | | | | | | | | | | | | |
| 21 3-month | 5.49 | 5.01 | 5.06 | 4.95 | 4.97 | 5.14 | 5.16 | 5.13 | 5.13 | 5.10 | 5.12 | 5.27 |
| 22 6-month | 5.56 | 5.08 | 5.18 | 5.09 | 5.09 | 5.17 | 5.24 | 5.22 | 5.22 | 5.23 | 5.21 | 5.28 |
| 23 1-year | 5.60 | 5.22 | 5.32 | 5.23 | 5.17 | 5.17 | 5.24 | 5.21 | 5.25 | 5.23 | 5.20 | 5.26 |
| Auction average[3,5,12] | | | | | | | | | | | | |
| 24 3-month | 5.51 | 5.02 | 5.07 | 4.97 | 4.95 | 5.15 | 5.16 | 5.15 | 5.11 | 5.15 | 5.07 | 5.30 |
| 25 6-month | 5.59 | 5.09 | 5.18 | 5.11 | 5.09 | 5.17 | 5.24 | 5.20 | 5.20 | 5.27 | 5.18 | 5.32 |
| 26 1-year | 5.69 | 5.23 | 5.36 | 5.30 | 5.20 | 5.14 | 5.18 | n.a. | n.a. | 5.18 | n.a. | n.a. |
| U.S. TREASURY NOTES AND BONDS | | | | | | | | | | | | |
| *Constant maturities*[13] | | | | | | | | | | | | |
| 27 1-year | 5.94 | 5.52 | 5.63 | 5.52 | 5.46 | 5.46 | 5.53 | 5.50 | 5.54 | 5.53 | 5.49 | 5.55 |
| 28 2-year | 6.15 | 5.84 | 5.99 | 5.88 | 5.77 | 5.71 | 5.72 | 5.73 | 5.76 | 5.74 | 5.68 | 5.69 |
| 29 3-year | 6.25 | 5.99 | 6.10 | 5.98 | 5.84 | 5.76 | 5.74 | 5.77 | 5.79 | 5.78 | 5.69 | 5.71 |
| 30 5-year | 6.38 | 6.18 | 6.22 | 6.11 | 5.93 | 5.80 | 5.77 | 5.82 | 5.82 | 5.83 | 5.74 | 5.72 |
| 31 7-year | 6.50 | 6.34 | 6.33 | 6.20 | 6.05 | 5.90 | 5.83 | 5.88 | 5.88 | 5.89 | 5.79 | 5.75 |
| 32 10-year | 6.57 | 6.44 | 6.35 | 6.21 | 6.03 | 5.88 | 5.81 | 5.86 | 5.86 | 5.87 | 5.77 | 5.74 |
| 33 20-year | 6.95 | 6.83 | 6.69 | 6.56 | 6.38 | 6.20 | 6.07 | 6.15 | 6.12 | 6.15 | 6.04 | 5.99 |
| 34 30-year | 6.88 | 6.71 | 6.61 | 6.50 | 6.33 | 6.11 | 5.99 | 6.06 | 6.04 | 6.07 | 5.96 | 5.90 |
| *Composite* | | | | | | | | | | | | |
| 35 More than 10 years (long-term) | 6.93 | 6.80 | 6.67 | 6.54 | 6.37 | 6.18 | 6.06 | 6.14 | 6.11 | 6.13 | 6.03 | 5.98 |
| STATE AND LOCAL NOTES AND BONDS | | | | | | | | | | | | |
| *Moody's series*[14] | | | | | | | | | | | | |
| 36 Aaa | 5.80 | 5.52 | 5.32 | 5.19 | 5.19 | 5.19 | 5.03 | 5.19 | 5.09 | 5.07 | 4.98 | 4.98 |
| 37 Baa | 6.10 | 5.79 | 5.50 | 5.33 | 5.32 | 5.32 | 5.17 | 5.33 | 5.22 | 5.20 | 5.12 | 5.12 |
| 38 *Bond Buyer* series[15] | 5.95 | 5.76 | 5.52 | 5.39 | 5.38 | 5.33 | 5.19 | 5.29 | 5.25 | 5.21 | 5.17 | 5.14 |
| CORPORATE BONDS | | | | | | | | | | | | |
| 39 Seasoned issues, all industries[16] | 7.83 | 7.66 | 7.54 | 7.40 | 7.26 | 7.13 | 7.03 | 7.09 | 7.07 | 7.10 | 7.01 | 6.96 |
| *Rating group* | | | | | | | | | | | | |
| 40 Aaa | 7.59 | 7.37 | 7.27 | 7.15 | 7.00 | 6.87 | 6.76 | 6.83 | 6.81 | 6.84 | 6.74 | 6.69 |
| 41 Aa | 7.72 | 7.55 | 7.48 | 7.34 | 7.20 | 7.07[r] | 6.99 | 7.04 | 7.03 | 7.05 | 6.95 | 6.93 |
| 42 A | 7.83 | 7.69 | 7.54 | 7.39 | 7.27 | 7.15 | 7.05 | 7.11 | 7.10 | 7.12 | 7.03 | 6.99 |
| 43 Baa | 8.20 | 8.05 | 7.87 | 7.70 | 7.57 | 7.42 | 7.32 | 7.38 | 7.36 | 7.39 | 7.30 | 7.26 |
| 44 A-rated, recently offered utility bonds[17] | 7.86 | 7.77 | 7.71 | 7.58 | 7.44 | 7.24 | 7.10 | 7.20 | 7.23 | 7.07 | 7.05 | 7.05 |
| MEMO | | | | | | | | | | | | |
| *Dividend–price ratio*[18] | | | | | | | | | | | | |
| 45 Common stocks | 2.56 | 2.19 | n.a. | 1.65 | 1.61 | 1.65 | 1.62 | 1.63 | 1.59 | 1.60 | 1.61 | 1.67 |

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. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. 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.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
18. Standard & 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 | 1995 | 1996 | 1997 | 1997 Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Prices and trading volume (averages of daily figures)[1] | | | | | | | | | | | |
| *Common stock prices (indexes)* | | | | | | | | | | | | |
| 1 New York Stock Exchange (Dec. 31, 1965 = 50) | 291.18 | 357.98 | 456.99 | 401.00 | 433.36 | 457.07 | 480.94 | 482.39 | 489.74 | 499.25 | 492.14 | 504.66 |
| 2 Industrial | 367.40 | 453.57 | 574.97 | 506.69 | 549.65 | 578.57 | 610.42 | 609.54 | 617.94 | 625.22 | 615.65 | 623.57 |
| 3 Transportation | 270.14 | 327.30 | 415.08 | 366.67 | 395.50 | 410.93 | 433.75 | 439.71 | 451.63 | 466.04 | 453.56 | 461.04 |
| 4 Utility | 110.64 | 126.36 | 143.87 | 126.66 | 140.52 | 140.24 | 144.25 | 143.82 | 145.96 | 157.83 | 153.53 | 165.74 |
| 5 Finance | 238.48 | 303.94 | 424.84 | 364.25 | 392.32 | 419.12 | 441.59 | 446.93 | 459.86 | 476.70 | 465.35 | 490.30 |
| 6 Standard & Poor's Corporation (1941–43 = 10)[2] | 541.72 | 670.49 | 873.43 | 763.93 | 833.09 | 876.29 | 925.29 | 927.74 | 937.02 | 951.16 | 938.92 | 962.37 |
| 7 American Stock Exchange (Aug. 31, 1973 = 50)[3] | 498.13 | 570.86 | 628.34 | 554.13 | 584.06 | 619.94 | 635.28 | 645.59 | 678.05 | 702.43 | 674.37 | 667.89 |
| *Volume of trading (thousands of shares)* | | | | | | | | | | | | |
| 8 New York Stock Exchange | 345,729 | 409,740 | 523,254 | 473,094 | 479,907 | 516,241 | 543,006 | 506,205 | 541,204 | 606,513 | 531,449 | 541,134 |
| 9 American Stock Exchange | 20,387 | 22,567 | n.a. | 19,122 | 19,634 | 23,277 | 25,562 | 24,095 | 28,252 | 32,873 | 27,741 | 27,624 |
| | Customer financing (millions of dollars, end-of-period balances) | | | | | | | | | | | |
| 10 **Margin credit at broker–dealers**[4] | **76,680** | **97,400** | **126,090** | **98,870** | **106,010** | **113,440** | **116,190** | **119,810** | **126,050** | **128,190** | **127,330[r]** | **126,090** |
| *Free credit balances at brokers*[5] | | | | | | | | | | | | |
| 11 Margin accounts[6] | 16,250 | 22,540 | 31,410 | 22,700 | 22,050 | 23,860 | 24,290 | 23,375 | 23,630 | 26,950 | 26,735[r] | 31,410 |
| 12 Cash accounts | 34,340 | 40,430 | 52,160 | 37,560 | 39,400 | 41,840 | 43,985 | 42,960 | 43,770 | 47,465 | 45,470[r] | 52,160 |

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 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | 1997 | | | | | |
| | 1995 | 1996 | 1997 | July | Aug. | Sept. | Oct. | Nov. | Dec. |
| *U.S. budget*[1] | | | | | | | | | |
| 1 Receipts, total | 1,351,830 | 1,453,062 | 1,579,292 | 109,178 | 103,483 | 174,770 | 114,898 | 103,481 | 167,998 |
| 2 On-budget | 1,000,751 | 1,085,570 | 1,187,302 | 79,599 | 70,902 | 138,847 | 87,083 | 73,690 | 135,340 |
| 3 Off-budget | 351,079 | 367,492 | 391,990 | 29,579 | 32,581 | 35,923 | 27,815 | 29,791 | 32,658 |
| 4 Outlays, total | 1,515,729 | 1,560,512r | 1,601,235 | 134,802 | 138,672 | 124,834 | 150,862 | 120,830 | 154,359 |
| 5 On-budget | 1,227,065 | 1,259,608r | 1,290,609 | 107,049 | 109,810 | 91,404 | 123,863 | 91,327 | 146,647 |
| 6 Off-budget | 288,664 | 300,904r | 310,626 | 27,753 | 28,862 | 33,429 | 26,999 | 29,504 | 7,712 |
| 7 Surplus or deficit (−), total | −163,899 | −107,450r | −21,943 | −25,624 | −35,189 | 49,937 | −35,964 | −17,349 | 13,639 |
| 8 On-budget | −226,314 | −174,038r | −103,307 | −27,450 | −38,908 | 47,443 | −36,780 | −17,637 | −11,307 |
| 9 Off-budget | 62,415 | 66,588r | 81,364 | 1,826 | 3,719 | 2,494 | 816 | 287 | 24,946 |
| *Source of financing (total)* | | | | | | | | | |
| 10 Borrowing from the public | 171,288 | 129,712 | 38,171 | −1,408 | 30,348 | −18,318 | 6,315 | 29,108 | −1,771 |
| 11 Operating cash (decrease, or increase (−)) | −2,007 | −6,276 | 604 | 23,748 | 15,435 | −31,545 | 23,360 | 483 | −12,107 |
| 12 Other[2] | −5,382 | −15,986r | −16,832 | 3,284 | −10,594 | −74 | 6,289 | −12,242 | 239 |
| MEMO | | | | | | | | | |
| 13 Treasury operating balance (level, end of period) | 37,949 | 44,225 | 43,621 | 27,511 | 12,076 | 43,621 | 20,261 | 19,778 | 31,885 |
| 14 Federal Reserve Banks | 8,620 | 7,700 | 7,692 | 5,014 | 4,700 | 7,692 | 4,616 | 5,127 | 5,444 |
| 15 Tax and loan accounts | 29,329 | 36,525 | 35,930 | 22,496 | 7,376 | 35,930 | 15,645 | 14,651 | 26,441 |

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 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1996 | 1997 | 1996 | | 1997 | | 1997 | | |
| | | | H1 | H2 | H1 | H2 | Oct. | Nov. | Dec. |
| RECEIPTS | | | | | | | | | |
| 1 **All sources** | **1,453,062** | **1,579,292** | **767,099** | **707,551** | **845,527[r]** | **773,808** | **114,898** | **103,481** | **167,998** |
| 2 Individual income taxes, net | 656,417 | 737,466 | 347,285 | 323,884 | 400,435 | 354,072 | 60,680 | 46,596 | 69,060 |
| 3 Withheld | 533,080 | 580,207 | 264,177 | 279,988 | 292,252 | 306,865 | 55,270 | 47,581 | 64,604 |
| 4 Nonwithheld | 212,168 | 250,753 | 162,782 | 53,491 | 191,050 | 58,069 | 6,299 | 2,053 | 5,240 |
| 5 Refunds | 88,897 | 93,560 | 79,735 | 9,604 | 82,926 | 10,869 | 889 | 3,040 | 784 |
| Corporation income taxes | | | | | | | | | |
| 6 Gross receipts | 189,055 | 204,493 | 96,480 | 95,364 | 106,451 | 104,659 | 6,357 | 4,900 | 44,973 |
| 7 Refunds | 17,231 | 22,198 | 9,704 | 10,053 | 9,635 | 10,135 | 3,103 | 987 | 936 |
| 8 Social insurance taxes and contributions, net | 509,414 | 539,371 | 277,767 | 240,326 | 288,251 | 260,795 | 38,784 | 42,488 | 45,149 |
| 9 Employment taxes and contributions[2] | 476,361 | 506,751 | 257,446 | 227,777 | 268,357 | 247,794 | 36,928 | 39,629 | 44,297 |
| 10 Unemployment insurance | 28,584 | 28,202 | 18,068 | 10,302 | 17,709 | 10,724 | 1,443 | 2,526 | 425 |
| 11 Other net receipts[3] | 4,469 | 4,418 | 2,254 | 2,245 | 2,184 | 2,280 | 414 | 334 | 427 |
| 12 Excise taxes | 54,014 | 56,924 | 25,682 | 27,016 | 28,084 | 31,132 | 5,082 | 5,202[r] | 5,167 |
| 13 Customs deposits | 18,670 | 17,928 | 8,731 | 9,294 | 8,619 | 9,679 | 1,802 | 1,323[r] | 1,416 |
| 14 Estate and gift taxes | 17,189 | 19,845 | 8,775 | 8,835 | 10,477 | 10,262 | 2,198 | 1,510 | 1,498 |
| 15 Miscellaneous receipts[4] | 25,534 | 25,465 | 12,087 | 12,888 | 12,841[r] | 13,345 | 3,097 | 2,450 | 1,671 |
| OUTLAYS | | | | | | | | | |
| 16 **All types** | **1,560,512[r]** | **1,601,235** | **785,368** | **800,184** | **797,418** | **824,359** | **150,862** | **120,830** | **154,359** |
| 17 National defense | 265,748 | 270,473 | 132,599 | 138,702 | 131,500 | 139,480 | 26,374 | 17,883 | 26,944 |
| 18 International affairs | 13,496 | 15,228 | 8,076 | 8,596 | 5,779 | 9,518 | 724 | 955 | 4,534 |
| 19 General science, space, and technology | 16,709 | 17,174 | 8,897 | 8,260 | 8,939 | 10,040 | 1,586 | 1,606 | 1,899 |
| 20 Energy | 2,844[r] | 1,483 | 1,356 | 703[r] | 801 | 386 | −163 | −68 | −267 |
| 21 Natural resources and environment | 21,614 | 21,369 | 10,254 | 10,310 | 9,688 | 11,199 | 1,710 | 1,566 | 2,388 |
| 22 Agriculture | 9,159 | 9,032 | 73 | 10,977 | 1,433 | 10,542 | 2,983 | 1,425 | 2,846 |
| 23 Commerce and housing credit | −10,472[r] | −14,624 | −6,885 | −5,899 | −7,575 | −3,526 | −253 | −714 | −1,144 |
| 24 Transportation | 39,565 | 40,767 | 18,290 | 22,211 | 18,046 | 21,823 | 3,913 | 3,014 | 3,681 |
| 25 Community and regional development | 10,685 | 11,005 | 5,245 | 5,498[r] | 5,699 | 5,712 | 1,014 | 916 | 843 |
| 26 Education, training, employment, and social services | 52,001 | 53,008 | 25,979 | 27,549 | 25,227 | 26,895 | 4,289 | 4,517 | 4,688 |
| 27 Health | 119,378 | 123,843 | 59,989 | 61,595 | 61,808 | 63,552 | 11,905 | 9,870 | 11,159 |
| 28 Social security and Medicare | 523,901 | 555,273 | 264,647 | 269,412 | 278,817 | 283,109 | 49,471 | 42,864 | 50,500 |
| 29 Income security | 225,989 | 230,886 | 121,186 | 107,602 | 123,874 | 106,295 | 20,292 | 14,694 | 19,951 |
| 30 Veterans benefits and services | 36,985 | 39,313 | 18,140 | 21,109 | 17,697 | 22,077 | 5,234 | 1,864 | 4,931 |
| 31 Administration of justice | 17,548 | 20,197 | 9,015 | 9,583 | 10,643 | 10,196 | 1,584 | 1,747 | 2,051 |
| 32 General government | 11,892 | 12,768 | 4,641 | 6,546 | 6,574 | 7,230 | 1,460 | 713 | 2,504 |
| 33 Net interest[5] | 241,090 | 244,013 | 120,576 | 122,573[r] | 122,701 | 122,620 | 21,805 | 20,592 | 20,480 |
| 34 Undistributed offsetting receipts[6] | −37,620 | −49,973 | −16,716 | −25,142 | −24,234 | −22,795 | −3,067 | −2,613 | −3,629 |

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 1999*; 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 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| 1 **Federal debt outstanding** | **5,017** | **5,153** | **5,197** | **5,260** | **5,357** | **5,415** | **5,410** | **5,446** | **5,536** |
| 2 Public debt securities | 4,989 | 5,118 | 5,161 | 5,225 | 5,323 | 5,381 | 5,376 | 5,413 | 5,502 |
| 3 Held by public | 3,684 | 3,764 | 3,739 | 3,778 | 3,826 | 3,874 | 3,805 | 3,815 | n.a. |
| 4 Held by agencies | 1,305 | 1,354 | 1,422 | 1,447 | 1,497 | 1,507 | 1,572 | 1,599 | n.a. |
| 5 Agency securities | 28 | 36 | 36 | 35 | 34 | 34 | 34 | 33 | 34 |
| 6 Held by public | 28 | 28 | 28 | 27 | 27 | 26 | 26 | 26 | n.a. |
| 7 Held by agencies | 0 | 8 | 8 | 8 | 8 | 8 | 7 | 7 | n.a. |
| 8 **Debt subject to statutory limit** | **4,900** | **5,030** | **5,073** | **5,137** | **5,237** | **5,294** | **5,290** | **5,328** | **5,417** |
| 9 Public debt securities | 4,900 | 5,030 | 5,073 | 5,137 | 5,237 | 5,294 | 5,290 | 5,328 | 5,416 |
| 10 Other debt[1] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MEMO | | | | | | | | | |
| 11 Statutory debt limit | 4,900 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,500 | 5,950 | 5,950 |

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 | 1994 | 1995 | 1996 | 1997 | 1997 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 |
| 1 **Total gross public debt** | **4,800.2** | **4,988.7** | **5,323.2** | **5,502.4** | **5,380.9** | **5,376.2** | **5,413.2** | **5,502.4** |
| *By type* | | | | | | | | |
| 2 Interest-bearing | 4,769.2 | 4,964.4 | 5,317.2 | 5,494.9 | 5,375.1 | 5,370.5 | 5,407.5 | 5,494.9 |
| 3 Marketable | 3,126.0 | 3,307.2 | 3,459.7 | 3,456.8 | 3,504.4 | 3,433.1 | 3,439.6 | 3,456.8 |
| 4 Bills | 733.8 | 760.7 | 777.4 | 715.4 | 785.6 | 704.1 | 701.9 | 715.4 |
| 5 Notes | 1,867.0 | 2,010.3 | 2,112.3 | 2,106.1 | 2,131.0 | 2,132.6 | 2,122.2 | 2,106.1 |
| 6 Bonds | 510.3 | 521.2 | 555.0 | 587.3 | 565.4 | 565.4 | 576.2 | 587.3 |
| 7 Inflation-indexed notes[1] | n.a. | n.a. | n.a. | 33.0 | 7.4 | 15.9 | 24.4 | 33.0 |
| 8 Nonmarketable[2] | 1,643.1 | 1,657.2 | 1,857.5 | 2,038.1 | 1,870.8 | 1,937.4 | 1,967.9 | 2,038.1 |
| 9 State and local government series | 132.6 | 104.5 | 101.3 | 124.1 | 104.8 | 107.9 | 111.9 | 124.1 |
| 10 Foreign issues[3] | 42.5 | 40.8 | 37.4 | 36.2 | 36.8 | 35.4 | 34.9 | 36.2 |
| 11 Government | 42.5 | 40.8 | 47.4 | 36.2 | 36.8 | 35.4 | 34.9 | 36.2 |
| 12 Public | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 13 Savings bonds and notes | 177.8 | 181.9 | 182.4 | 181.2 | 182.6 | 182.7 | 182.7 | 181.2 |
| 14 Government account series[4] | 1,259.8 | 1,299.6 | 1,505.9 | 1,666.7 | 1,516.6 | 1,581.5 | 1,608.5 | 1,666.7 |
| 15 Non-interest-bearing | 31.0 | 24.3 | 6.0 | 7.5 | 5.8 | 5.7 | 5.6 | 7.5 |
| *By holder*[5] | | | | | | | | |
| 16 U.S. Treasury and other federal agencies and trust funds | 1,257.1 | 1,304.5 | 1,497.2 | | 1,506.8 | 1,571.6 | 1,598.5 | |
| 17 Federal Reserve Banks | 374.1 | 391.0 | 410.9 | | 405.6 | 426.4 | 436.5 | |
| 18 Private investors | 3,168.0 | 3,294.9 | 3,411.2 | | 3,451.7 | 3,361.7 | 3,388.9 | |
| 19 Commercial banks | 290.4 | 278.7 | 261.7 | | 282.3 | 265.7 | 260.0 | |
| 20 Money market funds | 67.6 | 71.5 | 91.6 | | 84.0 | 77.4 | 76.4 | |
| 21 Insurance companies | 240.1 | 241.5 | 214.1 | | 214.3 | 203.4 | 192.0 | |
| 22 Other companies | 224.5 | 228.8 | 258.5 | n.a. | 262.5 | 261.0 | 266.5 | n.a. |
| 23 State and local treasuries[6,7] | 540.2 | 421.5 | 363.7 | | 348.0 | 337.4 | 333.5 | |
| Individuals | | | | | | | | |
| 24 Savings bonds | 180.5 | 185.0 | 187.0 | | 186.5 | 186.3 | 186.2 | |
| 25 Other securities | 150.7 | 162.7 | 169.6 | | 168.9 | 169.1 | 168.6 | |
| 26 Foreign and international[8] | 688.6 | 862.2 | 1,131.8 | | 1,215.4 | 1,246.9 | 1,292.4 | |
| 27 Other miscellaneous investors[7,9] | 785.5 | 843.0 | 733.2 | | 689.8 | 614.5 | 613.3 | |

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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sept. | Oct. | Nov. | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 | Dec. 31 |
| OUTRIGHT TRANSACTIONS[2] | | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | | |
| 1 U.S. Treasury bills | 40,266 | 41,086 | 43,506 | 48,825 | 49,707 | 38,000 | 42,517 | 35,218 | 51,698 | 38,376 | 33,558 | 29,390 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 2 Five years or less | 110,548 | 132,174 | 118,847 | 143,998 | 109,318 | 110,315 | 125,279 | 92,007 | 118,669 | 110,937 | 89,852 | 59,127 |
| 3 More than five years | 59,117 | 76,423 | 68,164 | 80,999 | 67,150 | 71,891 | 61,156 | 50,120 | 66,089 | 70,503 | 49,970 | 30,326 |
| 4 Federal agency | 40,258 | 43,579 | 48,097 | 45,826 | 43,208 | 57,668 | 44,605 | 44,065 | 44,867 | 44,552 | 42,630 | 38,475 |
| 5 Mortgage-backed | 48,520 | 58,174 | 63,657 | 64,854 | 85,206 | 62,243 | 48,623 | 56,118 | 75,721 | 42,624 | 33,167 | 17,590 |
| *By type of counterparty* | | | | | | | | | | | | |
| With interdealer broker | | | | | | | | | | | | |
| 6 U.S. Treasury | 120,687 | 145,596 | 132,153 | 155,495 | 127,443 | 128,119 | 133,112 | 96,334 | 137,469 | 129,162 | 100,678 | 59,126 |
| 7 Federal agency | 1,513 | 1,377 | 1,250 | 1,625 | 1,020 | 1,263 | 1,258 | 934 | 1,775 | 1,245 | 995 | 567 |
| 8 Mortgage-backed | 15,920 | 18,087 | 19,089 | 20,562 | 21,777 | 21,433 | 14,180 | 16,743 | 20,960 | 13,815 | 10,781 | 6,110 |
| With other | | | | | | | | | | | | |
| 9 U.S. Treasury | 89,244 | 104,088 | 98,365 | 118,328 | 98,732 | 92,088 | 95,841 | 81,011 | 98,986 | 90,654 | 72,701 | 59,717 |
| 10 Federal agency | 38,745 | 42,202 | 46,847 | 44,201 | 42,188 | 56,405 | 43,347 | 43,131 | 43,092 | 43,307 | 41,635 | 37,908 |
| 11 Mortgage-backed | 32,600 | 40,088 | 44,569 | 44,293 | 63,429 | 40,810 | 34,443 | 39,375 | 54,761 | 28,809 | 22,386 | 11,480 |
| FUTURES TRANSACTIONS[3] | | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | | |
| 12 U.S. Treasury bills | 291 | 228 | 262 | 398 | 378 | 235 | 90 | 390 | 314 | 380 | 570 | 352 |
| Coupon securities, by maturity | | | | | | | | | | | | |
| 13 Five years or less | 2,393 | 1,848 | 2,040[r] | 1,829[r] | 1,477 | 1,655 | 3,012 | 1,995 | 4,056 | 2,792 | 1,929 | 1,446 |
| 14 More than five years | 16,903 | 21,358 | 16,937 | 18,687 | 16,547 | 17,078 | 17,300 | 10,718 | 16,278 | 18,919 | 12,655 | 5,743 |
| 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 | 1,768 | 2,274[r] | 1,674 | 1,239 | 1,753 | 1,815 | 1,673 | 1,955 | 2,077 | 2,663 | 1,631 | 640 |
| 19 More than five years | 5,063 | 6,825 | 6,346 | 4,932 | 6,641 | 9,182 | 4,596 | 3,974 | 6,020 | 4,646 | 4,714 | 2,468 |
| 20 Federal agency | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 21 Mortgage-backed | 898 | 614 | 549 | 1,109 | 461 | 533 | 364 | 233 | 1,450 | 847 | 270 | 90 |

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 to be 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sept. | Oct. | Nov. | Nov. 5 | Nov. 12 | Nov. 19 | Nov. 26 | Dec. 3 | Dec. 10 | Dec. 17 | Dec. 24 |
| | Positions[2] | | | | | | | | | | |
| NET OUTRIGHT POSITIONS[3] | | | | | | | | | | | |
| *By type of security* | | | | | | | | | | | |
| 1 U.S. Treasury bills | 1,089 | 6,161 | 18,776 | 16,196 | 15,222 | 14,518 | 26,221 | 22,644 | 24,485 | 19,132 | 18,900 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 2 Five years or less | −35,923 | −31,681 | −17,008 | −9,799 | −20,398 | −23,948 | −12,147 | −16,446 | −26,456 | −26,116 | −15,154 |
| 3 More than five years | −15,703 | −21,634 | −18,763 | −22,406 | −21,048 | −16,801 | −18,187 | −14,649 | −18,580 | −16,942 | −15,934 |
| 4 Federal agency | 32,961 | 34,843 | 28,049 | 28,125 | 26,904 | 28,932 | 28,481 | 27,660 | 30,840 | 28,165 | 28,239 |
| 5 Mortgage-backed | 37,016 | 37,762 | 37,409 | 33,301 | 39,656 | 43,535 | 32,657 | 36,210 | 46,019 | 48,908 | 42,492 |
| NET FUTURES POSITIONS[4] | | | | | | | | | | | |
| *By type of deliverable security* | | | | | | | | | | | |
| 6 U.S. Treasury bills | −626 | −1,334 | −3,141 | −3,188 | −3,239 | −3,351 | −3,470 | −1,965 | −2,625 | −2,293 | −2,708 |
| Coupon securities, by maturity | | | | | | | | | | | |
| 7 Five years or less | 5,650 | 3,079 | 2,358 | 2,948 | 2,892 | 2,544 | 1,164 | 2,448 | 6,764 | 5,049 | 1,225 |
| 8 More than five years | −22,372 | −22,760 | −20,650 | −20,579 | −17,632 | −21,998 | −21,218 | −22,670 | −20,736 | −28,707 | −31,858 |
| 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 | 2,024r | 2,573r | 2,234 | 2,995 | 2,516 | 2,611 | 1,685 | 1,087 | 215 | −1,193 | −1,289 |
| 13 More than five years | 5,368 | 4,444 | 3,838 | 5,087 | 5,695 | 2,743 | 2,089 | 4,004 | 2,188 | 4,064 | 3,486 |
| 14 Federal agency | 0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| 15 Mortgage-backed | 361 | 369 | 74 | 442 | 3 | −29 | −418 | 782 | 811 | 725 | 976 |
| | Financing[5] | | | | | | | | | | |
| *Reverse repurchase agreements* | | | | | | | | | | | |
| 16 Overnight and continuing | 303,186 | 323,078 | 328,976 | 342,255 | 314,346 | 364,330 | 292,947 | 339,159 | 313,568 | 322,159 | 260,415 |
| 17 Term | 619,579 | 713,746 | 688,464 | 759,225 | 791,196 | 604,595 | 659,037 | 618,503 | 670,168 | 672,927 | 719,458 |
| *Securities borrowed* | | | | | | | | | | | |
| 18 Overnight and continuing | 203,445 | 209,087 | 201,701 | 201,157 | 203,172 | 212,921 | 190,806 | 199,239 | 200,910 | 198,031 | 193,859 |
| 19 Term | 92,992 | 96,609 | 94,469 | 95,513 | 98,066 | 93,321 | 94,686 | 88,500 | 92,201 | 94,742 | 100,459 |
| *Securities received as pledge* | | | | | | | | | | | |
| 20 Overnight and continuing | 6,934 | 7,407 | 6,306 | 6,741 | 6,296 | 6,020 | 6,188 | 6,487 | 5,954 | 5,941 | 5,797 |
| 21 Term | 78 | 88 | 99 | 94 | 93 | 107 | 102 | n.a. | n.a. | 286 | n.a. |
| *Repurchase agreements* | | | | | | | | | | | |
| 22 Overnight and continuing | 647,675 | 685,099 | 679,506 | 705,779 | 692,864 | 723,091 | 592,189 | 699,819 | 688,769 | 704,310 | 579,768 |
| 23 Term | 540,310 | 642,512 | 629,143 | 692,756 | 712,372 | 548,386 | 633,015 | 538,525 | 578,842 | 581,607 | 678,507 |
| *Securities loaned* | | | | | | | | | | | |
| 24 Overnight and continuing | 6,673 | 7,546 | 7,759 | 7,726 | 7,338 | 8,283 | 7,404 | 8,240 | 8,328 | 8,197 | 7,612 |
| 25 Term | 3,314 | 3,365 | 3,828 | 3,215 | 3,328 | 3,488 | 4,966 | 4,069 | 3,939 | 3,667 | 4,736 |
| *Securities pledged* | | | | | | | | | | | |
| 26 Overnight and continuing | 54,253 | 51,116 | 50,941 | 49,520 | 48,917 | 53,410 | 51,949 | 50,174 | 48,791 | 50,042 | 51,718 |
| 27 Term | 5,818 | 4,190 | 2,741 | 3,509 | 3,470 | 1,964 | 2,534 | 2,230 | 2,759 | 3,649 | 3,473 |
| *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 | 13,724 | 15,354 | 14,645 | 13,373 | 12,382 | 15,153 | 14,049 | 20,350 | 13,573 | 12,117 | 16,544 |
| MEMO: Matched book[6] | | | | | | | | | | | |
| *Securities in* | | | | | | | | | | | |
| 31 Overnight and continuing | 276,476 | 303,512 | 300,635 | 314,872 | 289,275 | 324,363 | 271,743 | 311,754 | 292,408 | 297,079 | 247,980 |
| 32 Term | 602,147 | 686,424 | 662,654 | 730,684 | 760,316 | 582,528 | 633,231 | 598,418 | 640,338 | 647,472 | 685,181 |
| *Securities out* | | | | | | | | | | | |
| 33 Overnight and continuing | 382,054 | 396,064 | 386,203 | 401,398 | 392,806 | 402,484 | 343,459 | 401,962 | 398,670 | 397,406 | 331,509 |
| 34 Term | 462,807 | 552,735 | 544,801 | 602,116 | 628,303 | 475,738 | 534,607 | 465,730 | 497,699 | 501,630 | 557,276 |

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

2. Securities positions are reported at market value.

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

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

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

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

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

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

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

## 1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

| Agency | 1993 | 1994 | 1995 | 1996 | 1997 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | June | July | Aug. | Sept. | Oct. |
| 1 **Federal and federally sponsored agencies** | **570,711** | **738,928** | **844,611** | **925,823** | **972,731** | **977,877** | **980,501** | **983,599** | **1,003,177** |
| 2 Federal agencies | 45,193 | 39,186 | 37,347 | 29,380 | 27,646 | 27,738 | 27,484 | 27,392 | 27,356 |
| 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 | 1,357 | 1,326 | 1,326 | 1,326 | 1,295 |
| 5 Federal Housing Administration[4] | 255 | 116 | 97 | 84 | 37 | 43 | 46 | 68 | 68 |
| 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. | 0 |
| 7 Postal Service[6] | 9,732 | 8,073 | 5,765 | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| 8 Tennessee Valley Authority | 29,885 | 27,536 | 29,429 | 27,853 | 27,640 | 27,732 | 27,478 | 27,386 | 27,350 |
| 9 United States Railway Association[6] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| 10 Federally sponsored agencies[7] | 523,452 | 699,742 | 807,264 | 896,443 | 945,085 | 950,139 | 953,017 | 956,207 | 975,821 |
| 11 Federal Home Loan Banks | 139,512 | 205,817 | 243,194 | 263,404 | 290,028 | 291,931 | 292,174 | 295,212 | 302,310 |
| 12 Federal Home Loan Mortgage Corporation | 49,993 | 93,279 | 119,961 | 156,980 | 161,900 | 161,476 | 165,690 | 160,050 | 172,433 |
| 13 Federal National Mortgage Association | 201,112 | 257,230 | 299,174 | 331,270 | 345,462 | 348,599 | 348,115 | 358,003 | 356,149 |
| 14 Farm Credit Banks[8] | 53,123 | 53,175 | 57,379 | 60,053 | 62,075 | 61,874 | 61,091 | 61,612 | 61,093 |
| 15 Student Loan Marketing Association[9] | 39,784 | 50,335 | 47,529 | 44,763 | 44,841 | 45,536 | 45,211 | 40,531 | 43,000 |
| 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** | **50,962** | **50,119** | **48,625** | **49,944** | **48,698** |
| *Lending to federal and federally sponsored agencies* | | | | | | | | | |
| 20 Export-Import Bank[3] | 5,309 | 3,449 | 2,044 | 1,431 | 1,357 | 1,326 | 1,326 | 1,326 | 1,295 |
| 21 Postal Service[6] | 9,732 | 8,073 | 5,765 | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| 22 Student Loan Marketing Association | 4,760 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| 23 Tennessee Valley Authority | 6,325 | 3,200 | 3,200 | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| 24 United States Railway Association[6] | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 0 |
| *Other lending*[14] | | | | | | | | | |
| 25 Farmers Home Administration | 38,619 | 33,719 | 21,015 | 18,325 | 15,455 | 18,700 | 14,300 | 13,895 | 13,530 |
| 26 Rural Electrification Administration | 17,578 | 17,392 | 17,144 | 16,702 | 15,679 | 15,564 | 15,568 | 14,917 | 14,819 |
| 27 Other | 45,864 | 37,984 | 29,513 | 21,714 | 18,471 | 14,529 | 17,431 | 19,716 | 19,054 |

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 | 1997 May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **All issues, new and refunding**[1] | **153,950** | **145,657** | **171,222** | **15,447** | **19,376** | **16,740** | **16,580** | **21,499**[r] | **21,898**[r] | **20,207**[r] | **21,342** |
| *By type of issue* | | | | | | | | | | | |
| 2 General obligation | 54,404 | 56,980 | 60,409 | 5,741 | 6,145 | 7,679 | 5,062 | 3,590 | 7,837 | 5,713 | 8,005 |
| 3 Revenue | 99,546 | 88,677 | 110,813 | 9,706 | 13,231 | 9,061 | 11,518 | 17,909[r] | 14,061[r] | 14,494[r] | 13,337 |
| *By type of issuer* | | | | | | | | | | | |
| 4 State | 19,186 | 14,665 | 13,651 | 1,219 | 1,197 | 1,984 | 1,352 | 1,278 | 2,392 | 509 | 1,702 |
| 5 Special district or statutory authority[2] | 95,896 | 93,500 | 113,228 | 9,666 | 13,810 | 10,715 | 10,480 | 14,890 | 13,195 | 13,586[r] | 15,600 |
| 6 Municipality, county, or township | 38,868 | 37,492 | 44,343 | 4,562 | 4,369 | 4,041 | 4,803 | 16,592[r] | 13,920[r] | 5,920[r] | 4,098 |
| 7 **Issues for new capital** | **105,972** | **102,390** | **112,298** | **10,507** | **14,536** | **9,279** | **8,915** | **10,158**[r] | **12,981**[r] | **12,979**[r] | **13,487** |
| *By use of proceeds* | | | | | | | | | | | |
| 8 Education | 21,267 | 23,964 | 26,851 | 2,844 | 3,498 | 2,701 | 2,781 | 1,943 | 2,647 | 2,973 | 2,981 |
| 9 Transportation | 10,836 | 11,890 | 12,324 | 1,225 | 638 | 666 | 1,276 | 2,654 | 1,215 | 1,420 | 1,144 |
| 10 Utilities and conservation | 10,192 | 9,618 | 9,791 | 1,608 | 1,615 | 1,182 | 576 | 907 | 1,402 | 1,217 | 683 |
| 11 Social welfare | 20,289 | 19,566 | 24,583 | 1,291 | 4,438 | 1,789 | 1,481 | 2,305 | 2,341 | 4,090 | 2,940 |
| 12 Industrial aid | 8,161 | 6,581 | 6,287 | 462 | 637 | 334 | 799 | 441 | 729 | 574 | 897 |
| 13 Other purposes | 35,227 | 30,771 | 32,462 | 3,077 | 3,710 | 2,607 | 2,024 | 1,908[r] | 4,642[r] | 2,705[r] | 4,842 |

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 | 1997 Apr. | May | June | July | Aug. | Sept. | Oct.[r] | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **All issues**[1] | **583,240** | **673,779** | n.a. | **43,956** | **54,750** | **83,890** | **67,305** | **52,117**[r] | **84,781**[r] | **71,169** | **58,351** |
| 2 **Bonds**[2] | **498,039** | **573,206** | n.a. | **37,672** | **46,738** | **72,638** | **57,886** | **46,576**[r] | **75,216**[r] | **58,116** | **46,544** |
| *By type of offering* | | | | | | | | | | | |
| 3 Public, domestic | 365,222 | 408,804 | 386,280 | 29,797 | 38,594 | 60,979 | 46,415 | 40,840[r] | 60,276[r] | 46,987 | 42,969 |
| 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 | 7,875 | 8,144 | 11,660 | 11,471 | 5,736[r] | 14,941 | 11,199 | 3,574 |
| *By industry group* | | | | | | | | | | | |
| 6 Manufacturing | 43,423 | 61,070 | 41,959 | 2,276 | 2,355 | 3,748 | 8,480 | 5,087[r] | 3,534 | 4,668 | 2,152 |
| 7 Commercial and miscellaneous | 40,735 | 50,689 | 34,076 | 6,201 | 2,104 | 2,771 | 4,466 | 3,196[r] | 4,330[r] | 7,982 | 1,166 |
| 8 Transportation | 6,867 | 8,430 | 5,111 | 257 | 6,566 | 424 | 544 | 406 | 296 | 1,322 | 299 |
| 9 Public utility | 13,322 | 13,751 | 8,161 | 47 | 653 | 1,377 | 3,674 | 1,407 | 1,357 | 1,664 | 1,590 |
| 10 Communication | 13,340 | 22,999 | 13,320 | 500 | 300 | 576 | 1,304 | 278 | 1,829[r] | 342 | 1,586 |
| 11 Real estate and financial | 380,352 | 416,269 | 358,446 | 28,391 | 34,761 | 63,743 | 39,419 | 36,202[r] | 63,870[r] | 42,139 | 39,750 |
| 12 **Stocks**[2] | **85,155** | **100,573** | n.a. | **6,284** | **8,012** | **11,252** | **9,419** | **5,541** | **9,565**[r] | **13,053** | **11,807** |
| *By type of offering* | | | | | | | | | | | |
| 13 Public preferred | 12,570 | 10,917 | 33,208 | 1,952 | 2,055 | 3,846 | 678 | 645 | 2,155[r] | 1,824 | 1,060 |
| 14 Common | 47,828 | 57,556 | 83,052 | 4,332 | 5,957 | 7,406 | 8,741 | 4,895 | 7,410[r] | 11,229 | 10,747 |
| 15 Private placement[3] | 24,800 | 32,100 | ↑ | n.a | n.a | n.a. | n.a | n.a. | n.a. | n.a. | n.a. |
| *By industry group* | | | | | | | | | | | |
| 16 Manufacturing | 17,798 | 21,545 | | 847 | 1,594 | 1,627 | 1,056 | 836 | 1,294[r] | 2,068[r] | 2,176[r] |
| 17 Commercial and miscellaneous | 15,713 | 27,844 | n.a. | 1,181 | 1,912 | 2,938 | 2,804 | 1,673 | 3,218[r] | 3,438[r] | 3,404[r] |
| 18 Transportation | 2,203 | 804 | | 0 | 35 | 272 | 563 | 139 | 472[r] | 197[r] | 84[r] |
| 19 Public utility | 2,214 | 1,936 | | 570 | 200 | 1,046 | 483 | 48 | 238[r] | 559[r] | 177[r] |
| 20 Communication | 494 | 1,077 | | 25 | 0 | 374 | 120 | 52 | 235[r] | 208[r] | 517[r] |
| 21 Real estate and financial | 46,733 | 47,367 | ↓ | 3,661 | 4,219 | 5,384 | 3,875 | 2,371 | 4,108[r] | 6,583 | 5,449 |

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 | 1997 May | June | July | Aug. | Sept. | Oct.[r] | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Sales of own shares**[2] | **871,415** | **1,149,918** | **103,470** | **112,318** | **125,710** | **114,358** | **116,021** | **126,824** | **110,231** | **161,993** |
| 2 Redemptions of own shares | 699,497 | 853,460 | 76,337 | 86,759 | 90,095 | 84,366 | 86,449 | 98,109 | 76,115 | 115,638 |
| 3 Net sales[3] | 171,918 | 296,458 | 27,133 | 25,559 | 35,615 | 29,992 | 29,572 | 28,715 | 34,117 | 46,355 |
| 4 **Assets**[4] | **2,067,337** | **2,637,398** | **2,952,609** | **3,067,565** | **3,279,535** | **3,199,534** | **3,386,547** | **3,300,248** | **3,375,197** | **3,430,898** |
| 5 Cash[5] | 142,572 | 139,396 | 182,004 | 180,552 | 182,122 | 180,152 | 180,159 | 181,314 | 188,192 | 176,752 |
| 6 Other | 1,924,765 | 2,498,002 | 2,770,606 | 2,887,013 | 3,097,413 | 3,019,382 | 3,206,388 | 3,118,934 | 3,187,005 | 3,254,145 |

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 Q4 | 1996 Q1 | 1996 Q2 | 1996 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Profits with inventory valuation and capital consumption adjustment | 570.5 | 650.0 | 735.9 | 685.7 | 717.7 | 738.5 | 739.6 | 747.8 | 779.6 | 795.1 | 827.3 |
| 2 Profits before taxes | 535.1 | 622.6 | 676.6 | 634.1 | 664.9 | 682.2 | 679.1 | 680.0 | 708.4 | 719.8 | 753.4 |
| 3 Profits-tax liability | 186.6 | 213.2 | 229.0 | 215.3 | 226.2 | 232.2 | 231.6 | 226.0 | 241.2 | 244.5 | 258.2 |
| 4 Profits after taxes | 348.5 | 409.4 | 447.6 | 418.8 | 438.7 | 450.0 | 447.5 | 454.0 | 467.2 | 475.3 | 495.2 |
| 5 Dividends | 216.2 | 264.4 | 304.8 | 274.4 | 300.7 | 303.7 | 305.7 | 309.1 | 326.8 | 333.0 | 339.1 |
| 6 Undistributed profits | 132.3 | 145.0 | 142.8 | 144.5 | 138.0 | 146.4 | 141.8 | 144.9 | 140.3 | 142.3 | 156.1 |
| 7 Inventory valuation | −16.1 | −24.3 | −2.5 | .4 | −5.1 | −5.4 | −2.7 | 3.3 | 3.5 | 5.9 | 3.6 |
| 8 Capital consumption adjustment | 51.4 | 51.6 | 61.8 | 51.1 | 57.9 | 61.6 | 63.2 | 64.4 | 67.7 | 69.4 | 70.3 |

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 | 1996 Q1 | 1996 Q2 | 1996 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | | |
| 1 Accounts receivable, gross[2] | 543.7 | 607.0 | 637.1 | 613.7 | 626.7 | 628.1 | 637.1 | 647.2 | 650.7 | 656.8 |
| 2 Consumer | 201.9 | 233.0 | 244.9 | 235.9 | 240.6 | 244.4 | 244.9 | 248.6 | 254.3 | 255.0 |
| 3 Business | 274.9 | 301.6 | 309.5 | 303.5 | 305.7 | 301.4 | 309.5 | 315.2 | 311.7 | 313.1 |
| 4 Real estate | 66.9 | 72.4 | 82.7 | 74.3 | 80.4 | 82.2 | 82.7 | 83.4 | 84.8 | 88.7 |
| 5 LESS: Reserves for unearned income | 52.9 | 60.7 | 55.6 | 58.9 | 57.2 | 54.8 | 55.6 | 51.3 | 57.1 | 58.0 |
| 6 Reserves for losses | 11.3 | 12.8 | 13.1 | 12.8 | 12.7 | 12.9 | 13.1 | 12.8 | 13.3 | 13.7 |
| 7 Accounts receivable, net | 479.5 | 533.5 | 568.3 | 542.0 | 556.7 | 560.5 | 568.3 | 583.1 | 580.4 | 585.1 |
| 8 All other | 216.8 | 250.9 | 290.0 | 255.0 | 258.7 | 268.7 | 290.0 | 289.9 | 307.1 | 310.5 |
| 9 **Total assets** | **696.3** | **784.4** | **858.3** | **796.9** | **815.4** | **829.2** | **858.3** | **873.0** | **887.5** | **895.6** |
| LIABILITIES AND CAPITAL | | | | | | | | | | |
| 10 Bank loans | 14.8 | 15.3 | 19.7 | 15.4 | 17.7 | 18.3 | 19.7 | 18.4 | 18.8 | 19.3 |
| 11 Commercial paper | 171.6 | 168.6 | 177.6 | 168.2 | 169.6 | 173.1 | 177.6 | 185.3 | 193.7 | 190.2 |
| *Debt* | | | | | | | | | | |
| 12 Owed to parent | 41.8 | 51.1 | 60.3 | 50.5 | 56.3 | 57.9 | 60.3 | 61.0 | 60.0 | 61.7 |
| 13 Not elsewhere classified | 247.4 | 300.0 | 332.5 | 307.5 | 319.0 | 322.3 | 332.5 | 324.4 | 345.0 | 348.5 |
| 14 All other liabilities | 146.2 | 163.6 | 174.7 | 165.6 | 163.2 | 164.8 | 174.7 | 189.1 | 171.3 | 177.2 |
| 15 Capital, surplus, and undivided profits | 74.6 | 85.9 | 93.5 | 89.7 | 89.7 | 92.8 | 93.5 | 94.8 | 98.7 | 98.7 |
| 16 **Total liabilities and capital** | **696.3** | **784.4** | **858.3** | **796.9** | **815.4** | **829.2** | **858.3** | **873.0** | **887.5** | **895.6** |

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

## 1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

| Type of credit | 1994 | 1995 | 1996 | 1997 June | 1997 July | 1997 Aug. | 1997 Sept. | 1997 Oct. | 1997 Nov. |
|---|---|---|---|---|---|---|---|---|---|
| | Seasonally adjusted | | | | | | | | |
| 1 **Total** | **607.3** | **682.4** | **762.4** | **783.7** | **789.5** | **796.9** | **801.0[r]** | **802.4[r]** | **803.0** |
| 2 Consumer | 244.4 | 281.9 | 306.6 | 321.7 | 323.3 | 322.7 | 322.6 | 324.4[r] | 322.5 |
| 3 Real estate | 66.9 | 72.4 | 111.9 | 120.1 | 121.9 | 123.4 | 120.7 | 121.9 | 122.2 |
| 4 Business | 295.9 | 328.1 | 343.8 | 342.0 | 344.3 | 350.8 | 357.7[r] | 356.1[r] | 358.3 |
| | Not seasonally adjusted | | | | | | | | |
| 5 **Total** | **613.5** | **689.5** | **769.7** | **787.7** | **783.7** | **791.4** | **797.3[r]** | **800.6[r]** | **804.2** |
| 6 Consumer | 248.0 | 285.8 | 310.6 | 321.8 | 322.2 | 322.4 | 323.3 | 324.3[r] | 324.2 |
| 7 Motor vehicles loans | 70.2 | 81.1 | 86.7 | 87.0 | 88.3 | 88.4 | 88.5 | 86.8 | 86.6 |
| 8 Motor vehicle leases | 67.5 | 80.8 | 92.5 | 98.5 | 99.3 | 98.3 | 96.1 | 96.1 | 96.8 |
| 9 Revolving[2] | 25.9 | 28.5 | 32.5 | 34.9 | 33.5 | 33.5 | 34.9 | 34.5 | 34.4 |
| 10 Other[3] | 38.4 | 42.6 | 33.2 | 34.8 | 34.7 | 35.2 | 35.0 | 35.4 | 35.4 |
| Securitized assets[4] | | | | | | | | | |
| 11 Motor vehicle loans | 32.8 | 34.8 | 36.8 | 37.8 | 38.1 | 38.3 | 39.7 | 42.7 | 41.9 |
| 12 Motor vehicle leases | 2.2 | 3.5 | 8.7 | 9.2 | 9.0 | 8.9 | 10.0 | 9.9 | 9.8 |
| 13 Revolving | n.a. | n.a. | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 14 Other | 11.2 | 14.7 | 20.1 | 19.7 | 19.4 | 19.7 | 19.0 | 18.9[r] | 19.2 |
| 15 Real estate | 66.9 | 72.4 | 111.9 | 120.1 | 121.9 | 123.4 | 120.7 | 121.9 | 122.2 |
| 16 One- to four-family | n.a. | n.a. | 52.1 | 54.5 | 57.0 | 59.1 | 56.6 | 58.5 | 59.2 |
| 17 Other | n.a. | n.a. | 30.5 | 30.3 | 30.1 | 30.1 | 29.8 | 29.7 | 29.8 |
| Securitized real estate assets[4] | | | | | | | | | |
| 18 One- to four-family | n.a. | n.a. | 28.9 | 35.0 | 34.4 | 33.9 | 34.0 | 33.5 | 33.0 |
| 19 Other | n.a. | n.a. | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 |
| 20 Business | 298.6 | 331.2 | 347.2 | 345.9 | 339.6 | 345.6 | 353.3[r] | 354.4[r] | 357.8 |
| 21 Motor vehicles | 62.0 | 66.5 | 67.1 | 70.7 | 63.6 | 65.2 | 67.4 | 61.1 | 61.6 |
| 22 Retail loans | 18.5 | 21.8 | 25.1 | 25.2 | 24.4 | 25.4 | 26.0 | 26.4 | 26.2 |
| 23 Wholesale loans[5] | 35.2 | 36.6 | 33.0 | 36.3 | 29.9 | 30.4 | 31.8 | 25.0 | 25.8 |
| 24 Leases | 8.3 | 8.0 | 9.0 | 9.3 | 9.3 | 9.4 | 9.6 | 9.7 | 9.7 |
| 25 Equipment | 8.3 | 8.0 | 9.0 | 188.8 | 191.3 | 194.9 | 199.0 | 197.5 | 197.0 |
| 26 Loans | 8.3 | 8.0 | 9.0 | 52.6 | 51.7 | 51.3 | 51.9 | 50.1 | 49.2 |
| 27 Leases | 8.3 | 8.0 | 9.0 | 136.2 | 139.6 | 143.6 | 147.1 | 147.4 | 147.8 |
| 28 Other business receivables[6] | 8.3 | 8.0 | 9.0 | 52.2 | 51.8 | 53.0 | 54.5 | 54.7 | 53.9 |
| Securitized assets[4] | | | | | | | | | |
| 29 Motor vehicles | 8.3 | 8.0 | 9.0 | 21.3 | 19.9 | 19.8 | 19.6 | 28.4 | 32.4 |
| 30 Retail loans | 8.3 | 8.0 | 9.0 | 2.5 | 2.4 | 2.3 | 2.2 | 2.1 | 2.5 |
| 31 Wholesale loans | 8.3 | 8.0 | 9.0 | 18.7 | 17.4 | 17.5 | 17.4 | 26.3 | 29.8 |
| 32 Leases | 8.3 | 8.0 | 9.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 33 Equipment | 8.3 | 8.0 | 9.0 | 10.4 | 10.6 | 10.3 | 10.1 | 10.1 | 10.3 |
| 34 Loans | 8.3 | 8.0 | 9.0 | 3.9 | 4.2 | 4.1 | 4.0 | 4.2 | 4.5 |
| 35 Leases | 8.3 | 8.0 | 9.0 | 6.5 | 6.4 | 6.2 | 6.0 | 5.8 | 5.8 |
| 36 Other business receivables[6] | 8.3 | 8.0 | 9.0 | 2.5 | 2.5 | 2.4 | 2.6[r] | 2.7[r] | 2.6 |

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

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

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

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

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

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

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

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

## 1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

| Item | 1995 | 1996 | 1997 | 1997 June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|
| | Terms and yields in primary and secondary markets | | | | | | | | | |
| PRIMARY MARKETS | | | | | | | | | | |
| *Terms*[1] | | | | | | | | | | |
| 1 Purchase price (thousands of dollars) | 175.8 | 182.4 | 180.1 | 181.4 | 181.4 | 191.2 | 190.6 | 183.4 | 184.0 | 190.7 |
| 2 Amount of loan (thousands of dollars) | 134.5 | 139.2 | 140.3 | 140.6 | 142.7 | 148.2 | 147.0 | 142.4 | 143.5 | 149.8 |
| 3 Loan-to-price ratio (percent) | 78.6 | 78.2 | 80.4 | 79.9 | 81.2 | 79.8 | 79.3 | 80.1 | 80.8 | 81.0 |
| 4 Maturity (years) | 27.7 | 27.2 | 28.2 | 28.0 | 28.7 | 28.2 | 28.3 | 28.1 | 28.6 | 28.2 |
| 5 Fees and charges (percent of loan amount)[2] | 1.21 | 1.21 | 1.02 | 1.04 | 1.05 | 1.06 | 1.12 | 0.94 | 0.95 | 0.96 |
| *Yield (percent per year)* | | | | | | | | | | |
| 6 Contract rate[1] | 7.65 | 7.56 | 7.57 | 7.79 | 7.62 | 7.42 | 7.43 | 7.39 | 7.26 | 7.25 |
| 7 Effective rate[1,3] | 7.85 | 7.77 | 7.73 | 7.95 | 7.78 | 7.59 | 7.61 | 7.54 | 7.40 | 7.40 |
| 8 Contract rate (HUD series)[4] | 8.05 | 8.03 | 7.76 | 7.82 | 7.62 | 7.67 | 7.51 | 7.48 | 7.38 | 7.25 |
| SECONDARY MARKETS | | | | | | | | | | |
| *Yield (percent per year)* | | | | | | | | | | |
| 9 FHA mortgages (Section 203)[5] | 8.18 | 8.19 | 7.89 | 8.02 | 7.61 | 8.02 | 7.52 | 7.53 | 7.51 | 7.17 |
| 10 GNMA securities[6] | 7.57 | 7.48 | 7.26 | 7.37 | 7.04 | 7.16 | 7.10 | 6.90 | 6.84 | 6.74 |
| | Activity in secondary markets | | | | | | | | | |
| FEDERAL NATIONAL MORTGAGE ASSOCIATION | | | | | | | | | | |
| *Mortgage holdings (end of period)* | | | | | | | | | | |
| 11 Total | 253,511 | 287,052 | 316,316 | 297,471 | 300,439 | 304,528 | 307,256 | 310,421 | 314,627 | 316,316 |
| 12 FHA/VA insured | 28,762 | 30,592 | 31,925 | 31,198 | 31,065 | 31,193 | 31,847 | 32,080 | 31,878 | 31,925 |
| 13 Conventional | 224,749 | 256,460 | 284,753 | 266,273 | 269,374 | 273,335 | 275,409 | 278,341 | 282,749 | 284,753 |
| 14 Mortgage transactions purchased (during period) | 56,598 | 68,618 | 70,465 | 3,594 | 6,417 | 7,606 | 6,544 | 7,619 | 8,166 | 6,692 |
| *Mortgage commitments (during period)* | | | | | | | | | | |
| 15 Issued[7] | 56,092 | 65,859 | 69,965 | 6,196 | 6,956 | 5,960 | 7,573 | 9,190 | 5,123 | 6,275 |
| 16 To sell[8] | 360 | 130 | 1,298 | 115 | 75 | 219 | 215 | 300 | 139 | 140 |
| FEDERAL HOME LOAN MORTGAGE CORPORATION | | | | | | | | | | |
| *Mortgage holdings (end of period)*[8] | | | | | | | | | | |
| 17 Total | 107,424 | 137,755 | 164,421 | 149,250 | 151,582 | 155,169 | 157,165 | 159,801 | 160,974 | 164,421 |
| 18 FHA/VA insured | 267 | 220 | 180 | 198 | 194 | 190 | 186 | 183 | 180 | 180 |
| 19 Conventional | 107,157 | 137,535 | 164,241 | 149,052 | 151,388 | 154,979 | 156,979 | 159,618 | 160,794 | 164,241 |
| *Mortgage transactions (during period)* | | | | | | | | | | |
| 20 Purchases | 98,470 | 128,566 | 121,490 | 8,884 | 8,374 | 9,917 | 10,496 | 12,648 | 11,836 | 17,045 |
| 21 Sales | 85,877 | 119,702 | 114,260 | 8,321 | 7,757 | 9,187 | 9,727 | 11,713 | 10,832 | 14,587 |
| 22 Mortgage commitments contracted (during period)[9] | 118,659 | 128,995 | 120,087 | 9,099 | 9,053 | 9,914 | 10,877 | 11,985 | 12,047 | 15,805 |

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 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3[p] |
| 1 **All holders** | **4,261,163** | **4,462,828** | **4,691,824** | **4,940,719** | **5,022,464** | **5,080,733** | **5,168,350** | **5,259,875** |
| *By type of property* | | | | | | | | |
| 2 One- to four-family residences | 3,225,399 | 3,424,395 | 3,616,807 | 3,792,994 | 3,851,163 | 3,899,042 | 3,960,438 | 4,027,379 |
| 3 Multifamily residences | 270,005 | 274,922 | 287,238 | 304,532 | 312,418 | 315,091 | 321,145 | 327,203 |
| 4 Nonfarm, nonresidential | 685,021 | 680,540 | 703,218 | 756,462 | 771,749 | 778,947 | 798,089 | 815,534 |
| 5 Farm | 80,739 | 82,971 | 84,561 | 86,732 | 87,134 | 87,653 | 88,679 | 89,759 |
| *By type of holder* | | | | | | | | |
| 6 Major financial institutions | 1,763,410 | 1,811,018 | 1,884,714 | 1,945,088 | 1,968,859 | 1,982,764 | 2,023,400 | 2,055,789 |
| 7 Commercial banks[2] | 940,603 | 1,003,923 | 1,080,483 | 1,112,914 | 1,135,133 | 1,149,854 | 1,186,264 | 1,216,606 |
| 8 One- to four-family | 556,660 | 611,092 | 663,715 | 678,565 | 692,180 | 702,616 | 727,217 | 745,458 |
| 9 Multifamily | 38,657 | 39,346 | 43,837 | 46,410 | 46,676 | 47,618 | 48,752 | 49,231 |
| 10 Nonfarm, nonresidential | 324,420 | 330,934 | 349,101 | 363,124 | 371,394 | 374,377 | 384,234 | 395,116 |
| 11 Farm | 20,866 | 22,551 | 23,830 | 24,815 | 24,883 | 25,242 | 26,061 | 26,800 |
| 12 Savings institutions[3] | 598,435 | 596,191 | 596,763 | 628,037 | 628,335 | 626,381 | 629,059 | 629,757 |
| 13 One- to four-family | 470,000 | 477,626 | 482,353 | 513,794 | 513,712 | 513,393 | 516,713 | 518,409 |
| 14 Multifamily | 67,366 | 64,343 | 61,987 | 61,308 | 61,570 | 60,645 | 60,102 | 60,370 |
| 15 Nonfarm, nonresidential | 60,764 | 53,933 | 52,135 | 52,614 | 52,723 | 52,007 | 51,906 | 50,634 |
| 16 Farm | 305 | 289 | 288 | 320 | 331 | 336 | 338 | 344 |
| 17 Life insurance companies | 224,372 | 210,904 | 207,468 | 204,138 | 205,390 | 206,529 | 208,077 | 209,426 |
| 18 One- to four-family | 8,593 | 7,018 | 7,316 | 6,190 | 6,772 | 6,799 | 6,842 | 7,080 |
| 19 Multifamily | 25,376 | 23,902 | 23,435 | 23,155 | 23,197 | 23,320 | 23,499 | 23,615 |
| 20 Nonfarm, nonresidential | 180,934 | 170,421 | 167,095 | 165,096 | 165,399 | 166,277 | 167,548 | 168,374 |
| 21 Farm | 9,469 | 9,563 | 9,622 | 9,697 | 10,022 | 10,133 | 10,188 | 10,358 |
| 22 Federal and related agencies | 326,040 | 315,580 | 306,774 | 302,793 | 300,935 | 295,203 | 292,966 | 290,786 |
| 23 Government National Mortgage Association | 22 | 6 | 2 | 2 | 2 | 6 | 7 | 7 |
| 24 One- to four-family | 15 | 6 | 2 | 2 | 2 | 6 | 7 | 7 |
| 25 Multifamily | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 26 Farmers Home Administration[4] | 41,386 | 41,781 | 41,791 | 41,575 | 41,596 | 41,485 | 41,400 | 41,332 |
| 27 One- to four-family | 18,030 | 18,098 | 17,705 | 17,374 | 17,303 | 17,175 | 17,239 | 17,458 |
| 28 Multifamily | 10,940 | 11,319 | 11,617 | 11,652 | 11,685 | 11,692 | 11,706 | 11,713 |
| 29 Nonfarm, nonresidential | 5,406 | 5,670 | 6,248 | 6,681 | 6,841 | 6,969 | 7,135 | 7,246 |
| 30 Farm | 7,012 | 6,694 | 6,221 | 5,869 | 5,768 | 5,649 | 5,321 | 4,916 |
| 31 Federal Housing and Veterans' Administrations | 12,215 | 10,964 | 9,809 | 6,627 | 6,244 | 4,330 | 4,200 | 2,839 |
| 32 One- to four-family | 5,364 | 4,753 | 5,180 | 3,190 | 3,524 | 2,335 | 2,299 | 843 |
| 33 Multifamily | 6,851 | 6,211 | 4,629 | 3,438 | 2,719 | 1,995 | 1,900 | 1,996 |
| 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 | 4,025 | 2,431 | 2,217 | 1,816 | 1,476 |
| 40 One- to four-family | 2,367 | 1,049 | 492 | 675 | 365 | 333 | 272 | 221 |
| 41 Multifamily | 1,426 | 1,595 | 428 | 766 | 413 | 377 | 309 | 251 |
| 42 Nonfarm, nonresidential | 10,319 | 5,177 | 3,383 | 2,584 | 1,653 | 1,508 | 1,235 | 1,004 |
| 43 Farm | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 44 Federal National Mortgage Association | 165,668 | 174,312 | 176,824 | 175,472 | 174,556 | 172,829 | 170,386 | 168,457 |
| 45 One- to four-family | 150,698 | 158,766 | 161,665 | 161,072 | 160,751 | 159,634 | 157,729 | 156,362 |
| 46 Multifamily | 14,970 | 15,546 | 15,159 | 14,400 | 13,805 | 13,195 | 12,657 | 12,095 |
| 47 Federal Land Banks | 28,460 | 28,555 | 28,428 | 29,579 | 29,602 | 29,668 | 29,963 | 30,346 |
| 48 One- to four-family | 1,675 | 1,671 | 1,673 | 1,740 | 1,742 | 1,746 | 1,763 | 1,786 |
| 49 Farm | 26,785 | 26,885 | 26,755 | 27,839 | 27,860 | 27,922 | 28,200 | 28,560 |
| 50 Federal Home Loan Mortgage Corporation | 46,892 | 41,712 | 43,753 | 45,513 | 46,504 | 44,668 | 45,194 | 46,329 |
| 51 One- to four-family | 44,345 | 38,882 | 39,901 | 41,149 | 41,758 | 39,640 | 40,092 | 40,953 |
| 52 Multifamily | 2,547 | 2,830 | 3,852 | 4,364 | 4,746 | 5,028 | 5,102 | 5,376 |
| 53 Mortgage pools or trusts[5] | 1,570,691 | 1,726,365 | 1,861,489 | 2,008,356 | 2,056,276 | 2,099,504 | 2,134,312 | 2,178,530 |
| 54 Government National Mortgage Association | 414,066 | 450,934 | 472,283 | 497,018 | 506,340 | 513,471 | 520,938 | 529,867 |
| 55 One- to four-family | 404,864 | 441,198 | 461,438 | 485,073 | 494,158 | 500,591 | 507,618 | 516,217 |
| 56 Multifamily | 9,202 | 9,736 | 10,845 | 11,945 | 12,182 | 12,880 | 13,320 | 13,650 |
| 57 Federal Home Loan Mortgage Corporation | 447,147 | 490,851 | 515,051 | 545,608 | 554,260 | 562,894 | 567,187 | 569,920 |
| 58 One- to four-family | 442,612 | 487,725 | 512,238 | 543,341 | 551,513 | 560,369 | 564,445 | 567,340 |
| 59 Multifamily | 4,535 | 3,126 | 2,813 | 2,267 | 2,747 | 2,525 | 2,742 | 2,580 |
| 60 Federal National Mortgage Association | 495,525 | 530,343 | 582,959 | 636,362 | 650,780 | 663,668 | 673,931 | 690,919 |
| 61 One- to four-family | 486,804 | 520,763 | 569,724 | 619,869 | 633,210 | 645,324 | 654,826 | 670,677 |
| 62 Multifamily | 8,721 | 9,580 | 13,235 | 16,493 | 17,570 | 18,344 | 19,105 | 20,242 |
| 63 Farmers Home Administration[4] | 28 | 19 | 11 | 7 | 3 | 3 | 2 | 2 |
| 64 One- to four-family | 5 | 3 | 2 | 0 | 0 | 0 | 0 | 0 |
| 65 Multifamily | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 66 Nonfarm, nonresidential | 13 | 9 | 5 | 4 | 0 | 0 | 0 | 0 |
| 67 Farm | 10 | 7 | 4 | 3 | 3 | 3 | 2 | 2 |
| 68 Private mortgage conduits | 213,925 | 254,218 | 291,185 | 329,360 | 344,894 | 359,468 | 372,253 | 387,822 |
| 69 One- to four-family[6] | 179,755 | 202,519 | 222,526 | 244,884 | 247,740 | 256,834 | 259,950 | 267,000 |
| 70 Multifamily | 8,701 | 14,925 | 21,279 | 28,141 | 33,689 | 35,607 | 38,992 | 41,973 |
| 71 Nonfarm, nonresidential | 25,469 | 36,774 | 47,380 | 56,336 | 63,464 | 67,027 | 73,312 | 78,849 |
| 72 Farm | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 73 Individuals and others[7] | 601,023 | 609,865 | 638,848 | 684,481 | 696,395 | 703,262 | 717,672 | 734,769 |
| 74 One- to four-family | 446,408 | 448,027 | 470,187 | 476,075 | 486,433 | 492,248 | 503,426 | 517,568 |
| 75 Multifamily | 65,380 | 69,602 | 73,474 | 80,193 | 81,419 | 81,864 | 82,959 | 84,111 |
| 76 Nonfarm, nonresidential | 72,943 | 75,253 | 77,345 | 110,023 | 110,275 | 110,782 | 112,720 | 114,312 |
| 77 Farm | 16,292 | 16,983 | 17,841 | 18,190 | 18,268 | 18,368 | 18,568 | 18,778 |

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

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

## 1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

| Holder and type of credit | 1994 | 1995 | 1996 | 1997 | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | June | July | Aug. | Sept | Oct.[r] | Nov. |
| | Seasonally adjusted | | | | | | | | |
| 1 **Total** | **959,748** | **1,094,197** | **1,179,892** | **1,211,741** | **1,216,066[r]** | **1,222,150[r]** | **1,223,776[r]** | **1,235,179** | **1,230,966** |
| 2 Automobile | 327,863 | 364,231 | 392,370 | 399,808 | 403,239[r] | 403,154[r] | 405,665[r] | 410,390 | 409,090 |
| 3 Revolving | 365,514 | 442,994 | 499,209 | 516,156 | 520,221[r] | 523,686[r] | 526,377[r] | 529,891 | 528,080 |
| 4 Other[2] | 266,371 | 286,972 | 288,313 | 295,777 | 292,607[r] | 295,310[r] | 291,733[r] | 294,899 | 293,796 |
| | Not seasonally adjusted | | | | | | | | |
| 5 **Total** | **983,933** | **1,122,828** | **1,211,590** | **1,205,034** | **1,209,179[r]** | **1,220,506[r]** | **1,226,618[r]** | **1,234,671** | **1,238,512** |
| *By major holder* | | | | | | | | | |
| 6 Commercial banks | 458,777 | 501,963 | 526,769 | 510,681 | 514,482 | 516,176 | 507,528 | 507,334 | 508,556 |
| 7 Finance companies | 134,421 | 152,123 | 152,391 | 156,657 | 156,435 | 157,152 | 158,428 | 156,639 | 156,434 |
| 8 Credit unions | 119,594 | 131,939 | 144,148 | 147,640 | 148,973 | 149,791 | 150,669 | 151,486 | 151,569 |
| 9 Savings institutions | 38,468 | 40,106 | 44,711 | 46,483 | 47,152[r] | 47,820[r] | 48,487[r] | 49,156 | 49,824 |
| 10 Nonfinancial business[3] | 86,621 | 85,061 | 77,745 | 67,973 | 67,580[r] | 68,556 | 68,524[r] | 68,404 | 70,313 |
| 11 Pools of securitized assets[4] | 146,052 | 211,636 | 265,826 | 275,600 | 274,557 | 281,011 | 292,982 | 301,652 | 301,816 |
| *By major type of credit*[5] | | | | | | | | | |
| 12 Automobile | 330,198 | 367,069 | 395,609 | 399,637 | 403,694[r] | 405,740[r] | 409,253[r] | 414,908 | 413,318 |
| 13 Commercial banks | 143,517 | 151,437 | 157,047 | 155,960 | 157,784 | 158,516 | 157,234 | 158,140 | 156,824 |
| 14 Finance companies | 70,157 | 81,073 | 86,690 | 86,979 | 88,323 | 88,428 | 88,545 | 86,805 | 86,646 |
| 15 Pools of securitized assets[4] | 36,689 | 44,635 | 51,719 | 53,024 | 52,672 | 52,427 | 55,432 | 60,113 | 59,340 |
| 16 Revolving | 383,187 | 464,134 | 522,860 | 511,427 | 515,086[r] | 520,777[r] | 524,281[r] | 526,627 | 531,167 |
| 17 Commercial banks | 182,021 | 210,298 | 228,615 | 213,318 | 218,992 | 217,466 | 209,269 | 208,785 | 211,188 |
| 18 Finance companies | 25,880 | 28,460 | 32,493 | 34,863 | 33,461 | 33,543 | 34,925 | 34,466 | 34,352 |
| 19 Nonfinancial business[3] | 56,790 | 53,525 | 44,901 | 37,283 | 36,791 | 37,578 | 37,685 | 37,479 | 38,865 |
| 20 Pools of securitized assets[4] | 96,130 | 147,934 | 188,712 | 196,806 | 196,456 | 202,444 | 212,403 | 215,674 | 216,363 |
| 21 Other | 270,548 | 291,625 | 293,121 | 293,970 | 290,399[r] | 293,989[r] | 293,084[r] | 293,136 | 294,027 |
| 22 Commercial banks | 133,239 | 140,228 | 141,107 | 141,403 | 137,706 | 140,194 | 141,025 | 140,409 | 140,544 |
| 23 Finance companies | 38,384 | 42,590 | 33,208 | 34,815 | 34,651 | 35,181 | 34,958 | 35,368 | 35,436 |
| 24 Nonfinancial business[3] | 29,831 | 31,536 | 32,844 | 30,690 | 30,789[r] | 30,978 | 30,839[r] | 30,925 | 31,448 |
| 25 Pools of securitized assets[4] | 13,233 | 19,067 | 25,395 | 25,770 | 25,429 | 26,140 | 25,147 | 25,865 | 26,113 |

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 | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Sept. | Oct. | Nov. |
| INTEREST RATES | | | | | | | | | | |
| *Commercial banks*[2] | | | | | | | | | | |
| 1 48-month new car | 8.12 | 9.57 | 9.05 | 9.20 | n.a. | n.a. | 8.99 | n.a. | n.a. | 8.96 |
| 2 24-month personal | 13.19 | 13.94 | 13.54 | 13.81 | n.a. | n.a. | 13.84 | n.a. | n.a. | 14.50 |
| Credit card plan | | | | | | | | | | |
| 3 All accounts | 15.69 | 16.02 | 15.63 | 15.75 | n.a. | n.a. | 15.78 | n.a. | n.a. | 15.65 |
| 4 Accounts assessed interest | 15.77 | 15.79 | 15.50 | 15.72 | n.a. | n.a. | 15.79 | n.a. | n.a. | 15.57 |
| *Auto finance companies* | | | | | | | | | | |
| 5 New car | 9.79 | 11.19 | 9.84 | 7.80 | 7.64 | 6.71 | 5.93 | 6.12 | 7.27 | 6.85 |
| 6 Used car | 13.49 | 14.48 | 13.53 | 13.48 | 13.55 | 13.51 | 13.38 | 13.29 | 13.22 | 13.14 |
| OTHER TERMS[3] | | | | | | | | | | |
| *Maturity (months)* | | | | | | | | | | |
| 7 New car | 54.0 | 54.1 | 51.6 | 53.2 | 53.3 | 54.6 | 55.5 | 55.4 | 54.4 | 53.7 |
| 8 Used car | 50.2 | 52.2 | 51.4 | 51.3 | 51.3 | 51.4 | 51.2 | 50.8 | 50.6 | 50.5 |
| *Loan-to-value ratio* | | | | | | | | | | |
| 9 New car | 92 | 92 | 91 | 93 | 93 | 94 | 93 | 93 | 92 | 91 |
| 10 Used car | 99 | 99 | 100 | 99 | 99 | 99 | 99 | 99 | 101 | 99 |
| *Amount financed (dollars)* | | | | | | | | | | |
| 11 New car | 15,375 | 16,210 | 16,987 | 18,060 | 18,171 | 18,281 | 18,329 | 18,520 | 18,779 | 18,923 |
| 12 Used car | 10,709 | 11,590 | 12,182 | 12,261 | 12,239 | 12,307 | 12,204 | 12,190 | 12,287 | 12,389 |

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 | 1996 Q1 | 1996 Q2 | 1996 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nonfinancial sectors | | | | | | | | | | | |
| 1 **Total net borrowing by domestic nonfinancial sectors** | **539.9** | **619.6** | **594.0** | **698.2** | **714.2** | **857.1** | **695.7** | **677.6** | **626.3** | **691.7** | **562.8** | **646.6** |
| *By sector and instrument* | | | | | | | | | | | | |
| 2 Federal government | 304.0 | 256.1 | 155.9 | 144.4 | 145.0 | 227.3 | 62.7 | 163.2 | 126.9 | 81.2 | −97.1 | 40.9 |
| 3 Treasury securities | 303.8 | 248.3 | 155.7 | 142.9 | 146.6 | 229.6 | 60.5 | 166.3 | 130.2 | 82.6 | −97.3 | 41.9 |
| 4 Budget agency securities and mortgages | .2 | 7.8 | .2 | 1.5 | −1.6 | −2.3 | 2.2 | −3.1 | −3.3 | −1.4 | .2 | −.9 |
| 5 Nonfederal | 235.9 | 363.4 | 438.1 | 553.7 | 569.2 | 629.9 | 633.0 | 514.4 | 499.4 | 610.5 | 659.9 | 605.6 |
| *By instrument* | | | | | | | | | | | | |
| 6 Commercial paper | 8.6 | 10.0 | 21.4 | 18.1 | −.9 | 25.4 | 9.2 | −14.2 | −24.1 | 7.8 | 21.4 | 15.5 |
| 7 Municipal securities and loans | 30.5 | 74.8 | −35.9 | −48.2 | 1.3 | −4.1 | 30.2 | −65.2 | 44.2 | 23.2 | 76.5 | 40.4 |
| 8 Corporate bonds | 67.6 | 75.2 | 23.3 | 73.3 | 72.5 | 60.9 | 71.5 | 67.8 | 89.9 | 79.4 | 86.1 | 122.9 |
| 9 Bank loans n.e.c. | −12.0 | 6.4 | 75.2 | 102.0 | 66.8 | 47.5 | 49.7 | 136.2 | 33.6 | 147.6 | 105.4 | 25.8 |
| 10 Other loans and advances | 5.7 | −18.9 | 37.3 | 46.5 | 21.5 | 20.4 | 33.9 | 46.4 | −14.5 | 15.5 | 4.0 | 51.0 |
| 11 Mortgages | 131.5 | 155.3 | 191.9 | 223.1 | 319.2 | 359.9 | 323.7 | 261.6 | 331.6 | 267.5 | 308.7 | 307.4 |
| 12 Home | 189.1 | 184.1 | 199.0 | 192.4 | 268.1 | 316.9 | 255.4 | 248.2 | 251.6 | 242.0 | 217.8 | 223.1 |
| 13 Multifamily residential | −10.7 | −6.0 | 1.7 | 10.4 | 17.7 | 13.9 | 18.4 | 11.9 | 26.8 | 5.4 | 19.6 | 19.6 |
| 14 Commercial | −47.4 | −23.9 | −11.0 | 18.8 | 30.9 | 27.5 | 45.1 | −.6 | 51.5 | 18.1 | 67.2 | 60.4 |
| 15 Farm | .5 | 1.0 | 2.2 | 1.6 | 2.6 | 1.6 | 4.9 | 2.2 | 1.6 | 2.1 | 4.1 | 4.3 |
| 16 Consumer credit | 3.9 | 60.7 | 124.9 | 138.9 | 88.8 | 119.9 | 114.7 | 81.9 | 38.6 | 69.6 | 57.8 | 42.7 |
| *By borrowing sector* | | | | | | | | | | | | |
| 17 Household | 191.1 | 246.2 | 343.7 | 354.9 | 362.9 | 446.2 | 378.1 | 345.5 | 281.6 | 333.3 | 295.1 | 245.9 |
| 18 Nonfinancial business | 23.7 | 54.9 | 140.8 | 241.8 | 193.7 | 176.0 | 216.9 | 219.7 | 162.0 | 242.3 | 280.6 | 308.4 |
| 19 Corporate | 39.6 | 49.1 | 135.3 | 213.7 | 147.9 | 131.7 | 172.2 | 193.0 | 94.6 | 190.0 | 205.4 | 240.8 |
| 20 Nonfarm noncorporate | −16.4 | 3.2 | 2.2 | 26.6 | 43.4 | 44.2 | 38.5 | 29.2 | 61.5 | 48.1 | 67.6 | 63.2 |
| 21 Farm | .5 | 2.6 | 3.3 | 1.5 | 2.4 | .1 | 6.2 | −2.5 | 6.0 | 4.2 | 7.6 | 4.4 |
| 22 State and local government | 21.1 | 62.3 | −46.4 | −42.9 | 12.7 | 7.7 | 38.0 | −50.8 | 55.8 | 35.0 | 84.2 | 51.3 |
| 23 Foreign net borrowing in United States | 24.1 | 69.8 | −14.0 | 71.1 | 70.5 | 52.3 | 36.1 | 105.7 | 87.9 | 26.2 | 56.3 | 82.2 |
| 24 Commercial paper | 5.6 | −9.6 | −26.1 | 13.5 | 11.3 | −6.3 | 9.6 | 37.5 | 4.4 | 15.4 | 10.3 | −11.6 |
| 25 Bonds | 16.8 | 82.9 | 12.2 | 49.7 | 49.4 | 47.7 | 11.2 | 60.2 | 78.5 | 11.0 | 34.3 | 89.2 |
| 26 Bank loans n.e.c. | 2.3 | .7 | 1.4 | 8.5 | 9.1 | 8.7 | 15.1 | 4.7 | 7.8 | −.7 | 11.5 | 7.3 |
| 27 Other loans and advances | −.6 | −4.2 | −1.5 | −.5 | .8 | 2.3 | .1 | 3.4 | −2.7 | .5 | .2 | −2.7 |
| 28 **Total domestic plus foreign** | **564.0** | **689.3** | **579.9** | **769.2** | **784.7** | **909.5** | **731.9** | **783.3** | **714.2** | **718.0** | **619.1** | **728.7** |
| | Financial sectors | | | | | | | | | | | |
| 29 **Total net borrowing by financial sectors** | **240.2** | **293.6** | **464.3** | **448.4** | **536.3** | **342.0** | **721.7** | **436.8** | **644.8** | **323.4** | **665.8** | **526.2** |
| *By instrument* | | | | | | | | | | | | |
| 30 Federal government-related | 155.8 | 165.3 | 287.5 | 204.1 | 231.5 | 148.8 | 301.4 | 222.9 | 252.8 | 105.7 | 286.2 | 161.0 |
| 31 Government-sponsored enterprise securities | 40.3 | 80.6 | 176.9 | 105.9 | 90.4 | 31.4 | 126.9 | 80.0 | 123.3 | −8.9 | 198.1 | 46.4 |
| 32 Mortgage pool securities | 115.6 | 84.7 | 115.4 | 98.2 | 141.1 | 117.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 |
| 33 Loans from U.S. government | .0 | .0 | −4.8 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .0 |
| 34 Private | 84.4 | 128.3 | 176.8 | 244.3 | 304.9 | 193.2 | 420.3 | 213.9 | 392.0 | 217.7 | 379.7 | 365.2 |
| 35 Open market paper | −1.1 | −5.5 | 40.5 | 42.7 | 92.2 | 17.1 | 105.4 | 84.4 | 162.0 | 175.9 | 77.8 | 168.2 |
| 36 Corporate bonds | 84.8 | 122.2 | 117.6 | 188.2 | 156.5 | 150.5 | 230.9 | 80.7 | 164.0 | 38.9 | 215.0 | 129.9 |
| 37 Bank loans n.e.c. | .7 | −14.4 | −13.7 | 4.2 | 16.8 | 23.4 | 20.6 | 2.6 | 20.4 | 7.0 | 9.9 | 15.6 |
| 38 Other loans and advances | −.6 | 22.4 | 22.6 | 3.4 | 27.9 | −5.5 | 52.7 | 33.3 | 31.2 | −20.1 | 63.0 | 37.5 |
| 39 Mortgages | .6 | 3.6 | 9.8 | 5.9 | 11.4 | 7.7 | 10.8 | 12.9 | 14.3 | 16.0 | 14.0 | 14.0 |
| *By borrowing sector* | | | | | | | | | | | | |
| 40 Commercial banking | 10.0 | 13.4 | 20.1 | 22.5 | 13.0 | −34.2 | 44.5 | 14.7 | 26.8 | 13.7 | 81.7 | 30.1 |
| 41 Savings institutions | −7.0 | 11.3 | 12.8 | 2.6 | 25.5 | 11.0 | 42.1 | 25.8 | 23.0 | −16.8 | 31.9 | 21.2 |
| 42 Credit unions | .0 | .2 | .2 | −.1 | .1 | −.1 | −.2 | .3 | .3 | −.2 | .2 | .2 |
| 43 Life insurance companies | .0 | .2 | .3 | −.1 | 1.1 | 2.5 | .3 | −.4 | 2.0 | .8 | .1 | .2 |
| 44 Government-sponsored enterprises | 40.2 | 80.6 | 172.1 | 105.9 | 90.4 | 31.4 | 126.9 | 80.0 | 123.3 | −8.9 | 198.1 | 46.4 |
| 45 Federally related mortgage pools | 115.6 | 84.7 | 115.4 | 98.2 | 141.1 | 117.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 |
| 46 Issuers of asset-backed securities (ABSs) | 57.3 | 82.8 | 68.8 | 132.9 | 132.0 | 138.9 | 162.5 | 88.0 | 138.6 | 62.2 | 93.7 | 165.2 |
| 47 Finance companies | −3.1 | −1.4 | 48.7 | 50.2 | 45.9 | 41.4 | 67.8 | 30.7 | 43.8 | 6.4 | 124.6 | .1 |
| 48 Mortgage companies | 8.0 | .0 | −11.5 | .4 | 12.4 | 20.0 | 16.0 | 1.7 | 12.1 | 5.9 | 10.0 | 2.6 |
| 49 Real estate investment trusts (REITs) | .3 | 3.4 | 13.7 | 6.0 | 12.8 | 8.2 | 11.5 | 13.7 | 17.7 | 19.1 | 18.6 | 23.2 |
| 50 Brokers and dealers | 2.7 | 12.0 | .5 | −5.0 | −2.0 | −31.8 | 13.2 | 5.7 | 4.9 | −2.9 | 34.9 | −6.9 |
| 51 Funding corporations | 16.2 | 6.3 | 23.1 | 34.9 | 64.1 | 37.2 | 62.7 | 33.7 | 123.0 | 129.4 | −16.1 | 129.3 |

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

| Transaction category or sector | 1992 | 1993 | 1994 | 1995 | 1996 | 1996 Q1 | 1996 Q2 | 1996 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | All sectors | | | | | | | | | | | |
| 52 **Total net borrowing, all sectors** | **804.2** | **982.9** | **1,044.3** | **1,217.7** | **1,321.0** | **1,251.5** | **1,453.5** | **1,220.1** | **1,359.0** | **1,041.4** | **1,284.9** | **1,255.0** |
| 53 Open market paper | 13.1 | −5.1 | 35.7 | 74.3 | 102.6 | 36.2 | 124.2 | 107.7 | 142.3 | 199.2 | 109.5 | 172.0 |
| 54 U.S. government securities | 459.8 | 421.4 | 448.1 | 348.5 | 376.5 | 376.1 | 364.1 | 386.1 | 379.7 | 186.9 | 189.1 | 201.9 |
| 55 Municipal securities | 30.5 | 74.8 | −35.9 | −48.2 | 1.3 | −4.1 | 30.2 | −65.2 | 44.2 | 23.2 | 76.5 | 40.4 |
| 56 Corporate and foreign bonds | 169.1 | 280.3 | 153.2 | 311.1 | 278.4 | 259.1 | 313.6 | 208.7 | 332.4 | 129.3 | 335.4 | 341.9 |
| 57 Bank loans n.e.c. | −8.9 | −7.2 | 62.9 | 114.7 | 92.6 | 79.5 | 85.5 | 143.5 | 61.8 | 153.8 | 126.7 | 48.7 |
| 58 Other loans and advances | 4.6 | −.8 | 53.6 | 49.3 | 50.2 | 17.2 | 86.7 | 83.0 | 14.0 | −4.1 | 67.2 | 85.9 |
| 59 Mortgages | 132.1 | 158.9 | 201.7 | 229.0 | 330.6 | 367.6 | 334.5 | 274.5 | 345.9 | 283.5 | 322.7 | 321.4 |
| 60 Consumer credit | 3.9 | 60.7 | 124.9 | 138.9 | 88.8 | 119.9 | 114.7 | 81.9 | 38.6 | 69.6 | 57.8 | 42.7 |
| | Funds raised through mutual funds and corporate equities | | | | | | | | | | | |
| 61 **Total net issues** | **293.9** | **422.1** | **124.8** | **145.1** | **236.6** | **319.1** | **386.6** | **78.4** | **162.2** | **201.8** | **211.3** | **310.5** |
| 62 Corporate equities | 103.4 | 130.1 | 24.1 | −2.3 | −1.0 | 21.5 | 82.1 | −93.5 | −14.1 | −51.6 | −49.7 | 13.5 |
| 63 Nonfinancial corporations | 27.0 | 21.3 | −44.9 | −58.3 | −64.2 | −73.6 | .4 | −127.6 | −56.0 | −78.8 | −90.4 | −60.4 |
| 64 Foreign shares purchased by U.S. residents | 32.4 | 63.4 | 48.1 | 50.4 | 58.8 | 90.1 | 70.1 | 32.7 | 42.3 | 47.0 | 53.0 | 62.8 |
| 65 Financial corporations | 44.0 | 45.4 | 20.9 | 5.6 | 4.4 | 5.1 | 11.6 | 1.5 | −.4 | −19.8 | −12.3 | 11.1 |
| 66 Mutual fund shares | 190.5 | 292.0 | 100.6 | 147.4 | 237.6 | 297.6 | 304.5 | 171.9 | 176.3 | 253.4 | 261.0 | 297.0 |

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 | 1996 | | | | 1997 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| NET LENDING IN CREDIT MARKETS[2] | | | | | | | | | | | | |
| 1 **Total net lending in credit markets** | **804.2** | **982.9** | **1,044.3** | **1,217.7** | **1,321.0** | **1,251.5** | **1,453.5** | **1,220.1** | **1,359.0** | **1,041.4** | **1,284.9** | **1,255.0** |
| 2 Domestic nonfederal nonfinancial sectors | 117.9 | 80.7 | 258.2 | −86.5 | −7.5 | −43.2 | 321.9 | −184.6 | −124.0 | −257.4 | −101.5 | −244.2 |
| 3 Household | 88.6 | 40.0 | 295.0 | −2.1 | 37.0 | −81.3 | 288.4 | −21.9 | −37.3 | −226.7 | −37.2 | −259.0 |
| 4 Nonfinancial corporate business | 27.8 | 9.1 | 17.7 | −2.4 | 11.4 | 31.7 | 37.4 | −12.7 | −10.9 | 71.0 | −52.5 | 17.1 |
| 5 Nonfarm noncorporate business | −.1 | −1.1 | .6 | .3 | .4 | .4 | .4 | .4 | .4 | .5 | .7 | .8 |
| 6 State and local governments | 1.7 | 32.6 | −55.0 | −82.4 | −56.2 | 6.0 | −4.4 | −150.4 | −76.2 | −102.2 | −12.5 | −3.1 |
| 7 Federal government | −11.9 | −18.4 | −24.2 | −21.0 | −19.8 | −19.3 | −13.5 | −23.9 | −22.5 | −12.9 | −6.6 | −8.5 |
| 8 Rest of the world | 98.4 | 129.3 | 132.3 | 273.9 | 409.1 | 350.0 | 268.9 | 485.4 | 532.2 | 366.4 | 298.9 | 411.5 |
| 9 Financial sectors | 599.8 | 791.3 | 677.9 | 1,051.3 | 939.2 | 964.0 | 876.3 | 943.2 | 973.3 | 945.2 | 1,094.1 | 1,096.2 |
| 10 Monetary authority | 27.9 | 36.2 | 31.5 | 12.7 | 12.3 | 17.5 | 11.7 | 11.5 | 8.4 | 37.4 | 47.2 | 14.3 |
| 11 Commercial banking | 95.3 | 142.2 | 163.4 | 265.9 | 187.8 | 126.0 | 179.7 | 196.1 | 249.4 | 308.0 | 309.2 | 209.7 |
| 12 U.S.-chartered banks | 69.5 | 149.6 | 148.1 | 186.5 | 119.6 | 78.3 | 121.9 | 119.5 | 158.9 | 195.9 | 301.1 | 209.5 |
| 13 Foreign banking offices in United States | 16.5 | −9.8 | 11.2 | 75.4 | 63.3 | 50.8 | 50.7 | 71.1 | 80.5 | 104.0 | 1.1 | −.6 |
| 14 Bank holding companies | 5.6 | .0 | .9 | −.3 | 3.9 | −5.1 | 5.4 | 4.8 | 10.5 | 2.2 | 5.1 | −4.9 |
| 15 Banks in U.S.-affiliated areas | 3.7 | 2.4 | 3.3 | 4.2 | 1.0 | 2.1 | 1.7 | .7 | −.6 | 6.0 | 1.8 | 5.7 |
| 16 Savings institutions | −79.0 | −23.3 | 6.7 | −7.6 | 19.9 | 34.1 | 44.7 | 49.7 | −48.8 | −5.3 | 23.8 | −47.6 |
| 17 Credit unions | 17.7 | 21.7 | 28.1 | 16.2 | 25.5 | 23.6 | 33.0 | 21.1 | 24.3 | 18.5 | 25.7 | 15.7 |
| 18 Bank personal trusts and estates | 8.0 | 9.5 | 7.1 | −18.8 | 3.9 | −3.5 | 4.2 | 7.8 | 7.2 | 8.2 | 8.9 | 9.4 |
| 19 Life insurance companies | 79.5 | 100.9 | 66.7 | 99.2 | 72.5 | 47.6 | .9 | 123.2 | 118.1 | 94.3 | 172.5 | 133.2 |
| 20 Other insurance companies | 6.7 | 27.7 | 24.9 | 21.5 | 22.5 | 17.6 | 30.5 | 14.2 | 27.7 | 3.9 | 27.9 | 17.3 |
| 21 Private pension funds | 37.5 | 49.5 | 47.7 | 63.1 | 46.6 | 69.5 | 45.4 | 41.9 | 29.5 | 57.5 | 57.8 | 68.1 |
| 22 State and local government retirement funds | 5.9 | 21.1 | 30.7 | 22.7 | 34.5 | 54.9 | 47.9 | 19.0 | 16.1 | 38.7 | 39.2 | 39.2 |
| 23 Money market mutual funds | 4.7 | 20.4 | 30.0 | 86.5 | 88.8 | 164.1 | 27.0 | 83.0 | 81.3 | 65.2 | 19.7 | 123.6 |
| 24 Mutual funds | 126.2 | 159.5 | −7.1 | 52.5 | 48.9 | 88.5 | 54.3 | 27.5 | 25.3 | 61.9 | 103.6 | 102.0 |
| 25 Closed-end funds | 18.2 | 14.4 | −3.3 | 13.3 | 9.3 | 10.9 | 9.8 | 9.0 | 7.5 | 6.7 | 5.3 | 4.3 |
| 26 Government-sponsored enterprises | 68.8 | 87.8 | 117.8 | 84.7 | 92.0 | 33.9 | 114.7 | 81.4 | 137.9 | 45.1 | 119.2 | 55.5 |
| 27 Federally related mortgage pools | 115.6 | 84.7 | 115.4 | 98.2 | 141.1 | 117.4 | 174.5 | 142.9 | 129.6 | 114.6 | 88.1 | 114.6 |
| 28 Asset-backed securities issuers (ABSs) | 53.1 | 80.2 | 61.7 | 111.1 | 101.8 | 119.7 | 135.7 | 62.0 | 89.6 | 38.7 | 78.9 | 102.6 |
| 29 Finance companies | 4 | −20.9 | 48.3 | 49.9 | 18.4 | 30.3 | 36.3 | 13.2 | −6.2 | 44.9 | 1.9 | 46.9 |
| 30 Mortgage companies | .1 | .0 | −24.0 | −3.4 | 8.2 | 51.8 | −26.8 | 3.4 | 4.1 | −3.4 | 6.5 | 5.9 |
| 31 Real estate investment trusts (REITs) | 1.1 | .6 | 4.7 | 2.2 | 3.0 | 3.4 | 3.4 | 3.4 | 2.0 | 2.0 | 3.4 | 3.4 |
| 32 Brokers and dealers | −1.3 | 14.8 | −44.2 | 90.1 | −15.7 | −109.0 | −72.0 | 35.5 | 82.7 | −14.5 | −22.7 | 36.9 |
| 33 Funding corporations | 13.3 | −35.6 | −28.4 | −8.6 | 18.0 | 65.7 | 21.2 | −2.4 | −12.3 | 22.8 | −21.8 | 41.1 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | | |
| 34 **Net flows through credit markets** | **804.2** | **982.9** | **1,044.3** | **1,217.7** | **1,321.0** | **1,251.5** | **1,453.5** | **1,220.1** | **1,359.0** | **1,041.4** | **1,284.9** | **1,255.0** |
| *Other financial sources* | | | | | | | | | | | | |
| 35 Official foreign exchange | −1.6 | .8 | −5.8 | 8.8 | −6.3 | −.9 | 1.6 | −26.6 | .7 | −17.6 | .4 | 2.4 |
| 36 Special drawing rights certificates | −2.0 | .0 | .0 | 2.2 | −.5 | .0 | .0 | −1.8 | .0 | −2.1 | .0 | .0 |
| 37 Treasury currency | .2 | .4 | .7 | .6 | .0 | .0 | .0 | 2.3 | −2.3 | .4 | .2 | 1.3 |
| 38 Foreign deposits | −3.4 | −18.5 | 52.9 | 35.3 | 82.0 | 100.8 | 3.0 | 119.7 | 104.5 | 188.6 | 18.8 | 79.3 |
| 39 Net interbank transactions | 49.4 | 50.5 | 89.8 | 9.9 | −51.6 | −76.1 | −50.8 | −97.2 | 17.6 | −88.8 | −43.8 | −77.3 |
| 40 Checkable deposits and currency | 113.5 | 117.3 | −9.7 | −12.7 | 15.8 | 6.8 | 3.9 | 105.9 | −53.4 | 85.3 | 64.2 | −49.4 |
| 41 Small time and savings deposits | −57.3 | −70.3 | −39.9 | 96.6 | 97.1 | 207.7 | −3.2 | 94.2 | 89.6 | 157.9 | 24.5 | 44.0 |
| 42 Large time deposits | −73.2 | −23.5 | 19.6 | 65.6 | 113.9 | 57.4 | 83.1 | 180.2 | 134.8 | 49.9 | 176.3 | 196.5 |
| 43 Money market fund shares | 4.5 | 20.2 | 43.3 | 142.3 | 145.8 | 227.6 | 23.1 | 145.1 | 187.5 | 182.4 | 58.5 | 243.6 |
| 44 Security repurchase agreements | 43.2 | 71.3 | 78.2 | 110.5 | 40.3 | −4.8 | 98.4 | −15.9 | 83.3 | 33.8 | 195.3 | 137.9 |
| 45 Corporate equities | 103.4 | 130.1 | 24.1 | −2.3 | −1.0 | 21.5 | 82.1 | −93.5 | −14.1 | −51.6 | −49.7 | 13.5 |
| 46 Mutual fund shares | 190.5 | 292.0 | 100.6 | 147.4 | 237.6 | 297.6 | 304.5 | 171.9 | 176.3 | 253.4 | 261.0 | 297.0 |
| 47 Trade payables | 46.6 | 52.0 | 93.7 | 105.2 | 68.8 | 74.1 | 116.9 | −12.9 | 97.0 | 67.9 | 68.1 | 149.8 |
| 48 Security credit | 4.6 | 61.4 | −.1 | 26.7 | 52.4 | 114.0 | −34.8 | 5.3 | 125.2 | 117.1 | 137.4 | 46.7 |
| 49 Life insurance reserves | 28.0 | 36.0 | 34.5 | 44.9 | 43.6 | 19.0 | 32.5 | 56.6 | 66.3 | 44.2 | 85.9 | 49.6 |
| 50 Pension fund reserves | 230.3 | 254.7 | 253.2 | 241.1 | 224.2 | 224.7 | 183.2 | 215.8 | 273.2 | 260.5 | 313.6 | 313.1 |
| 51 Taxes payable | 10.6 | 11.4 | 2.6 | 4.6 | 12.9 | 19.4 | 7.6 | 7.8 | 16.8 | 28.6 | 1.1 | 9.5 |
| 52 Investment in bank personal trusts | −7.1 | .9 | 17.8 | −49.7 | 12.5 | −.6 | 11.8 | 19.2 | 19.8 | 23.5 | 26.3 | 28.9 |
| 53 Noncorporate proprietors' equity | 35.4 | 11.4 | 43.4 | 27.8 | 8.5 | 6.5 | 5.4 | 31.1 | −9.0 | 6.6 | 4.2 | 7.1 |
| 54 Miscellaneous | 261.6 | 351.9 | 268.1 | 477.9 | 466.9 | 477.6 | 420.7 | 393.1 | 576.3 | 518.4 | 667.2 | 569.2 |
| 55 **Total financial sources** | **1,781.2** | **2,332.8** | **2,111.2** | **2,700.4** | **2,883.9** | **3,023.7** | **2,742.4** | **2,520.7** | **3,249.1** | **2,899.9** | **3,294.2** | **3,317.6** |
| *Liabilities not identified as assets* (−) | | | | | | | | | | | | |
| 56 Treasury currency | −.2 | −.2 | −.2 | −.5 | −1.0 | −1.1 | −1.0 | 1.3 | −3.1 | −.3 | −.5 | .5 |
| 57 Foreign deposits | −2.7 | −5.7 | 43.0 | 25.7 | 57.1 | 73.2 | 26.6 | 91.3 | 37.3 | 183.0 | −.2 | 56.6 |
| 58 Net interbank liabilities | −4.9 | 4.2 | −2.7 | −3.1 | −3.3 | 9.3 | −22.5 | −4.4 | 4.2 | 26.9 | −24.4 | −51.5 |
| 59 Security repurchase agreements | 4.8 | 46.1 | 57.2 | 55.0 | 25.7 | 27.6 | 124.7 | −133.4 | 83.9 | −120.5 | 139.3 | 20.9 |
| 60 Taxes payable | 12.8 | 15.8 | 16.6 | 17.8 | 15.2 | .3 | 23.2 | 15.6 | 21.8 | 10.4 | 27.5 | −8.4 |
| 61 Miscellaneous | −54.6 | −186.4 | −153.4 | −85.9 | −98.3 | −165.0 | −129.4 | −165.5 | 66.5 | −104.0 | −318.9 | −80.9 |
| *Floats not included in assets* (−) | | | | | | | | | | | | |
| 62 Federal government checkable deposits | .7 | −1.5 | −4.8 | −6.0 | .5 | 2.7 | −6.6 | 27.1 | −21.4 | −9.4 | 16.1 | 2.1 |
| 63 Other checkable deposits | 1.6 | −1.3 | −2.8 | −3.8 | −4.0 | −2.8 | −5.0 | −4.7 | −3.7 | −2.6 | −4.8 | −3.4 |
| 64 Trade credit | 11.4 | −4.3 | .3 | −29.1 | −34.8 | 10.4 | .2 | −105.9 | −44.1 | 18.9 | −70.1 | −3.1 |
| 65 **Total identified to sectors as assets** | **1,812.4** | **2,466.0** | **2,157.9** | **2,730.3** | **2,927.0** | **3,069.0** | **2,732.0** | **2,799.2** | **3,107.6** | **2,897.6** | **3,530.2** | **3,384.8** |

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 | 1996 | | | | 1997 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| | Nonfinancial sectors | | | | | | | | | | |
| 1 **Total credit market debt owed by domestic nonfinancial sectors** | **12,486.9** | **13,087.1** | **13,785.3** | **14,499.4** | **13,981.0** | **14,133.4** | **14,307.6** | **14,499.4** | **14,656.7** | **14,770.4** | **14,937.7** |
| *By sector and instrument* | | | | | | | | | | | |
| 2 Federal government | 3,336.5 | 3,492.3 | 3,636.7 | 3,781.8 | 3,717.2 | 3,693.8 | 3,733.1 | 3,781.8 | 3,829.8 | 3,760.6 | 3,771.2 |
| 3 Treasury securities | 3,309.9 | 3,465.6 | 3,608.5 | 3,755.1 | 3,689.6 | 3,665.5 | 3,705.7 | 3,755.1 | 3,803.5 | 3,734.3 | 3,745.1 |
| 4 Budget agency securities and mortgages | 26.6 | 26.7 | 28.2 | 26.6 | 27.6 | 28.2 | 27.4 | 26.6 | 26.3 | 26.3 | 26.1 |
| 5 Nonfederal | 9,150.4 | 9,594.8 | 10,148.5 | 10,717.7 | 10,263.7 | 10,439.6 | 10,574.5 | 10,717.7 | 10,826.9 | 11,009.8 | 11,166.5 |
| *By instrument* | | | | | | | | | | | |
| 6 Commercial paper | 117.8 | 139.2 | 157.4 | 156.4 | 174.2 | 181.7 | 173.0 | 156.4 | 168.7 | 179.3 | 176.6 |
| 7 Municipal securities and loans | 1,377.5 | 1,341.7 | 1,293.5 | 1,294.8 | 1,290.3 | 1,296.1 | 1,279.8 | 1,294.8 | 1,298.8 | 1,315.5 | 1,324.9 |
| 8 Corporate bonds | 1,229.7 | 1,253.0 | 1,326.3 | 1,398.8 | 1,341.5 | 1,359.4 | 1,376.4 | 1,398.8 | 1,418.7 | 1,440.2 | 1,470.9 |
| 9 Bank loans n.e.c. | 684.8 | 759.9 | 861.9 | 928.6 | 871.8 | 889.3 | 919.2 | 928.6 | 964.3 | 995.8 | 998.0 |
| 10 Other loans and advances | 629.3 | 673.0 | 719.4 | 741.0 | 728.8 | 736.4 | 744.3 | 741.0 | 749.3 | 749.2 | 758.0 |
| 11 Mortgages | 4,252.2 | 4,444.1 | 4,667.2 | 4,986.5 | 4,744.0 | 4,832.2 | 4,908.3 | 4,986.5 | 5,040.7 | 5,124.8 | 5,212.9 |
| 12 Home | 3,225.4 | 3,424.4 | 3,616.8 | 3,851.2 | 3,682.8 | 3,720.2 | 3,793.0 | 3,851.2 | 3,899.0 | 3,960.4 | 4,027.4 |
| 13 Multifamily residential | 267.0 | 268.7 | 279.1 | 300.5 | 282.6 | 290.9 | 293.8 | 300.5 | 301.9 | 306.8 | 311.7 |
| 14 Commercial | 679.0 | 668.0 | 686.8 | 747.6 | 693.6 | 734.9 | 734.7 | 747.6 | 752.1 | 768.9 | 784.0 |
| 15 Farm | 80.7 | 83.0 | 84.6 | 87.1 | 85.0 | 86.2 | 86.7 | 87.1 | 87.7 | 88.7 | 89.8 |
| 16 Consumer credit | 859.0 | 983.9 | 1,122.8 | 1,211.6 | 1,113.2 | 1,144.5 | 1,173.5 | 1,211.6 | 1,186.4 | 1,205.0 | 1,225.2 |
| *By borrowing sector* | | | | | | | | | | | |
| 17 Household | 4,203.9 | 4,550.4 | 4,910.5 | 5,244.2 | 4,970.0 | 5,043.1 | 5,148.3 | 5,244.2 | 5,273.8 | 5,361.0 | 5,441.4 |
| 18 Nonfinancial business | 3,784.7 | 3,929.0 | 4,165.5 | 4,388.3 | 4,220.6 | 4,315.9 | 4,358.3 | 4,388.3 | 4,460.1 | 4,537.5 | 4,601.6 |
| 19 Corporate | 2,528.3 | 2,667.1 | 2,875.6 | 3,052.6 | 2,922.3 | 3,003.1 | 3,038.1 | 3,052.6 | 3,114.0 | 3,169.1 | 3,215.8 |
| 20 Nonfarm noncorporate | 1,118.5 | 1,120.7 | 1,147.3 | 1,190.7 | 1,158.3 | 1,167.9 | 1,174.6 | 1,190.7 | 1,202.6 | 1,219.5 | 1,234.7 |
| 21 Farm | 137.9 | 141.2 | 142.7 | 145.1 | 140.0 | 145.0 | 145.5 | 145.1 | 143.5 | 148.8 | 151.1 |
| 22 State and local government | 1,161.8 | 1,115.4 | 1,072.5 | 1,085.1 | 1,073.1 | 1,080.6 | 1,068.0 | 1,085.1 | 1,093.0 | 1,111.3 | 1,123.5 |
| 23 **Foreign credit market debt held in United States** | **385.8** | **371.8** | **442.9** | **513.4** | **453.6** | **462.6** | **490.2** | **513.4** | **517.8** | **531.6** | **547.3** |
| 24 Commercial paper | 68.8 | 42.7 | 56.2 | 67.5 | 52.5 | 54.5 | 65.8 | 67.5 | 69.3 | 71.3 | 64.3 |
| 25 Bonds | 230.1 | 242.3 | 291.9 | 341.3 | 303.8 | 306.7 | 321.7 | 341.3 | 344.1 | 352.7 | 374.9 |
| 26 Bank loans n.e.c. | 24.6 | 26.1 | 34.6 | 43.7 | 36.8 | 40.5 | 41.7 | 43.7 | 43.5 | 46.4 | 48.2 |
| 27 Other loans and advances | 62.3 | 60.8 | 60.2 | 61.0 | 60.6 | 60.9 | 61.0 | 61.0 | 60.9 | 61.2 | 59.8 |
| 28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign** | **12,872.7** | **13,458.9** | **14,228.2** | **15,012.9** | **14,434.6** | **14,596.0** | **14,797.8** | **15,012.9** | **15,174.5** | **15,301.9** | **15,485.0** |
| | Financial sectors | | | | | | | | | | |
| 29 **Total credit market debt owed by financial sectors** | **3,325.3** | **3,797.3** | **4,248.4** | **4,784.7** | **4,329.3** | **4,511.9** | **4,624.1** | **4,784.7** | **4,860.7** | **5,030.0** | **5,131.7** |
| *By instrument* | | | | | | | | | | | |
| 30 Federal government-related | 1,885.2 | 2,172.7 | 2,376.8 | 2,608.3 | 2,414.0 | 2,489.4 | 2,545.1 | 2,608.3 | 2,634.7 | 2,706.2 | 2,746.5 |
| 31 Government-sponsored enterprise securities | 523.7 | 700.6 | 806.5 | 896.9 | 814.4 | 846.1 | 866.1 | 896.9 | 894.7 | 944.2 | 955.8 |
| 32 Mortgage pool securities | 1,356.8 | 1,472.1 | 1,570.3 | 1,711.4 | 1,599.7 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 |
| 33 Loans from U.S. government | 4.8 | .0 | .0 | .0 | .0 | .0 | .0 | 0 | .0 | .0 | .0 |
| 34 Private | 1,440.0 | 1,624.6 | 1,871.5 | 2,176.4 | 1,915.3 | 2,022.5 | 2,079.0 | 2,176.4 | 2,226.0 | 2,323.8 | 2,385.2 |
| 35 Open market paper | 393.4 | 441.6 | 486.9 | 579.1 | 490.9 | 517.3 | 538.6 | 579.1 | 623.0 | 642.5 | 684.7 |
| 36 Corporate bonds | 866.2 | 983.9 | 1,172.0 | 1,328.5 | 1,205.7 | 1,265.2 | 1,288.8 | 1,328.5 | 1,333.8 | 1,390.1 | 1,392.9 |
| 37 Bank loans n.e.c. | 62.6 | 48.9 | 53.1 | 69.8 | 58.6 | 63.9 | 64.2 | 69.8 | 71.3 | 74.1 | 77.5 |
| 38 Other loans and advances | 108.9 | 131.6 | 135.0 | 162.9 | 133.6 | 146.8 | 155.1 | 162.9 | 157.9 | 173.7 | 183.0 |
| 39 Mortgages | 8.9 | 18.7 | 24.6 | 36.0 | 26.5 | 29.2 | 32.4 | 36.0 | 40.0 | 43.5 | 47.0 |
| *By borrowing sector* | | | | | | | | | | | |
| 40 Commercial banks | 84.6 | 94.5 | 102.6 | 113.6 | 100.5 | 104.6 | 107.7 | 113.6 | 115.3 | 125.7 | 130.0 |
| 41 Bank holding companies | 123.4 | 133.6 | 148.0 | 150.0 | 141.4 | 148.4 | 149.1 | 150.0 | 151.6 | 161.6 | 164.6 |
| 42 Savings institutions | 99.6 | 112.4 | 115.0 | 140.5 | 117.8 | 128.3 | 134.8 | 140.5 | 136.3 | 144.3 | 149.6 |
| 43 Credit unions | .2 | .5 | .4 | .4 | .4 | .3 | .4 | .4 | .4 | .4 | .5 |
| 44 Life insurance companies | .2 | .6 | .5 | 1.6 | 1.1 | 1.2 | 1.1 | 1.6 | 1.8 | 1.8 | 1.9 |
| 45 Government-sponsored enterprises | 528.5 | 700.6 | 806.5 | 896.9 | 814.4 | 846.1 | 866.1 | 896.9 | 894.7 | 944.2 | 955.8 |
| 46 Federally related mortgage pools | 1,356.8 | 1,472.1 | 1,570.3 | 1,711.4 | 1,599.7 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 |
| 47 Issuers of asset-backed securities (ABSs) | 485.3 | 554.1 | 687.0 | 819.1 | 717.3 | 756.6 | 781.2 | 819.1 | 829.6 | 852.0 | 907.2 |
| 48 Brokers and dealers | 33.7 | 34.3 | 29.3 | 27.3 | 21.4 | 24.6 | 26.1 | 27.3 | 26.6 | 35.3 | 33.6 |
| 49 Finance companies | 385.1 | 433.7 | 483.9 | 529.8 | 491.1 | 506.3 | 513.7 | 529.8 | 528.2 | 557.8 | 533.5 |
| 50 Mortgage companies | 30.2 | 18.7 | 19.1 | 31.5 | 24.1 | 28.1 | 28.5 | 31.5 | 33.0 | 35.5 | 36.2 |
| 51 Real estate investment trusts (REITs) | 17.4 | 31.1 | 37.1 | 49.9 | 39.1 | 42.0 | 45.4 | 49.9 | 54.6 | 59.3 | 65.1 |
| 52 Funding corporations | 180.3 | 211.0 | 248.6 | 312.7 | 261.3 | 282.0 | 291.0 | 312.7 | 348.6 | 350.0 | 363.1 |
| | All sectors | | | | | | | | | | |
| 53 **Total credit market debt, domestic and foreign** | **16,197.9** | **17,256.2** | **18,476.5** | **19,797.6** | **18,763.9** | **19,107.8** | **19,421.9** | **19,797.6** | **20,035.2** | **20,332.0** | **20,616.7** |
| 54 Open market paper | 580.0 | 623.5 | 700.4 | 803.0 | 717.6 | 753.6 | 777.4 | 803.0 | 861.1 | 893.1 | 925.7 |
| 55 U.S. government securities | 5,216.9 | 5,665.0 | 6,013.6 | 6,390.0 | 6,131.2 | 6,183.1 | 6,278.2 | 6,390.0 | 6,464.5 | 6,466.8 | 6,517.7 |
| 56 Municipal securities | 1,377.5 | 1,341.7 | 1,293.5 | 1,294.8 | 1,290.3 | 1,296.1 | 1,279.8 | 1,294.8 | 1,298.8 | 1,315.5 | 1,324.9 |
| 57 Corporate and foreign bonds | 2,326.0 | 2,479.1 | 2,790.3 | 3,068.7 | 2,851.1 | 2,931.3 | 2,986.8 | 3,068.7 | 3,096.6 | 3,182.9 | 3,238.8 |
| 58 Bank loans n.e.c. | 772.0 | 834.9 | 949.6 | 1,042.1 | 967.1 | 993.8 | 1,025.1 | 1,042.1 | 1,079.1 | 1,116.2 | 1,123.6 |
| 59 Other loans and advances | 805.3 | 865.3 | 914.6 | 964.9 | 923.0 | 944.1 | 960.4 | 964.9 | 968.1 | 984.1 | 1,000.9 |
| 60 Mortgages | 4,261.2 | 4,462.8 | 4,691.8 | 5,022.5 | 4,770.5 | 4,861.4 | 4,940.7 | 5,022.5 | 5,080.7 | 5,168.4 | 5,259.9 |
| 61 Consumer credit | 859.0 | 983.9 | 1,122.8 | 1,211.6 | 1,113.2 | 1,144.5 | 1,173.5 | 1,211.6 | 1,186.4 | 1,205.0 | 1,225.2 |

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 | 1996 Q1 | 1996 Q2 | 1996 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CREDIT MARKET DEBT OUTSTANDING[2] | | | | | | | | | | | |
| 1 **Total credit market assets** | **16,197.9** | **17,256.2** | **18,476.5** | **19,797.6** | **18,763.9** | **19,107.8** | **19,421.9** | **19,797.6** | **20,035.2** | **20,332.0** | **20,616.7** |
| 2 Domestic nonfederal nonfinancial sectors | 2,796.9 | 3,087.9 | 2,966.3 | 3,003.9 | 2,929.4 | 3,017.1 | 2,986.8 | 3,003.9 | 2,911.9 | 2,863.7 | 2,787.4 |
| 3 Household | 1,703.5 | 2,031.3 | 1,994.0 | 2,076.1 | 1,971.1 | 2,044.1 | 2,056.5 | 2,076.1 | 2,017.7 | 1,977.9 | 1,899.2 |
| 4 Nonfinancial corporate business | 271.5 | 289.2 | 286.8 | 298.2 | 273.6 | 285.7 | 282.3 | 298.2 | 292.6 | 283.4 | 288.0 |
| 5 Nonfarm noncorporate business | 37.0 | 37.6 | 37.9 | 38.3 | 38.0 | 38.1 | 38.2 | 38.3 | 38.5 | 38.6 | 38.8 |
| 6 State and local governments | 784.9 | 729.9 | 647.5 | 591.3 | 646.8 | 649.1 | 609.9 | 591.3 | 563.3 | 563.7 | 561.4 |
| 7 Federal government | 231.9 | 207.8 | 186.7 | 166.9 | 181.8 | 178.5 | 172.6 | 166.9 | 163.6 | 162.0 | 160.0 |
| 8 Rest of the world | 1,147.8 | 1,254.8 | 1,563.1 | 1,953.5 | 1,656.5 | 1,722.0 | 1,844.6 | 1,953.5 | 2,050.8 | 2,123.9 | 2,228.1 |
| 9 Financial sectors | 12,021.3 | 12,705.7 | 13,760.4 | 14,673.2 | 13,996.1 | 14,190.3 | 14,417.8 | 14,673.2 | 14,908.9 | 15,182.4 | 15,441.2 |
| 10 Monetary authority | 336.7 | 368.2 | 380.8 | 393.1 | 379.6 | 386.3 | 386.2 | 393.1 | 397.1 | 412.4 | 412.7 |
| 11 Commercial banking | 3,090.8 | 3,254.3 | 3,520.1 | 3,707.9 | 3,541.6 | 3,590.8 | 3,643.3 | 3,707.9 | 3,776.0 | 3,857.1 | 3,913.1 |
| 12 U.S.-chartered banks | 2,721.5 | 2,869.6 | 3,056.1 | 3,175.8 | 3,068.8 | 3,101.3 | 3,135.3 | 3,175.8 | 3,218.1 | 3,295.2 | 3,351.9 |
| 13 Foreign banking offices in United States | 326.0 | 337.1 | 412.6 | 475.8 | 422.2 | 437.1 | 454.2 | 475.8 | 499.5 | 501.8 | 501.0 |
| 14 Bank holding companies | 17.5 | 18.4 | 18.0 | 22.0 | 16.8 | 18.1 | 19.3 | 22.0 | 22.5 | 23.8 | 22.5 |
| 15 Banks in U.S.-affiliated areas | 25.8 | 29.2 | 33.4 | 34.4 | 33.9 | 34.3 | 34.5 | 34.4 | 35.9 | 36.3 | 37.7 |
| 16 Savings institutions | 914.1 | 920.8 | 913.3 | 933.2 | 921.8 | 933.0 | 945.4 | 933.2 | 931.9 | 937.8 | 925.9 |
| 17 Credit unions | 218.7 | 246.8 | 263.0 | 288.5 | 267.0 | 276.9 | 282.6 | 288.5 | 291.2 | 299.2 | 303.6 |
| 18 Bank personal trusts and estates | 240.9 | 248.0 | 229.2 | 233.1 | 228.3 | 229.4 | 231.3 | 233.1 | 235.2 | 237.4 | 239.7 |
| 19 Life insurance companies | 1,416.0 | 1,482.6 | 1,581.8 | 1,654.3 | 1,596.2 | 1,596.7 | 1,627.0 | 1,654.3 | 1,680.2 | 1,723.5 | 1,756.3 |
| 20 Other insurance companies | 422.7 | 446.4 | 468.7 | 491.2 | 473.1 | 480.7 | 484.2 | 491.2 | 492.2 | 499.1 | 503.5 |
| 21 Private pension funds | 611.4 | 659.2 | 722.3 | 768.8 | 739.6 | 751.0 | 761.4 | 768.8 | 783.2 | 797.7 | 814.7 |
| 22 State and local government retirement funds | 423.4 | 454.1 | 476.8 | 511.3 | 491.9 | 505.0 | 506.3 | 511.3 | 522.5 | 533.6 | 540.0 |
| 23 Money market mutual funds | 429.0 | 459.0 | 545.5 | 634.3 | 595.6 | 594.7 | 606.6 | 634.3 | 659.0 | 656.5 | 678.7 |
| 24 Mutual funds | 725.9 | 718.8 | 771.3 | 820.2 | 795.9 | 809.0 | 818.3 | 820.2 | 838.3 | 863.5 | 891.7 |
| 25 Closed-end funds | 82.0 | 78.7 | 92.0 | 101.3 | 94.8 | 97.2 | 99.5 | 101.3 | 103.0 | 104.3 | 105.4 |
| 26 Government-sponsored enterprises | 545.5 | 663.3 | 748.0 | 813.6 | 755.8 | 758.9 | 779.3 | 813.6 | 824.3 | 854.8 | 868.7 |
| 27 Federally related mortgage pools | 1,356.8 | 1,472.1 | 1,570.3 | 1,711.4 | 1,599.7 | 1,643.3 | 1,679.0 | 1,711.4 | 1,740.0 | 1,762.1 | 1,790.7 |
| 28 Asset-backed securities issuers (ABSs) | 455.1 | 516.8 | 627.9 | 729.7 | 653.3 | 686.0 | 704.1 | 729.7 | 734.3 | 753.0 | 781.5 |
| 29 Finance companies | 427.9 | 476.2 | 526.2 | 544.5 | 530.3 | 539.9 | 538.3 | 544.5 | 552.4 | 553.1 | 559.8 |
| 30 Mortgage companies | 60.4 | 36.5 | 33.0 | 41.2 | 46.0 | 39.3 | 40.2 | 41.2 | 40.3 | 42.0 | 43.4 |
| 31 Real estate investment trusts (REITs) | 8.6 | 13.3 | 15.5 | 18.5 | 16.3 | 17.2 | 18.0 | 18.5 | 19.0 | 19.9 | 20.7 |
| 32 Brokers and dealers | 137.5 | 93.3 | 183.4 | 167.7 | 156.2 | 138.2 | 147.1 | 167.7 | 164.1 | 158.4 | 167.7 |
| 33 Funding corporations | 117.9 | 97.3 | 91.3 | 109.3 | 113.2 | 116.8 | 119.8 | 109.3 | 124.8 | 116.9 | 123.4 |
| RELATION OF LIABILITIES TO FINANCIAL ASSETS | | | | | | | | | | | |
| 34 **Total credit market debt** | **16,197.9** | **17,256.2** | **18,476.5** | **19,797.6** | **18,763.9** | **19,107.8** | **19,421.9** | **19,797.6** | **20,035.2** | **20,332.0** | **20,616.7** |
| *Other liabilities* | | | | | | | | | | | |
| 35 Official foreign exchange | 53.4 | 53.2 | 63.7 | 53.7 | 62.1 | 61.4 | 54.3 | 53.7 | 46.3 | 46.7 | 46.1 |
| 36 Special drawing rights certificates | 8.0 | 8.0 | 10.2 | 9.7 | 10.2 | 10.2 | 9.7 | 9.7 | 9.2 | 9.2 | 9.2 |
| 37 Treasury currency | 17.0 | 17.6 | 18.2 | 18.2 | 18.2 | 18.2 | 18.8 | 18.2 | 18.3 | 18.3 | 18.7 |
| 38 Foreign deposits | 271.8 | 324.6 | 359.2 | 438.1 | 384.4 | 385.2 | 415.1 | 438.1 | 485.2 | 489.9 | 509.7 |
| 39 Net interbank liabilities | 189.3 | 280.1 | 290.7 | 240.8 | 266.6 | 250.0 | 225.8 | 240.8 | 210.2 | 197.0 | 178.2 |
| 40 Checkable deposits and currency | 1,251.7 | 1,242.0 | 1,229.3 | 1,245.1 | 1,183.3 | 1,212.3 | 1,220.8 | 1,245.1 | 1,220.0 | 1,265.3 | 1,234.1 |
| 41 Small time and savings deposits | 2,223.1 | 2,183.2 | 2,279.7 | 2,376.8 | 2,342.4 | 2,340.2 | 2,357.9 | 2,376.8 | 2,427.0 | 2,432.1 | 2,436.2 |
| 42 Large time deposits | 391.7 | 411.2 | 476.9 | 590.7 | 493.6 | 511.1 | 557.2 | 590.7 | 605.8 | 646.6 | 696.6 |
| 43 Money market fund shares | 559.6 | 602.9 | 745.3 | 891.1 | 816.9 | 809.5 | 838.1 | 891.1 | 950.8 | 952.4 | 1,005.1 |
| 44 Security repurchase agreements | 471.3 | 549.5 | 660.0 | 700.3 | 666.0 | 692.0 | 687.6 | 700.3 | 713.6 | 765.8 | 798.6 |
| 45 Mutual fund shares | 1,375.4 | 1,477.3 | 1,852.8 | 2,342.4 | 1,997.0 | 2,129.9 | 2,211.6 | 2,342.4 | 2,411.5 | 2,720.9 | 2,981.1 |
| 46 Security credit | 279.0 | 279.0 | 305.7 | 358.1 | 326.9 | 318.6 | 317.8 | 358.1 | 380.0 | 414.8 | 423.9 |
| 47 Life insurance reserves | 470.8 | 505.3 | 550.2 | 593.8 | 555.0 | 563.1 | 577.2 | 593.8 | 604.8 | 626.3 | 638.7 |
| 48 Pension fund reserves | 4,663.3 | 4,871.8 | 5,597.3 | 6,310.8 | 5,771.6 | 5,898.9 | 6,018.2 | 6,310.8 | 6,397.3 | 6,916.6 | 7,296.2 |
| 49 Trade payables | 1,047.8 | 1,141.5 | 1,246.7 | 1,315.5 | 1,234.6 | 1,269.7 | 1,263.7 | 1,315.5 | 1,301.6 | 1,324.4 | 1,357.9 |
| 50 Taxes payable | 98.8 | 101.4 | 106.0 | 118.9 | 116.2 | 113.4 | 116.7 | 118.9 | 131.6 | 127.1 | 130.7 |
| 51 Investment in bank personal trusts | 691.3 | 699.4 | 767.4 | 872.0 | 793.7 | 811.7 | 829.0 | 872.0 | 890.4 | 969.7 | 1,035.2 |
| 52 Miscellaneous | 5,106.5 | 5,377.4 | 5,781.0 | 6,128.0 | 5,943.3 | 5,933.2 | 6,016.3 | 6,128.0 | 6,297.5 | 6,238.4 | 6,393.4 |
| 53 **Total liabilities** | **35,367.7** | **37,381.8** | **40,816.7** | **44,401.5** | **41,745.8** | **42,436.3** | **43,157.7** | **44,401.5** | **45,136.4** | **46,493.6** | **47,806.5** |
| *Financial assets not included in liabilities (+)* | | | | | | | | | | | |
| 54 Gold and special drawing rights | 20.1 | 21.1 | 22.1 | 21.4 | 22.1 | 22.0 | 21.2 | 21.4 | 20.9 | 21.1 | 21.0 |
| 55 Corporate equities | 6,257.6 | 6,237.9 | 8,331.3 | 10,061.1 | 8,809.7 | 9,105.0 | 9,340.5 | 10,061.1 | 10,072.3 | 11,719.8 | 12,804.6 |
| 56 Household equity in noncorporate business | 3,225.5 | 3,423.9 | 3,632.0 | 3,856.1 | 3,683.5 | 3,744.3 | 3,812.9 | 3,856.1 | 3,937.9 | 4,003.2 | 4,051.2 |
| *Liabilities not identified as assets (−)* | | | | | | | | | | | |
| 57 Treasury currency | −5.1 | −5.4 | −5.8 | −6.8 | −6.1 | −6.3 | −6.0 | −6.8 | −6.9 | −7.0 | −6.9 |
| 58 Foreign deposits | 233.2 | 276.2 | 301.2 | 355.4 | 319.5 | 326.1 | 348.9 | 355.4 | 401.1 | 401.0 | 415.2 |
| 59 Net interbank transactions | −4.7 | −6.5 | −9.0 | −10.6 | −2.6 | −8.0 | −11.6 | −10.6 | −1.6 | −8.1 | −22.1 |
| 60 Security repurchase agreements | −1.4 | 55.8 | 110.8 | 136.6 | 121.7 | 149.1 | 126.4 | 136.6 | 107.7 | 140.3 | 155.5 |
| 61 Taxes payable | 40.8 | 48.8 | 60.8 | 72.1 | 45.8 | 61.0 | 66.5 | 72.1 | 69.1 | 70.8 | 75.5 |
| 62 Miscellaneous | −892.5 | −991.5 | −1,083.9 | −1,373.7 | −1,104.2 | −1,222.3 | −1,265.3 | −1,373.7 | −1,315.8 | −1,379.9 | −1,334.3 |
| *Floats not included in assets (−)* | | | | | | | | | | | |
| 63 Federal government checkable deposits | 5.6 | 3.4 | 3.1 | −1.6 | .0 | −3.4 | −1.7 | −1.6 | −9.7 | −6.8 | −7.8 |
| 64 Other checkable deposits | 40.7 | 38.0 | 34.2 | 30.1 | 29.6 | 31.8 | 23.1 | 30.1 | 25.6 | 27.9 | 19.5 |
| 65 Trade credit | −245.3 | −245.8 | −274.9 | −309.7 | −328.3 | −338.5 | −378.3 | −309.7 | −363.5 | −388.4 | −414.2 |
| 66 **Total identified to sectors as assets** | **45,699.5** | **47,891.6** | **53,665.6** | **59,448.4** | **55,185.8** | **56,318.1** | **57,430.3** | **59,448.4** | **60,261.5** | **63,387.7** | **65,802.9** |

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 | 1995 | 1996 | 1997 | 1997 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov.[r] | Dec. |
| 1 **Industrial production**[1] | **114.5** | **118.5** | **124.5** | **123.1** | **123.3** | **123.5** | **124.5** | **125.2** | **125.6[r]** | **126.5[r]** | **127.5** | **128.1** |
| *Market groupings* | | | | | | | | | | | | |
| 2 Products, total | 110.6 | 113.7 | 118.4 | 117.2 | 117.7 | 117.6 | 118.1 | 119.2 | 119.1[r] | 120.0[r] | 120.8 | 121.2 |
| 3 Final, total | 111.3 | 114.6 | 119.6 | 118.0 | 118.6 | 118.6 | 119.2 | 120.5 | 120.3[r] | 121.1 | 122.2 | 122.6 |
| 4 Consumer goods | 109.9 | 111.8 | 114.4 | 113.4 | 113.9 | 113.5 | 113.9 | 114.6 | 114.5[r] | 115.4 | 116.3 | 116.6 |
| 5 Equipment | 113.8 | 119.6 | 128.7 | 126.0 | 126.8 | 127.7 | 128.6 | 130.9 | 130.6[r] | 131.3 | 132.5 | 133.1 |
| 6 Intermediate | 108.3 | 110.8 | 115.0 | 114.7 | 114.9 | 114.7 | 114.6 | 115.3 | 115.2[r] | 116.4[r] | 116.6 | 117.2 |
| 7 Materials | 120.8 | 126.2 | 134.2 | 132.5 | 132.4 | 133.0 | 134.9 | 134.9 | 136.1[r] | 136.9 | 138.3 | 139.3 |
| *Industry groupings* | | | | | | | | | | | | |
| 8 Manufacturing | 116.0 | 120.2 | 127.0 | 125.4 | 125.7 | 126.1 | 126.9 | 127.9 | 128.0[r] | 128.9[r] | 130.5 | 131.1 |
| 9 Capacity utilization, manufacturing (percent)[2] | 82.8 | 81.4 | 81.7 | 81.6 | 81.4 | 81.3 | 81.5 | 81.8 | 81.6[r] | 81.8 | 82.4 | 82.5 |
| 10 Construction contracts[3] | 122.1 | 130.8 | 137.7 | 142.0[r] | 144.0 | 144.0[r] | 140.0[r] | 139.0[r] | 139.0[r] | 139.0[r] | 133.0 | 130.0 |
| 11 Nonagricultural employment, total[4] | 114.9 | 117.2 | 119.9 | 119.3 | 119.5 | 119.7 | 120.1 | 120.1 | 120.4 | 120.7 | 121.1 | 121.5 |
| 12 Goods-producing, total | 98.3 | 99.0 | 100.3 | 100.0 | 100.1 | 100.2 | 100.2 | 100.4 | 100.4 | 100.6 | 100.9 | 101.2 |
| 13 Manufacturing, total | 97.5 | 97.2 | 97.6 | 97.4 | 97.4 | 97.5 | 97.5 | 97.7 | 97.7 | 97.9 | 98.1 | 98.3 |
| 14 Manufacturing, production workers | 99.0 | 98.4 | 98.9 | 98.6 | 98.7 | 98.8 | 98.8 | 98.9 | 99.0 | 99.2 | 99.5 | 99.8 |
| 15 Service-producing | 120.2 | 123.0 | 126.2 | 125.5 | 125.7 | 126.0 | 126.5 | 126.5 | 126.8 | 127.2 | 127.6 | 128.0 |
| 16 Personal income, total | 158.2 | 167.0 | n.a. | 174.9 | 175.5 | 176.5 | 176.7 | 177.8 | 178.3 | 179.4 | 180.7 | n.a. |
| 17 Wages and salary disbursements | 150.9 | 159.8 | n.a. | 168.2 | 168.7 | 170.2 | 170.3 | 171.7 | 172.3 | 173.5 | 175.4 | n.a. |
| 18 Manufacturing | 130.4 | 135.7 | n.a. | 140.7 | 140.9 | 141.0 | 141.1 | 142.1 | 142.8 | 144.4 | 145.5 | n.a. |
| 19 Disposable personal income[5] | 158.7 | 166.2 | n.a. | 172.8 | 173.2 | 174.1 | 174.3 | 175.2 | 175.8 | 176.7 | 178.0 | n.a. |
| 20 Retail sales[5] | 151.2 | 158.6 | 165.8 | 163.7 | 163.3 | 164.5 | 166.5 | 167.2 | 166.7 | 166.5[r] | 167.0 | 168.2 |
| *Prices*[6] | | | | | | | | | | | | |
| 21 Consumer (1982–84=100) | 152.4 | 156.9 | 160.5 | 160.2 | 160.1 | 160.3 | 160.5 | 160.8 | 161.2 | 161.6 | 161.5 | 161.3 |
| 22 Producer finished goods (1982=100) | 127.9 | 131.3 | 131.8 | 131.6 | 131.6 | 131.6 | 131.3 | 131.7 | 131.8 | 132.4 | 131.8 | 131.1 |

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 December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, 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 | 1995[r] | 1996[r] | 1997 | 1997 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Sept. | Oct.[r] | Nov.[r] | Dec. |
| HOUSEHOLD SURVEY DATA[1] | | | | | | | | | | | |
| 1 Civilian labor force[2] | 132,304 | 133,943 | 126,297 | 136,060[r] | 136,206[r] | 136,294[r] | 136,404[r] | 136,439[r] | 136,406 | 136,864 | 137,169 |
| *Employment* | | | | | | | | | | | |
| 2 Nonagricultural industries[3] | 121,460 | 123,264 | 126,159 | 126,076[r] | 126,003[r] | 126,209[r] | 126,368[r] | 126,339[r] | 126,583 | 127,191 | 127,392 |
| 3 Agriculture | 3,440 | 3.443 | 3,399 | 3,418[r] | 3,389[r] | 3,452[r] | 3,379[r] | 3,422[r] | 3,327 | 3,384 | 3,385 |
| *Unemployment* | | | | | | | | | | | |
| 4 Number | 7,404 | 7,236 | 6,739 | 6,566[r] | 6,814[r] | 6,633[r] | 6,657[r] | 6,678[r] | 6,496 | 6,289 | 6,392 |
| 5 Rate (percent of civilian labor force) | 5.6 | 5.4 | 4.9 | 4.8 | 5.0 | 4.9[r] | 4.9 | 4.9 | 4.8 | 4.6 | 4.7 |
| ESTABLISHMENT SURVEY DATA | | | | | | | | | | | |
| 6 **Nonagricultural payroll employment**[4] | **117,191** | **119,523** | **122,257** | **121,834** | **122,056** | **122,440** | **122,492** | **122,792** | **123,083** | **123,495** | **123,865** |
| 7 Manufacturing | 18,524 | 18,457 | 18,538 | 18,498 | 18,518 | 18,514 | 18,555 | 18,553 | 18,590 | 18,639 | 18,678 |
| 8 Mining | 581 | 574 | 573 | 576 | 574 | 574 | 573 | 576 | 574 | 572 | 572 |
| 9 Contract construction | 5,160 | 5,400 | 5,627 | 5,628 | 5,622 | 5,625 | 5,637 | 5,642 | 5,650 | 5,680 | 5,730 |
| 10 Transportation and public utilities | 6,132 | 6,261 | 6,426 | 6,431 | 6,434 | 6,443 | 6,289 | 6,473 | 6,497 | 6,498 | 6,488 |
| 11 Trade | 27,565 | 28,108 | 28,788 | 28,656 | 28,713 | 28,823 | 28,864 | 28,902 | 28,970 | 29,103 | 29,168 |
| 12 Finance | 6,806 | 6,899 | 7,053 | 7,029 | 7,034 | 7,058 | 7,068 | 7,082 | 7,108 | 7,132 | 7,155 |
| 13 Service | 33,117 | 34,377 | 35,597 | 35,451 | 35,522 | 35,684 | 35,702 | 35,850 | 35,945 | 36,109 | 36,290 |
| 14 Government | 19,305 | 19,447 | 19,655 | 19,565 | 19,639 | 19,719 | 19,804 | 19,714 | 19,749 | 19,762 | 19,784 |

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 | 1997 | | | | 1997 | | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3[r] | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3[r] | Q4 |
| | Output (1992=100) | | | | Capacity (percent of 1992 output) | | | | Capacity utilization rate (percent)[2] | | | |
| 1 **Total industry** | **121.9** | **123.3** | **125.1** | **127.4** | **147.8** | **149.6** | **151.3** | **153.0** | **82.5** | **82.4** | **82.7** | **83.2** |
| 2 Manufacturing | 124.2 | 125.7 | 127.6 | 130.2 | 152.3 | 154.3 | 156.3 | 158.3 | 81.6 | 81.5 | 81.6 | 82.2 |
| 3 Primary processing[3] | 116.7 | 117.7 | 118.5 | 120.1 | 135.8 | 136.9 | 138.0 | 139.2 | 85.9 | 86.0 | 85.8 | 86.2 |
| 4 Advanced processing[4] | 128.0 | 129.7 | 132.1 | 135.2 | 160.6 | 163.2 | 165.7 | 168.1 | 79.7 | 79.5 | 79.8 | 80.4 |
| 5 Durable goods | 137.5 | 140.2 | 143.7 | 147.3 | 170.4 | 173.8 | 177.2 | 180.6 | 80.7 | 80.7 | 81.1 | 81.6 |
| 6 Lumber and products | 113.5 | 116.4 | 114.9 | 114.2 | 137.3 | 138.6 | 140.0 | 141.3 | 82.7 | 84.0 | 82.1 | 80.8 |
| 7 Primary metals | 120.9 | 123.8 | 125.5 | 128.5 | 134.7 | 136.0 | 137.2 | 138.5 | 89.8 | 91.0 | 91.5 | 92.8 |
| 8 Iron and steel | 119.4 | 122.6 | 122.8 | 127.7 | 134.1 | 135.4 | 136.6 | 137.9 | 89.1 | 90.6 | 89.9 | 92.6 |
| 9 Nonferrous | 122.7 | 125.3 | 128.8 | 129.4 | 135.2 | 136.4 | 137.7 | 138.9 | 90.8 | 91.8 | 93.5 | 93.2 |
| 10 Industrial machinery and equipment | 163.9 | 168.2 | 173.9 | 177.7 | 193.3 | 199.0 | 204.4 | 210.0 | 84.8 | 84.5 | 85.1 | 84.6 |
| 11 Electrical machinery | 216.4 | 226.6 | 236.6 | 246.4 | 264.4 | 276.7 | 289.1 | 301.9 | 81.9 | 81.9 | 81.9 | 81.6 |
| 12 Motor vehicles and parts | 133.6 | 130.5 | 136.7 | 142.7 | 180.6 | 182.6 | 184.7 | 186.7 | 74.0 | 71.4 | 74.0 | 76.4 |
| 13 Aerospace and miscellaneous transportation equipment | 89.9 | 92.8 | 95.6 | 98.6 | 122.7 | 123.4 | 124.1 | 124.8 | 73.3 | 75.2 | 77.1 | 79.1 |
| 14 Nondurable goods | 110.3 | 110.7 | 111.1 | 112.6 | 133.6 | 134.3 | 135.0 | 135.7 | 82.6 | 82.4 | 82.3 | 82.9 |
| 15 Textile mill products | 107.3 | 108.5 | 110.9 | 112.6 | 130.5 | 131.1 | 131.7 | 132.3 | 82.3 | 82.8 | 84.3 | 85.1 |
| 16 Paper and products | 111.7 | 112.2 | 114.1 | 115.5 | 124.9 | 125.5 | 126.0 | 126.7 | 89.4 | 89.4 | 90.5 | 91.2 |
| 17 Chemicals and products | 114.5 | 114.8 | 114.8 | 116.2 | 143.9 | 145.1 | 146.3 | 147.5 | 79.5 | 79.1 | 78.5 | 78.7 |
| 18 Plastics materials | 126.8 | 127.6 | 130.6 | ... | 136.3 | 138.1 | 140.0 | ... | 93.0 | 92.4 | 93.3 | ... |
| 19 Petroleum products | 107.7 | 111.0 | 109.5 | 110.3 | 114.1 | 114.7 | 115.2 | 115.7 | 94.4 | 96.8 | 95.1 | 95.3 |
| 20 Mining | 105.4 | 106.0 | 106.4 | 106.0 | 117.6 | 117.9 | 118.1 | 118.2 | 89.6 | 89.9 | 90.1 | 89.7 |
| 21 Utilities | 110.8 | 111.7 | 114.0 | 115.4 | 125.8 | 126.3 | 126.7 | 127.1 | 88.1 | 88.5 | 90.0 | 90.8 |
| 22 Electric | 111.5 | 111.3 | 114.2 | 115.4 | 124.2 | 124.6 | 125.0 | 125.4 | 89.8 | 89.3 | 91.4 | 92.1 |

| | 1973 | 1975 | Previous cycle[5] | | Latest cycle[6] | | 1996 | 1997 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | High | Low | High | Low | High | Low | Dec. | July | Aug. | Sept.[r] | Oct.[r] | Nov. | Dec.[p] |
| | Capacity utilization rate (percent)[2] | | | | | | | | | | | | |
| 1 **Total industry** | **89.2** | **72.6** | **87.3** | **71.1** | **85.4** | **78.1** | **82.5** | **82.6** | **82.8** | **82.7** | **83.0** | **83.3** | **83.4** |
| 2 Manufacturing | 88.5 | 70.5 | 86.9 | 69.0 | 85.7 | 76.6 | 81.5 | 81.5 | 81.8 | 81.6 | 81.8 | 82.4 | 82.5 |
| 3 Primary processing[3] | 91.2 | 68.2 | 88.1 | 66.2 | 88.9 | 77.7 | 85.7 | 86.0 | 85.8 | 85.7 | 85.7 | 86.3 | 86.7 |
| 4 Advanced processing[4] | 87.2 | 71.8 | 86.7 | 70.4 | 84.2 | 76.1 | 79.7 | 79.6 | 80.0 | 79.7 | 80.0 | 80.6 | 80.6 |
| 5 Durable goods | 89.2 | 68.9 | 87.7 | 63.9 | 84.6 | 73.1 | 80.4 | 80.8 | 81.4 | 81.0 | 81.0 | 81.9 | 81.8 |
| 6 Lumber and products | 88.7 | 61.2 | 87.9 | 60.8 | 93.6 | 75.5 | 80.8 | 83.2 | 82.5 | 80.7 | 79.9 | 81.5 | 81.0 |
| 7 Primary metals | 100.2 | 65.9 | 94.2 | 45.1 | 92.7 | 73.7 | 90.0 | 91.5 | 91.4 | 91.5 | 92.3 | 92.8 | 93.3 |
| 8 Iron and steel | 105.8 | 66.6 | 95.8 | 37.0 | 95.2 | 71.8 | 88.5 | 89.7 | 89.1 | 90.8 | 92.0 | 92.8 | 93.1 |
| 9 Nonferrous | 90.8 | 59.8 | 91.1 | 60.1 | 89.3 | 74.2 | 91.9 | 93.8 | 94.3 | 92.5 | 92.8 | 93.1 | 93.7 |
| 10 Industrial machinery and equipment | 96.0 | 74.3 | 93.2 | 64.0 | 85.4 | 72.3 | 85.0 | 85.0 | 86.1 | 84.2 | 84.7 | 84.5 | 84.6 |
| 11 Electrical machinery | 89.2 | 64.7 | 89.4 | 71.6 | 84.0 | 75.0 | 82.0 | 82.7 | 81.9 | 81.0 | 80.9 | 81.8 | 82.1 |
| 12 Motor vehicles and parts | 93.4 | 51.3 | 95.0 | 45.5 | 89.1 | 55.9 | 72.6 | 70.7 | 75.2 | 76.2 | 75.0 | 78.7 | 75.6 |
| 13 Aerospace and miscellaneous transportation equipment | 78.4 | 67.6 | 81.9 | 66.6 | 87.3 | 79.2 | 72.2 | 76.4 | 76.9 | 77.9 | 78.1 | 78.6 | 80.5 |
| 14 Nondurable goods | 87.8 | 71.7 | 87.5 | 76.4 | 87.3 | 80.7 | 82.9 | 82.3 | 82.2 | 82.3 | 82.7 | 83.0 | 83.2 |
| 15 Textile mill products | 91.4 | 60.0 | 91.2 | 72.3 | 90.4 | 77.7 | 81.4 | 84.2 | 84.1 | 84.5 | 84.6 | 85.4 | 85.4 |
| 16 Paper and products | 97.1 | 69.2 | 96.1 | 80.6 | 93.5 | 85.0 | 89.7 | 90.8 | 90.8 | 90.1 | 90.2 | 91.8 | 91.5 |
| 17 Chemicals and products | 87.6 | 69.7 | 84.6 | 69.9 | 86.2 | 79.3 | 80.3 | 78.4 | 78.3 | 78.8 | 78.9 | 78.5 | 78.8 |
| 18 Plastics materials | 102.0 | 50.6 | 90.9 | 63.4 | 97.0 | 74.8 | 93.9 | 94.4 | 92.0 | 93.6 | 91.2 | ... | ... |
| 19 Petroleum products | 96.7 | 81.1 | 90.0 | 66.8 | 88.5 | 85.1 | 93.8 | 94.7 | 95.2 | 95.4 | 96.2 | 94.1 | 95.7 |
| 20 Mining | 94.3 | 88.2 | 96.0 | 80.3 | 88.0 | 87.0 | 87.6 | 90.3 | 90.0 | 90.1 | 89.8 | 89.5 | 89.7 |
| 21 Utilities | 96.2 | 82.9 | 89.1 | 75.9 | 92.6 | 83.4 | 89.8 | 89.9 | 89.2 | 90.8 | 92.0 | 90.1 | 90.3 |
| 22 Electric | 99.0 | 82.7 | 88.2 | 78.9 | 95.0 | 87.1 | 90.8 | 91.2 | 90.5 | 92.5 | 93.6 | 91.3 | 91.3 |

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 December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, 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 | 1997 avg. | 1996 Dec. | 1997 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct.[r] | Nov. | Dec.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Index (1992 = 100) | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | |
| 1 **Total index** | **100.0** | **124.5** | **120.9** | **121.3** | **122.1** | **122.5** | **123.1** | **123.3** | **123.5** | **124.5** | **125.2** | **125.6** | **126.5** | **127.5** | **128.1** |
| 2 Products | 60.5 | 118.4 | 115.9 | 116.0 | 116.5 | 116.9 | 117.2 | 117.7 | 117.6 | 118.1 | 119.2 | 119.1 | 120.0 | 120.8 | 121.2 |
| 3 Final products | 46.3 | 119.6 | 116.8 | 116.8 | 117.2 | 117.9 | 118.0 | 118.6 | 118.6 | 119.2 | 120.5 | 120.3 | 121.1 | 122.2 | 122.6 |
| 4 Consumer goods, total | 29.1 | 114.4 | 113.6 | 113.2 | 113.1 | 113.4 | 113.4 | 113.9 | 113.5 | 113.9 | 114.6 | 114.5 | 115.4 | 116.3 | 116.6 |
| 5 Durable consumer goods | 6.1 | 131.3 | 128.4 | 128.0 | 129.4 | 130.7 | 127.4 | 128.8 | 129.8 | 128.1 | 132.1 | 131.9 | 131.1 | 136.1 | 135.9 |
| 6 Automotive products | 2.6 | 130.0 | 125.9 | 127.4 | 128.5 | 129.0 | 122.3 | 124.6 | 126.7 | 120.3 | 131.6 | 132.8 | 131.2 | 138.5 | 135.0 |
| 7 Autos and trucks | 1.7 | 136.5 | 133.2 | 134.8 | 135.1 | 135.6 | 124.4 | 127.6 | 130.3 | 120.2 | 137.6 | 140.9 | 139.7 | 147.7 | 142.8 |
| 8 Autos, consumer | .9 | 115.2 | 112.3 | 114.5 | 116.5 | 117.6 | 110.7 | 112.4 | 110.8 | 113.0 | 118.6 | 119.9 | 115.2 | 120.3 | 113.9 |
| 9 Trucks, consumer | .7 | 159.1 | 159.1 | 160.0 | 158.6 | 158.5 | 142.7 | 147.3 | 154.2 | 131.9 | 161.2 | 166.5 | 168.6 | 179.7 | 175.9 |
| 10 Auto parts and allied goods | .9 | 119.5 | 114.3 | 115.5 | 117.9 | 118.4 | 118.2 | 119.1 | 120.3 | 119.3 | 121.8 | 120.1 | 117.9 | 124.1 | 122.6 |
| 11 Other | 3.5 | 132.3 | 130.4 | 128.5 | 130.1 | 132.0 | 131.4 | 132.1 | 132.3 | 134.4 | 132.5 | 131.1 | 131.0 | 134.1 | 136.6 |
| 12 Appliances, televisions, and air conditioners | 1.0 | 168.2 | 165.9 | 157.3 | 164.1 | 166.9 | 164.2 | 166.5 | 165.4 | 174.8 | 169.8 | 166.0 | 167.1 | 173.3 | 180.2 |
| 13 Carpeting and furniture | .8 | 117.3 | 114.5 | 114.1 | 114.3 | 116.7 | 116.7 | 117.7 | 119.0 | 116.4 | 117.7 | 116.2 | 116.2 | 122.1 | 121.0 |
| 14 Miscellaneous home goods | 1.6 | 120.0 | 118.8 | 119.0 | 119.1 | 120.3 | 120.3 | 120.2 | 120.3 | 122.1 | 119.8 | 119.4 | 118.7 | 119.0 | 121.6 |
| 15 Nondurable consumer goods | 23.0 | 110.1 | 109.9 | 109.4 | 109.0 | 109.1 | 109.9 | 110.1 | 109.4 | 110.3 | 110.3 | 110.2 | 111.4 | 111.5 | 111.9 |
| 16 Foods and tobacco | 10.3 | 109.3 | 109.5 | 109.1 | 109.2 | 110.0 | 109.1 | 108.9 | 108.1 | 109.6 | 108.9 | 108.6 | 109.1 | 110.4 | 110.9 |
| 17 Clothing | 2.4 | 96.0 | 95.9 | 96.5 | 95.6 | 96.1 | 96.5 | 95.8 | 95.4 | 95.8 | 96.0 | 96.0 | 96.5 | 95.4 | 95.7 |
| 18 Chemical products | 4.5 | 119.1 | 118.1 | 118.0 | 117.3 | 115.9 | 118.4 | 119.3 | 119.1 | 117.3 | 119.4 | 119.4 | 121.8 | 121.6 | 121.9 |
| 19 Paper products | 2.9 | 109.4 | 108.0 | 106.5 | 107.1 | 107.8 | 108.2 | 108.9 | 109.8 | 110.8 | 109.8 | 110.1 | 111.3 | 111.3 | 110.9 |
| 20 Energy | 2.9 | 111.1 | 112.0 | 110.5 | 108.3 | 107.3 | 111.9 | 112.8 | 109.7 | 112.4 | 112.8 | 112.4 | 115.2 | 112.6 | 113.6 |
| 21 Fuels | .8 | 109.5 | 106.3 | 105.7 | 106.6 | 108.2 | 109.6 | 111.3 | 111.5 | 108.8 | 111.0 | 110.8 | 112.0 | 107.1 | 110.9 |
| 22 Residential utilities | 2.1 | 111.6 | 114.5 | 112.5 | 108.7 | 106.4 | 112.6 | 113.0 | 108.3 | 113.7 | 113.2 | 112.8 | 116.2 | 114.9 | 114.5 |
| 23 Equipment | 17.2 | 128.7 | 122.4 | 123.1 | 124.6 | 125.8 | 126.0 | 126.8 | 127.7 | 128.6 | 130.9 | 130.6 | 131.3 | 132.5 | 133.1 |
| 24 Business equipment | 13.2 | 141.8 | 134.0 | 134.9 | 136.5 | 137.5 | 137.9 | 139.0 | 140.2 | 141.6 | 144.6 | 144.4 | 145.4 | 147.1 | 147.8 |
| 25 Information processing and related | 5.4 | 168.2 | 157.1 | 157.8 | 160.9 | 161.0 | 163.0 | 164.4 | 166.8 | 169.3 | 171.1 | 172.9 | 174.2 | 174.7 | 176.8 |
| 26 Computer and office equipment | 1.1 | 384.1 | 325.4 | 333.8 | 341.5 | 348.8 | 358.4 | 365.3 | 375.8 | 391.6 | 407.1 | 414.6 | 419.6 | 423.0 | 425.9 |
| 27 Industrial | 4.0 | 133.3 | 129.3 | 130.0 | 129.8 | 130.6 | 131.6 | 131.5 | 131.7 | 133.7 | 135.8 | 133.8 | 136.0 | 136.4 | 137.5 |
| 28 Transit | 2.5 | 110.8 | 102.0 | 103.3 | 105.2 | 107.7 | 104.6 | 106.7 | 107.3 | 106.9 | 113.3 | 114.2 | 112.8 | 118.0 | 117.2 |
| 29 Autos and trucks | 1.2 | 119.0 | 114.9 | 116.4 | 118.2 | 121.4 | 112.5 | 114.6 | 113.6 | 111.5 | 120.3 | 120.2 | 117.0 | 124.6 | 117.6 |
| 30 Other | 1.3 | 135.0 | 129.0 | 129.7 | 130.8 | 132.6 | 134.4 | 135.2 | 136.3 | 136.3 | 137.9 | 135.1 | 137.2 | 137.7 | 136.1 |
| 31 Defense and space equipment | 3.3 | 75.3 | 76.2 | 75.5 | 75.6 | 75.7 | 75.4 | 75.6 | 76.0 | 74.9 | 75.0 | 74.7 | 74.7 | 75.1 | 75.2 |
| 32 Oil and gas well drilling | .6 | 149.6 | 134.7 | 138.4 | 143.5 | 154.8 | 151.4 | 150.7 | 150.9 | 152.1 | 153.2 | 153.1 | 149.7 | 147.0 | 147.8 |
| 33 Manufactured homes | .2 | ... | 128.0 | 137.7 | 140.7 | 139.4 | 142.9 | 141.9 | 139.1 | 143.5 | 139.5 | 137.2 | 136.9 | 138.1 | ... |
| 34 Intermediate products, total | 14.2 | 115.0 | 113.0 | 113.5 | 114.1 | 114.1 | 114.7 | 114.9 | 114.7 | 114.6 | 115.3 | 115.2 | 116.4 | 116.6 | 117.2 |
| 35 Construction supplies | 5.3 | 121.7 | 118.7 | 119.1 | 121.7 | 122.3 | 121.8 | 122.2 | 122.2 | 121.2 | 122.7 | 120.4 | 121.3 | 122.6 | 123.4 |
| 36 Business supplies | 8.9 | 111.0 | 109.6 | 110.2 | 109.6 | 109.2 | 110.6 | 110.6 | 110.2 | 110.6 | 111.0 | 112.2 | 113.5 | 113.1 | 113.5 |
| 37 Materials | 39.5 | 134.2 | 129.0 | 129.7 | 131.0 | 131.3 | 132.5 | 132.4 | 133.0 | 134.9 | 134.9 | 136.1 | 136.9 | 138.3 | 139.3 |
| 38 Durable goods materials | 20.8 | 158.3 | 149.3 | 150.2 | 152.2 | 153.0 | 155.1 | 155.4 | 156.9 | 159.3 | 160.3 | 161.3 | 163.2 | 166.0 | 167.4 |
| 39 Durable consumer parts | 4.0 | 139.3 | 134.3 | 136.2 | 136.3 | 135.9 | 137.1 | 134.7 | 136.2 | 139.2 | 140.3 | 140.7 | 141.7 | 145.4 | 144.9 |
| 40 Equipment parts | 7.6 | 222.0 | 198.4 | 201.1 | 206.1 | 210.0 | 213.4 | 216.7 | 220.0 | 224.6 | 227.6 | 229.6 | 233.3 | 238.1 | 241.8 |
| 41 Other | 9.2 | 125.7 | 122.9 | 122.6 | 123.5 | 123.2 | 124.7 | 124.5 | 125.0 | 125.9 | 126.0 | 126.6 | 127.8 | 129.2 | 130.3 |
| 42 Basic metal materials | 3.1 | 120.8 | 117.8 | 116.7 | 118.3 | 118.2 | 118.8 | 119.9 | 121.2 | 121.1 | 121.8 | 121.7 | 122.5 | 124.9 | 125.3 |
| 43 Nondurable goods materials | 8.9 | 112.9 | 111.4 | 111.6 | 112.6 | 112.5 | 113.0 | 111.8 | 111.9 | 113.5 | 112.3 | 113.3 | 113.2 | 114.3 | 114.8 |
| 44 Textile materials | 1.1 | 109.3 | 106.1 | 107.0 | 108.0 | 106.3 | 109.4 | 106.1 | 108.1 | 112.3 | 108.4 | 111.4 | 112.0 | 111.3 | 112.5 |
| 45 Paper materials | 1.8 | 113.1 | 110.8 | 110.4 | 112.0 | 112.5 | 112.6 | 112.6 | 110.9 | 113.8 | 114.3 | 112.7 | 114.6 | 115.3 | 115.3 |
| 46 Chemical materials | 3.9 | 114.8 | 114.0 | 114.9 | 115.0 | 114.8 | 115.4 | 113.8 | 113.8 | 115.1 | 113.9 | 115.6 | 114.7 | 114.8 | 116.0 |
| 47 Other | 2.1 | 110.3 | 109.0 | 107.7 | 110.1 | 110.4 | 109.7 | 109.5 | 110.8 | 110.1 | 108.6 | 109.5 | 109.0 | 114.0 | 112.8 |
| 48 Energy materials | 9.7 | 104.1 | 102.7 | 103.6 | 103.8 | 103.4 | 103.7 | 103.7 | 103.2 | 104.6 | 103.9 | 105.5 | 105.3 | 104.5 | 105.0 |
| 49 Primary energy | 6.3 | 101.7 | 100.4 | 101.2 | 102.5 | 101.9 | 101.7 | 102.1 | 101.0 | 102.3 | 102.4 | 102.2 | 101.8 | 101.0 | 101.4 |
| 50 Converted fuel materials | 3.3 | 108.7 | 107.0 | 108.0 | 106.2 | 106.2 | 107.6 | 106.8 | 107.3 | 109.0 | 106.8 | 111.8 | 111.9 | 111.2 | 111.9 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | |
| 51 Total excluding autos and trucks | 97.1 | 124.4 | 120.8 | 121.1 | 121.9 | 122.3 | 123.2 | 123.4 | 123.6 | 124.8 | 125.1 | 125.4 | 126.4 | 127.2 | 128.1 |
| 52 Total excluding motor vehicles and parts | 95.1 | 123.9 | 120.5 | 120.7 | 121.5 | 121.9 | 122.7 | 123.0 | 123.1 | 124.3 | 124.6 | 124.8 | 125.8 | 126.6 | 127.5 |
| 53 Total excluding computer and office equipment | 98.2 | 122.0 | 118.8 | 119.1 | 119.8 | 120.2 | 120.7 | 120.9 | 121.1 | 122.0 | 122.6 | 122.9 | 123.7 | 124.8 | 125.4 |
| 54 Consumer goods excluding autos and trucks | 27.4 | 113.1 | 112.5 | 112.0 | 111.8 | 112.1 | 112.8 | 113.1 | 112.5 | 113.5 | 113.4 | 113.0 | 114.0 | 114.7 | 115.2 |
| 55 Consumer goods excluding energy | 26.2 | 114.8 | 113.9 | 113.5 | 113.7 | 114.2 | 113.6 | 114.0 | 114.0 | 114.1 | 114.9 | 114.7 | 115.4 | 116.8 | 117.0 |
| 56 Business equipment excluding autos and trucks | 12.0 | 144.5 | 136.3 | 137.1 | 138.6 | 139.5 | 141.0 | 141.9 | 143.4 | 145.2 | 147.5 | 147.3 | 148.9 | 149.8 | 151.4 |
| 57 Business equipment excluding computer and office equipment | 12.1 | 129.0 | 123.2 | 123.8 | 125.1 | 126.0 | 126.0 | 126.9 | 127.7 | 128.6 | 131.2 | 130.8 | 131.7 | 133.3 | 133.9 |
| 58 Materials excluding energy | 29.8 | 143.7 | 137.3 | 137.9 | 139.6 | 140.1 | 141.6 | 141.4 | 142.5 | 144.6 | 144.8 | 145.8 | 147.0 | 149.2 | 150.4 |

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

| Group | SIC[2] code | 1992 proportion | 1997 avg. | 1996 Dec. | 1997 Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct.[r] | Nov. | Dec.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Index (1992 = 100) | | | | | | | | | | | | |
| MAJOR INDUSTRIES | | | | | | | | | | | | | | | | |
| 59 **Total index** | ... | **100.0** | **124.5** | **120.9** | **121.3** | **122.1** | **122.5** | **123.1** | **123.3** | **123.5** | **124.5** | **125.2** | **125.6** | **126.5** | **127.5** | **128.1** |
| 60 Manufacturing | ... | 85.4 | 127.0 | 123.1 | 123.5 | 124.4 | 124.9 | 125.4 | 125.7 | 126.1 | 126.9 | 127.9 | 128.0 | 128.9 | 130.5 | 131.1 |
| 61 Primary processing | ... | 26.5 | 118.2 | 115.8 | 115.8 | 116.9 | 117.2 | 117.7 | 117.7 | 117.7 | 118.3 | 118.5 | 118.6 | 119.0 | 120.2 | 121.0 |
| 62 Advanced processing | ... | 58.9 | 131.4 | 126.7 | 127.2 | 128.1 | 128.6 | 129.2 | 129.6 | 130.2 | 131.2 | 132.5 | 132.7 | 133.9 | 135.6 | 136.2 |
| 63 Durable goods | ... | 45.0 | 142.4 | 135.3 | 136.1 | 137.8 | 138.7 | 139.5 | 140.1 | 141.2 | 142.4 | 144.3 | 144.4 | 145.4 | 147.8 | 148.8 |
| 64 Lumber and products | 24 | 2.0 | 114.8 | 110.2 | 111.4 | 114.2 | 114.9 | 115.9 | 116.4 | 117.0 | 116.1 | 115.4 | 113.3 | 112.5 | 115.2 | 114.8 |
| 65 Furniture and fixtures | 25 | 1.4 | 122.5 | 119.7 | 119.7 | 120.6 | 120.7 | 123.5 | 123.3 | 123.5 | 124.2 | 121.1 | 122.0 | 122.6 | 124.5 | 124.7 |
| 66 Stone, clay, and glass products | 32 | 2.1 | 120.7 | 116.4 | 119.2 | 118.9 | 119.5 | 121.1 | 119.4 | 120.0 | 120.9 | 120.5 | 121.2 | 121.5 | 123.2 | 124.1 |
| 67 Primary metals | 33 | 3.1 | 124.6 | 120.5 | 119.4 | 121.6 | 121.8 | 122.3 | 124.2 | 124.9 | 125.2 | 125.5 | 125.9 | 127.4 | 128.5 | 129.6 |
| 68 Iron and steel | 331,2 | 1.7 | 123.1 | 118.0 | 118.8 | 119.9 | 119.6 | 121.2 | 123.9 | 122.6 | 122.2 | 121.8 | 124.5 | 126.5 | 127.9 | 128.8 |
| 69 Raw steel | 331PT | .1 | 116.0 | 112.4 | 111.9 | 112.4 | 114.0 | 115.1 | 115.4 | 114.9 | 115.5 | 116.1 | 119.2 | 117.7 | 120.9 | 121.5 |
| 70 Nonferrous | 333–6,9 | 1.4 | 126.4 | 123.5 | 120.0 | 123.5 | 124.5 | 123.5 | 124.6 | 127.7 | 128.8 | 129.9 | 127.7 | 128.5 | 129.3 | 130.6 |
| 71 Fabricated metal products | 34 | 5.0 | 123.0 | 120.6 | 120.6 | 121.7 | 122.1 | 122.5 | 122.7 | 121.9 | 122.4 | 122.8 | 122.7 | 124.2 | 125.4 | 127.1 |
| 72 Industrial machinery and equipment | 35 | 8.0 | 171.4 | 161.3 | 162.8 | 164.0 | 165.1 | 167.8 | 168.0 | 168.8 | 172.2 | 175.9 | 173.7 | 176.3 | 177.5 | 179.3 |
| 73 Computer and office equipment | 357 | 1.8 | 380.8 | 319.9 | 328.6 | 336.6 | 344.2 | 354.1 | 361.4 | 372.3 | 388.5 | 403.9 | 412.0 | 417.5 | 421.4 | 424.8 |
| 74 Electrical machinery | 36 | 7.3 | 231.6 | 210.5 | 211.1 | 217.4 | 220.8 | 223.7 | 226.3 | 229.7 | 235.5 | 236.8 | 237.5 | 240.8 | 247.0 | 251.5 |
| 75 Transportation equipment | 37 | 9.5 | 115.5 | 109.1 | 110.9 | 111.4 | 112.3 | 110.7 | 110.8 | 113.0 | 112.2 | 117.0 | 118.8 | 118.2 | 122.2 | 121.0 |
| 76 Motor vehicles and parts | 371 | 4.9 | 136.9 | 130.1 | 133.4 | 133.3 | 134.0 | 129.7 | 129.2 | 132.5 | 130.0 | 138.9 | 141.2 | 139.6 | 146.9 | 141.6 |
| 77 Autos and light trucks | 371PT | 2.6 | 128.3 | 125.0 | 126.7 | 127.2 | 127.8 | 117.8 | 120.6 | 122.4 | 115.0 | 129.5 | 132.3 | 130.4 | 137.6 | 132.6 |
| 78 Aerospace and miscellaneous transportation equipment | 372–6,9 | 4.6 | 94.4 | 88.4 | 88.9 | 89.9 | 91.0 | 92.0 | 92.7 | 93.8 | 94.6 | 95.5 | 96.8 | 97.2 | 98.0 | 100.6 |
| 79 Instruments | 38 | 5.4 | 108.2 | 106.3 | 105.9 | 107.2 | 106.5 | 106.6 | 107.6 | 107.9 | 108.0 | 109.2 | 108.9 | 109.7 | 110.2 | 110.4 |
| 80 Miscellaneous | 39 | 1.3 | 125.6 | 123.4 | 124.0 | 125.0 | 124.7 | 125.1 | 125.5 | 126.0 | 127.0 | 126.7 | 126.1 | 126.5 | 125.2 | 127.1 |
| 81 Nondurable goods | ... | 40.4 | 111.1 | 110.3 | 110.2 | 110.4 | 110.5 | 110.8 | 110.7 | 110.5 | 110.9 | 111.0 | 111.3 | 112.0 | 112.7 | 113.1 |
| 82 Foods | 20 | 9.4 | 109.6 | 109.0 | 109.3 | 109.4 | 110.0 | 109.2 | 109.2 | 108.8 | 110.0 | 108.9 | 108.6 | 109.3 | 111.0 | 111.1 |
| 83 Tobacco products | 21 | 1.6 | 112.3 | 116.3 | 112.0 | 113.0 | 114.2 | 113.0 | 111.5 | 109.0 | 110.5 | 112.5 | 112.0 | 113.6 | 111.9 | 115.0 |
| 84 Textile mill products | 22 | 1.8 | 109.8 | 105.9 | 107.0 | 107.0 | 108.0 | 109.2 | 107.2 | 109.1 | 110.7 | 110.7 | 111.4 | 111.7 | 112.9 | 113.1 |
| 85 Apparel products | 23 | 2.2 | 99.7 | 100.0 | 100.5 | 99.5 | 100.1 | 99.8 | 99.8 | 99.6 | 99.7 | 99.1 | 99.1 | 99.3 | 98.8 | 100.0 |
| 86 Paper and products | 26 | 3.6 | 113.4 | 111.7 | 110.8 | 111.9 | 112.4 | 112.4 | 112.6 | 111.7 | 114.2 | 114.4 | 113.7 | 114.0 | 116.3 | 116.1 |
| 87 Printing and publishing | 27 | 6.7 | 104.8 | 103.2 | 103.2 | 103.3 | 103.6 | 104.4 | 104.5 | 104.1 | 104.1 | 104.4 | 105.1 | 106.7 | 107.4 | 106.8 |
| 88 Chemicals and products | 28 | 9.9 | 115.1 | 114.9 | 115.2 | 114.6 | 113.6 | 115.2 | 114.5 | 114.6 | 114.3 | 114.5 | 115.6 | 116.1 | 115.8 | 116.6 |
| 89 Petroleum products | 29 | 1.4 | 109.5 | 106.8 | 107.0 | 108.0 | 108.0 | 110.1 | 111.4 | 111.3 | 108.9 | 109.7 | 110.1 | 111.2 | 108.8 | 110.9 |
| 90 Rubber and plastic products | 30 | 3.5 | 126.5 | 124.7 | 123.3 | 125.0 | 125.5 | 124.4 | 125.4 | 125.6 | 126.0 | 127.9 | 127.6 | 127.4 | 129.7 | 130.2 |
| 91 Leather and products | 31 | .3 | 73.6 | 77.7 | 76.5 | 76.0 | 76.6 | 75.9 | 75.3 | 74.0 | 74.0 | 71.2 | 70.9 | 72.4 | 70.8 | 70.3 |
| 92 Mining | ... | 6.9 | 106.0 | 102.9 | 103.7 | 106.0 | 106.7 | 105.5 | 106.7 | 105.7 | 106.5 | 106.3 | 106.5 | 106.2 | 105.8 | 106.1 |
| 93 Metal | 10 | .5 | 107.6 | 107.2 | 105.5 | 106.2 | 106.4 | 105.3 | 105.9 | 109.9 | 105.2 | 106.0 | 105.3 | 111.1 | 113.7 | 111.3 |
| 94 Coal | 12 | 1.0 | 109.8 | 108.2 | 107.4 | 110.4 | 107.0 | 105.4 | 115.9 | 107.4 | 112.1 | 107.7 | 109.5 | 109.6 | 111.2 | 115.9 |
| 95 Oil and gas extraction | 13 | 4.8 | 103.2 | 99.7 | 101.1 | 102.8 | 104.3 | 103.8 | 103.4 | 102.9 | 103.9 | 104.1 | 104.3 | 103.4 | 102.4 | 101.9 |
| 96 Stone and earth minerals | 14 | .6 | 118.8 | 115.6 | 115.0 | 123.5 | 123.6 | 116.8 | 118.2 | 120.9 | 117.8 | 119.9 | 117.7 | 117.5 | 117.6 | 119.6 |
| 97 Utilities | ... | 7.7 | 112.5 | 112.7 | 112.5 | 110.3 | 109.6 | 112.5 | 111.8 | 110.9 | 113.8 | 113.0 | 115.1 | 116.7 | 114.5 | 114.9 |
| 98 Electric | 491,493PT | 6.2 | 113.1 | 112.5 | 112.9 | 111.0 | 110.6 | 112.7 | 110.4 | 110.7 | 113.8 | 113.1 | 115.7 | 117.2 | 114.5 | 114.5 |
| 99 Gas | 492,493PT | 1.6 | 111.0 | 113.6 | 111.2 | 107.9 | 105.4 | 111.5 | 117.1 | 111.9 | 113.5 | 112.5 | 112.7 | 114.9 | 114.3 | 116.2 |
| SPECIAL AGGREGATES | | | | | | | | | | | | | | | | |
| 100 Manufacturing excluding motor vehicles and parts | ... | 80.5 | 126.4 | 122.7 | 122.9 | 123.9 | 124.3 | 125.2 | 125.5 | 125.7 | 126.7 | 127.2 | 127.3 | 128.3 | 129.5 | 130.5 |
| 101 Manufacturing excluding office and computing machines | ... | 83.6 | 124.1 | 120.6 | 120.9 | 121.8 | 122.2 | 122.7 | 122.9 | 123.2 | 123.9 | 124.8 | 124.9 | 125.8 | 127.3 | 127.9 |
| | | Gross value (billions of 1992 dollars, annual rates) | | | | | | | | | | | | | | |
| MAJOR MARKETS | | | | | | | | | | | | | | | | |
| 102 **Products, total** | ... | **2,001.9** | **2,372.2** | **2,327.3** | **2,332.0** | **2,344.1** | **2,355.4** | **2,353.4** | **2,365.8** | **2,365.3** | **2,368.4** | **2,402.0** | **2,396.9** | **2,411.6** | **2,432.5** | **2,437.9** |
| 103 Final | ... | 1,552.1 | 1,855.2 | 1,815.8 | 1,818.2 | 1,827.3 | 1,838.7 | 1,832.9 | 1,844.4 | 1,844.6 | 1,849.1 | 1,879.3 | 1,875.6 | 1,885.8 | 1,905.2 | 1,908.4 |
| 104 Consumer goods | ... | 1,049.6 | 1,195.7 | 1,188.6 | 1,185.8 | 1,187.6 | 1,191.4 | 1,187.7 | 1,194.1 | 1,190.2 | 1,191.0 | 1,205.2 | 1,203.3 | 1,211.5 | 1,221.3 | 1,224.5 |
| 105 Equipment | .. | 502.5 | 659.3 | 626.5 | 631.8 | 639.2 | 646.8 | 644.8 | 649.8 | 654.1 | 657.8 | 674.0 | 672.3 | 674.2 | 683.9 | 683.8 |
| 106 Intermediate | ... | 449.9 | 517.8 | 511.9 | 514.2 | 517.0 | 517.2 | 520.6 | 521.7 | 521.0 | 519.9 | 523.7 | 522.2 | 526.6 | 528.5 | 530.6 |

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 December 1997. The recent annual revision is described in an article in the February 1998 issue of the *Bulletin*. For a description of the aggregation methods for industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. For details about the construction of individual industrial production series, 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 | 1997 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept.[r] | Oct.[r] | Nov. |
| | Private residential real estate activity (thousands of units except as noted) | | | | | | | | | | | | |
| NEW UNITS | | | | | | | | | | | | | |
| 1 Permits authorized | 1,372 | 1,333 | 1,426 | 1,438 | 1,457 | 1,442 | 1,432 | 1,402 | 1,414 | 1,397 | 1,460 | 1,487 | 1,440 |
| 2 One-family | 1,069 | 997 | 1,070 | 1,069 | 1,034 | 1,060 | 1,053 | 1,049 | 1,030 | 1,027 | 1,065 | 1,087 | 1,061 |
| 3 Two-family or more | 303 | 335 | 356 | 369 | 423 | 382 | 379 | 353 | 384 | 370 | 395 | 400 | 379 |
| 4 Started | 1,457 | 1,354 | 1,477 | 1,554 | 1,479 | 1,483 | 1,402 | 1,503 | 1,465 | 1,395 | 1,507 | 1,527 | 1,531 |
| 5 One-family | 1,198 | 1,076 | 1,161 | 1,237 | 1,142 | 1,133 | 1,098 | 1,134 | 1,149 | 1,091 | 1,181 | 1,122 | 1,161 |
| 6 Two-family or more | 259 | 278 | 316 | 317 | 337 | 350 | 304 | 369 | 316 | 304 | 326 | 405 | 370 |
| 7 Under construction at end of period[1] | 755 | 775 | 819 | 821 | 814 | 812 | 815 | 829 | 837 | 836 | 842 | 854 | 860 |
| 8 One-family | 584 | 554 | 584 | 574 | 566 | 563 | 564 | 566 | 571 | 569 | 571 | 576 | 576 |
| 9 Two-family or more | 171 | 221 | 235 | 247 | 248 | 249 | 251 | 263 | 266 | 267 | 271 | 278 | 284 |
| 10 Completed | 1,346 | 1,319 | 1,407 | 1,572 | 1,471 | 1,460 | 1,388 | 1,318 | 1,320 | 1,325 | 1,431 | 1,375 | 1,409 |
| 11 One-family | 1,161 | 1,073 | 1,124 | 1,267 | 1,156 | 1,158 | 1,101 | 1,096 | 1,069 | 1,053 | 1,142 | 1,058 | 1,140 |
| 12 Two-family or more | 185 | 246 | 283 | 305 | 315 | 302 | 287 | 222 | 251 | 272 | 289 | 317 | 269 |
| 13 Mobile homes shipped | 305 | 341 | 362 | 353 | 353 | 372 | 356 | 356 | 358 | 357 | 354 | 348 | 347 |
| *Merchant builder activity in one-family units* | | | | | | | | | | | | | |
| 14 Number sold | 670 | 667 | 757 | 826 | 825 | 765 | 764 | 802 | 812 | 798[r] | 814 | 790 | 830 |
| 15 Number for sale at end of period[1] | 340 | 374 | 326 | 300 | 287 | 291 | 288 | 288 | 288 | 286 | 287 | 288 | 285 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 16 Median | 130.0 | 133.9 | 140.0 | 143.0 | 148.0 | 150.0 | 141.0 | 145.0 | 145.9 | 144.0[r] | 145.0 | 142.3 | 140.0 |
| 17 Average | 154.5 | 158.7 | 166.4 | 171.1 | 172.7 | 179.5 | 170.7 | 179.4 | 175.5 | 170.7[r] | 177.1 | 174.1 | 175.1 |
| EXISTING UNITS (one-family) | | | | | | | | | | | | | |
| 18 Number sold | 3,967 | 3,812 | 4,087 | 4,230 | 4,160 | 4,060 | 4,250 | 4,150 | 4,180 | 4,310 | 4,310 | 4,390 | 4,380 |
| *Price of units sold (thousands of dollars)*[2] | | | | | | | | | | | | | |
| 19 Median | 109.9 | 113.1 | 118.2 | 117.5 | 120.0 | 120.7 | 123.1 | 127.2 | 126.5 | 127.5 | 125.8 | 124.4 | 124.3 |
| 20 Average | 136.8 | 139.1 | 145.5 | 144.7 | 147.5 | 150.4 | 153.1 | 158.4 | 157.6 | 159.1 | 155.4 | 154.7 | 155.0 |
| | Value of new construction (millions of dollars)[3] | | | | | | | | | | | | |
| CONSTRUCTION | | | | | | | | | | | | | |
| 21 **Total put in place** | **518,644** | **534,463** | **567,179** | **592,365** | **593,908** | **596,907** | **595,763** | **594,195** | **603,002[r]** | **603,684[r]** | **605,748** | **614,271** | **609,032** |
| 22 Private | 398,646 | 407,370 | 435,929 | 452,037 | 452,728 | 457,604 | 459,882 | 456,927 | 464,326[r] | 465,236[r] | 468,822 | 472,909 | 468,415 |
| 23 Residential | 238,423 | 231,230 | 246,659 | 251,402 | 253,974 | 259,917 | 259,662 | 257,277 | 258,803[r] | 259,958[r] | 263,799 | 266,269 | 268,648 |
| 24 Nonresidential | 160,223 | 176,140 | 189,271 | 200,635 | 198,754 | 197,687 | 200,220 | 199,650 | 205,523[r] | 205,278[r] | 205,023 | 206,640 | 199,767 |
| 25 Industrial buildings | 28,893 | 32,505 | 31,997 | 32,161 | 30,520 | 29,331 | 30,501 | 31,046 | 31,796[r] | 31,480[r] | 30,675 | 30,461 | 28,245 |
| 26 Commercial buildings | 59,480 | 68,223 | 74,593 | 83,107 | 81,015 | 76,545 | 78,670 | 79,009 | 82,346[r] | 81,552[r] | 80,551 | 81,905 | 80,429 |
| 27 Other buildings | 26,988 | 27,089 | 30,525 | 35,561 | 36,012 | 38,229 | 37,738 | 35,775 | 36,672[r] | 37,274[r] | 38,729 | 38,770 | 36,840 |
| 28 Public utilities and other | 44,862 | 48,323 | 52,156 | 49,806 | 51,207 | 53,582 | 53,311 | 53,820 | 54,709[r] | 54,972[r] | 55,068 | 55,504 | 54,253 |
| 29 Public | 119,998 | 127,092 | 131,250 | 140,328 | 141,180 | 139,304 | 135,882 | 137,268 | 138,676[r] | 138,448[r] | 136,926 | 141,361 | 140,617 |
| 30 Military | 2,310 | 2,983 | 2,541 | 2,564 | 2,232 | 2,408 | 2,548 | 2,580 | 2,738[r] | 2,767[r] | 2,451 | 2,800 | 2,717 |
| 31 Highway | 36,933 | 36,319 | 37,898 | 41,060 | 41,473 | 42,356 | 40,694 | 41,531 | 41,087[r] | 41,715[r] | 40,126 | 40,111 | 44,367 |
| 32 Conservation and development | 6,459 | 6,391 | 5,807 | 5,727 | 6,114 | 5,134 | 5,242 | 4,952 | 5,002[r] | 5,469[r] | 6,177 | 4,854 | 6,088 |
| 33 Other | 74,297 | 81,399 | 85,005 | 90,977 | 91,361 | 89,406 | 87,398 | 88,205 | 89,849[r] | 88,497[r] | 88,172 | 93,596 | 87,445 |

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, Dec. 1997[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1996 Dec. | 1997 Dec. | 1997 Mar. | 1997 June | 1997 Sept. | 1997 Dec. | 1997 Aug. | 1997 Sept. | 1997 Oct. | 1997 Nov. | 1997 Dec. | |
| CONSUMER PRICES[2] (1982–84=100) | | | | | | | | | | | | |
| 1 **All items** | **3.3** | **1.7** | **1.8** | **1.0** | **2.5** | **1.5** | **.2** | **.2** | **.2** | **.1** | **.1** | **161.3** |
| 2 Food | 4.3 | 1.5 | .3 | 1.5 | 3.4 | 1.3 | .4 | .1 | 2 | .2 | −1 | 158.7 |
| 3 Energy items | 8.6 | −3.4 | −2.8 | −14 7 | 11.9 | −6.6 | 1.7 | 1.3 | 1 | −2 | −1.6 | 108.4 |
| 4 All items less food and energy | 2.6 | 2.2 | 2.4 | 2.4 | 1.7 | 2.4 | .1 | .2 | 2 | 1 | .2 | 170.7 |
| 5 Commodities | 1.1 | 4 | 1.1 | .6 | −.6 | 6 | −.3 | .2 | .1 | 0 | 1 | 142.1 |
| 6 Services | 3.3 | 3.0 | 2.7 | 3.5 | 2.4 | 3.3 | .2 | .2 | .3 | 1 | 4 | 186.9 |
| PRODUCER PRICES (1982=100) | | | | | | | | | | | | |
| 7 Finished goods | 2.8 | −1.2 | −3.3 | −3.6 | 2.8 | −.9 | .3 | .5 | .1 | −.2 | −.2 | 131.1 |
| 8 Consumer foods | 3.4 | −1.0 | −2.0 | −3.2 | .3 | .9 | .2 | .1 | .4 | −.1 | −1 | 134.2 |
| 9 Consumer energy | 11.7 | −6.4 | −16.9 | −15.1 | 12.4 | −3.8 | 1.5[r] | 1.2[r] | .1 | −.8 | −.2 | 80.2 |
| 10 Other consumer goods | 8 | .3 | .6 | −.6 | 1.7 | −.3 | .1 | .5 | .1 | −.1 | −.1 | 145.6 |
| 11 Capital equipment | .4 | −.5 | .0 | −.9 | .6 | −1.4 | .0 | .3 | −.1 | −.1 | −.2 | 138.0 |
| *Intermediate materials* | | | | | | | | | | | | |
| 12 Excluding foods and feeds | 7 | −.7 | −1.9 | −1.9 | 1.0 | .0 | .2[r] | .1[r] | .1 | .1 | −.2 | 125.2 |
| 13 Excluding energy | −.9 | .3 | .6 | .3 | .3 | 3 | .0 | .0 | .1 | .1 | −.1 | 134.3 |
| *Crude materials* | | | | | | | | | | | | |
| 14 Foods | −1.0 | −4.2 | −2.8 | −11.1 | 7 | −3.9 | −2[r] | −.1[r] | .0 | −.3 | −7 | 108.8 |
| 15 Energy | 51.2 | −23 9 | −75.5 | 11.3 | 15.5 | 6.5 | .8[r] | 3.0[r] | 10.7 | 5.0 | −12.6 | 83.4 |
| 16 Other | −5.5 | .1 | 15.7 | −4.9 | −1.5 | −7.5 | 1 4[r] | −.8[r] | .3 | −7 | −1.5 | 152.7 |

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 Q3 | 1996 Q4 | 1997 Q1 | 1997 Q2 | 1997 Q3 |
|---|---|---|---|---|---|---|---|---|
| GROSS DOMESTIC PRODUCT | | | | | | | | |
| 1 **Total** | **6,947.0** | **7,265.4** | **7,636.0** | **7,676.0** | **7,792.9** | **7,933.6** | **8,034.3** | **8,124.3** |
| *By source* | | | | | | | | |
| 2 Personal consumption expenditures | 4,717.0 | 4,957.7 | 5,207.6 | 5,227.4 | 5,308.1 | 5,405.7 | 5,432.1 | 5,527.4 |
| 3 Durable goods | 579.5 | 608.5 | 634.5 | 634.5 | 638.2 | 658.4 | 644.5 | 667.3 |
| 4 Nondurable goods | 1,428.4 | 1,475.8 | 1,534.7 | 1,538.3 | 1,560.1 | 1,587.4 | 1,578.9 | 1,600.8 |
| 5 Services | 2,709.1 | 2,873.4 | 3,038.4 | 3,054.6 | 3,109.8 | 3,159.9 | 3,208.7 | 3,259.3 |
| 6 Gross private domestic investment | 1,007.9 | 1,038.2 | 1,116.5 | 1,149.2 | 1,151.1 | 1,193.6 | 1,242.0 | 1,250.2 |
| 7 Fixed investment | 946.6 | 1,008.1 | 1,090.7 | 1,112.0 | 1,119.2 | 1,127.5 | 1,160.8 | 1,201.3 |
| 8 Nonresidential | 660.6 | 723.0 | 781.4 | 798.6 | 807.2 | 811.3 | 836.3 | 872.0 |
| 9 Structures | 184.5 | 200.6 | 215.2 | 217.7 | 227.0 | 227.4 | 226.8 | 232.9 |
| 10 Producers' durable equipment | 476.1 | 522.4 | 566.2 | 580.9 | 580.2 | 583.9 | 609.5 | 639.1 |
| 11 Residential structures | 286.0 | 285.1 | 309.2 | 313.5 | 312.0 | 316.2 | 324.6 | 329.3 |
| 12 Change in business inventories | 61.2 | 30.1 | 25.9 | 37.1 | 31.9 | 66.1 | 81.1 | 48.9 |
| 13 Nonfarm | 50.5 | 38.1 | 23.0 | 31.3 | 28.7 | 62.2 | 74.9 | 40.9 |
| 14 Net exports of goods and services | −90.9 | −86.0 | −94.8 | −114.0 | −88.6 | −98.8 | −88.7 | −111.3 |
| 15 Exports | 721.2 | 818.4 | 870.9 | 863.7 | 904.6 | 922.2 | 960.3 | 965.8 |
| 16 Imports | 812.1 | 904.5 | 965.7 | 977.6 | 993.2 | 1,021.0 | 1,049.0 | 1,077.1 |
| 17 Government consumption expenditures and gross investment | 1,313.0 | 1,355.5 | 1,406.7 | 1,413.5 | 1,422.3 | 1,433.1 | 1,449.0 | 1,457.9 |
| 18 Federal | 510.2 | 509.6 | 520.0 | 521.6 | 517.6 | 516.1 | 526.1 | 525.7 |
| 19 State and local | 802.8 | 846.0 | 886.7 | 891.9 | 904.7 | 917.0 | 923.0 | 932.3 |
| *By major type of product* | | | | | | | | |
| 20 Final sales, total | 6,885.7 | 7,235.3 | 7,610.2 | 7,638.9 | 7,761.0 | 7,867.4 | 7,953.2 | 8,075.3 |
| 21 Goods | 2,520.2 | 2,637.9 | 2,759.3 | 2,760.7 | 2,795.0 | 2,838.4 | 2,854.9 | 2,903.2 |
| 22 Durable | 1,072.5 | 1,133.9 | 1,212.0 | 1,216.3 | 1,233.5 | 1,248.0 | 1,275.3 | 1,305.3 |
| 23 Nondurable | 1,447.6 | 1,503.9 | 1,547.3 | 1,544.4 | 1,561.5 | 1,590.4 | 1,579.6 | 1,597.9 |
| 24 Services | 3,772.4 | 3,980.7 | 4,187.3 | 4,208.1 | 4,282.7 | 4,338.2 | 4,400.1 | 4,462.3 |
| 25 Structures | 593.2 | 616.8 | 663.6 | 670.1 | 683.3 | 690.8 | 698.2 | 709.8 |
| 26 Change in business inventories | 61.2 | 30.1 | 25.9 | 37.1 | 31.9 | 66.1 | 81.1 | 48.9 |
| 27 Durable goods | 33.6 | 29.1 | 16.9 | 33.3 | −1.1 | 31.8 | 46.8 | 18.6 |
| 28 Nondurable goods | 27.7 | 1.1 | 9.0 | 3.9 | 33.0 | 34.3 | 34.4 | 30.3 |
| MEMO | | | | | | | | |
| 29 **Total GDP in chained 1992 dollars** | **6,610.7** | **6,742.1** | **6,928.4** | **6,943.8** | **7,017.4** | **7,101.6** | **7,159.6** | **7,214.0** |
| NATIONAL INCOME | | | | | | | | |
| 30 **Total** | **5,590.7** | **5,912.3** | **6,254.5** | **6,303.3** | **6,376.5** | **6,510.0** | **6,599.0** | **6,699.6** |
| 31 Compensation of employees | 4,012.0 | 4,215.4 | 4,426.9 | 4,461.0 | 4,520.7 | 4,606.3 | 4,663.4 | 4,725.2 |
| 32 Wages and salaries | 3,254.0 | 3,442.6 | 3,633.6 | 3,664.0 | 3,718.0 | 3,792.7 | 3,842.7 | 3,897.3 |
| 33 Government and government enterprises | 602.2 | 623.0 | 642.6 | 645.5 | 648.9 | 657.8 | 662.0 | 667.7 |
| 34 Other | 2,651.8 | 2,819.6 | 2,991.0 | 3,018.4 | 3,069.0 | 3,134.9 | 3,180.8 | 3,229.6 |
| 35 Supplement to wages and salaries | 758.0 | 772.9 | 793.3 | 797.0 | 802.7 | 813.6 | 820.7 | 827.9 |
| 36 Employer contributions for social insurance | 353.0 | 366.0 | 385.7 | 388.6 | 393.6 | 401.3 | 405.6 | 410.2 |
| 37 Other labor income | 405.0 | 406.8 | 407.6 | 408.4 | 409.1 | 412.3 | 415.1 | 417.7 |
| 38 Proprietors' income[1] | 471.6 | 489.0 | 520.3 | 523.8 | 528.3 | 534.6 | 543.6 | 547.2 |
| 39 Business and professional[1] | 434.7 | 465.5 | 483.1 | 483.7 | 487.9 | 494.4 | 500.0 | 506.3 |
| 40 Farm[1] | 36.9 | 23.4 | 37.2 | 40.1 | 40.4 | 40.2 | 43.6 | 40.9 |
| 41 Rental income of persons[2] | 124.4 | 132.8 | 146.3 | 148.0 | 149.2 | 149.0 | 148.7 | 148.0 |
| 42 Corporate profits[1] | 570.5 | 650.0 | 735.9 | 739.6 | 747.8 | 779.6 | 795.1 | 827.3 |
| 43 Profits before tax[3] | 535.1 | 622.6 | 676.6 | 679.1 | 680.0 | 708.4 | 719.8 | 753.4 |
| 44 Inventory valuation adjustment | −16.1 | −24.3 | −2.5 | −2.7 | 3.3 | 3.5 | 5.9 | 3.6 |
| 45 Capital consumption adjustment | 51.4 | 51.6 | 61.8 | 63.2 | 64.4 | 67.7 | 69.4 | 70.3 |
| 46 Net interest | 412.3 | 425.1 | 425.1 | 430.9 | 430.6 | 440.5 | 448.1 | 451.8 |

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

SOURCE. 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 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3 |
| PERSONAL INCOME AND SAVING | | | | | | | | |
| 1 **Total personal income** | **5,791.8** | **6,150.8** | **6,495.2** | **6,541.9** | **6,618.4** | **6,746.2** | **6,829.1** | **6,906.9** |
| 2 Wage and salary disbursements | 3,240.7 | 3,429.5 | 3,632.5 | 3,662.8 | 3,716.9 | 3,791.5 | 3,841.6 | 3,896.1 |
| 3 Commodity-producing industries | 824.4 | 864.4 | 909.1 | 917.2 | 927.8 | 942.9 | 952.8 | 961.4 |
| 4 Manufacturing | 620.8 | 648.4 | 674.7 | 680.1 | 685.6 | 694.1 | 700.3 | 706.0 |
| 5 Distributive industries | 741.4 | 783.1 | 823.3 | 829.0 | 840.6 | 856.8 | 867.0 | 880.8 |
| 6 Service industries | 1,072.7 | 1,159.0 | 1,257.5 | 1,271.1 | 1,299.5 | 1,334.1 | 1,359.8 | 1,386.3 |
| 7 Government and government enterprises | 602.2 | 623.0 | 642.6 | 645.5 | 648.9 | 657.8 | 662.0 | 667.7 |
| 8 Other labor income | 405.0 | 406.8 | 407.6 | 408.4 | 409.1 | 412.3 | 415.1 | 417.7 |
| 9 Proprietors' income[1] | 471.6 | 489.0 | 520.3 | 523.8 | 528.3 | 534.6 | 543.6 | 547.2 |
| 10 Business and professional[1] | 434.7 | 465.5 | 483.1 | 483.7 | 487.9 | 494.4 | 500.0 | 506.3 |
| 11 Farm[1] | 36.9 | 23.4 | 37.2 | 40.1 | 40.4 | 40.2 | 43.6 | 40.9 |
| 12 Rental income of persons[2] | 124.4 | 132.8 | 146.3 | 148.0 | 149.2 | 149.0 | 148.7 | 148.0 |
| 13 Dividends | 204.8 | 251.9 | 291.2 | 292.0 | 295.2 | 312.5 | 318.3 | 324.5 |
| 14 Personal interest income | 668.1 | 718.9 | 735.7 | 742.7 | 749.8 | 757.2 | 766.1 | 772.6 |
| 15 Transfer payments | 954.7 | 1,015.0 | 1,068.0 | 1,072.4 | 1,081.5 | 1,107.2 | 1,117.0 | 1,125.7 |
| 16 Old-age survivors, disability, and health insurance benefits | 473.0 | 507.8 | 537.6 | 540.0 | 545.6 | 558.9 | 564.4 | 569.4 |
| 17 LESS: Personal contributions for social insurance | 277.5 | 293.1 | 306.3 | 308.2 | 311.5 | 318.2 | 321.3 | 324.8 |
| 18 EQUALS: Personal income | 5,791.8 | 6,150.8 | 6,495.2 | 6,541.9 | 6,618.4 | 6,746.2 | 6,829.1 | 6,906.9 |
| 19 LESS: Personal tax and nontax payments | 739.1 | 795.1 | 886.9 | 897.3 | 922.6 | 955.7 | 979.2 | 998.0 |
| 20 EQUALS: Disposable personal income | 5,052.7 | 5,355.7 | 5,608.3 | 5,644.6 | 5,695.8 | 5,790.5 | 5,849.9 | 5,908.9 |
| 21 LESS: Personal outlays | 4,842.1 | 5,101.1 | 5,368.8 | 5,390.6 | 5,475.4 | 5,574.6 | 5,602.8 | 5,700.8 |
| 22 EQUALS: Personal saving | 210.6 | 254.6 | 239.6 | 254.0 | 220.4 | 215.9 | 247.0 | 208.2 |
| MEMO | | | | | | | | |
| *Per capita (chained 1992 dollars)* | | | | | | | | |
| 23 Gross domestic product | 25,357.0 | 25,615.9 | 26,085.8 | 26,114.4 | 26,331.6 | 26,597.8 | 26,765.0 | 26,897.9 |
| 24 Personal consumption expenditures | 17,207.2 | 17,459.3 | 17,748.9 | 17,744.2 | 17,847.8 | 18,045.2 | 18,053.9 | 18,255.7 |
| 25 Disposable personal income | 18,431.0 | 18,861.0 | 19,116.0 | 19,161.0 | 19,152.0 | 19,331.0 | 19,439.0 | 19,518.0 |
| 26 Saving rate (percent) | 4.2 | 4.8 | 4.3 | 4.5 | 3.9 | 3.7 | 4.2 | 3.5 |
| GROSS SAVING | | | | | | | | |
| 27 **Gross saving** | **1,079.2** | **1,165.5** | **1,267.8** | **1,295.9** | **1,303.0** | **1,332.9** | **1,396.9** | **1,411.6** |
| 28 Gross private saving | 1,030.2 | 1,093.1 | 1,125.5 | 1,145.1 | 1,131.4 | 1,134.0 | 1,178.1 | 1,159.6 |
| 29 Personal saving | 210.6 | 254.6 | 239.6 | 254.0 | 220.4 | 215.9 | 247.0 | 208.2 |
| 30 Undistributed corporate profits[1] | 167.6 | 172.4 | 202.1 | 202.3 | 212.6 | 211.5 | 217.6 | 230.0 |
| 31 Corporate inventory valuation adjustment | −16.1 | −24.3 | −2.5 | −2.7 | 3.3 | 3.5 | 5.9 | 3.6 |
| *Capital consumption allowances* | | | | | | | | |
| 32 Corporate | 412.3 | 428.9 | 452.3 | 455.5 | 462.0 | 467.4 | 472.6 | 478.0 |
| 33 Noncorporate | 226.3 | 224.1 | 230.5 | 232.2 | 235.2 | 238.0 | 239.7 | 242.4 |
| 34 Gross government saving | 49.0 | 72.4 | 142.3 | 150.8 | 171.6 | 198.9 | 218.8 | 251.9 |
| 35 Federal | −117.2 | −103.6 | −39.3 | −28.3 | −5.9 | 15.9 | 34.7 | 60.8 |
| 36 Consumption of fixed capital | 69.5 | 70.9 | 71.2 | 71.2 | 71.3 | 71.4 | 71.5 | 71.6 |
| 37 Current surplus or deficit (−), national accounts | −186.7 | −174.4 | −110.5 | −99.5 | −77.1 | −55.5 | −36.8 | −10.8 |
| 38 State and local | 166.2 | 176.0 | 181.5 | 179.1 | 177.5 | 182.9 | 184.1 | 191.1 |
| 39 Consumption of fixed capital | 69.4 | 72.9 | 76.2 | 76.5 | 77.2 | 78.2 | 79.2 | 79.7 |
| 40 Current surplus or deficit (−), national accounts | 96.8 | 103.1 | 105.3 | 102.6 | 100.4 | 104.7 | 104.9 | 111.4 |
| 41 **Gross investment** | **1,093.8** | **1,137.2** | **1,207.9** | **1,216.4** | **1,243.5** | **1,268.6** | **1,323.4** | **1,308.4** |
| 42 Gross private domestic investment | 1,007.9 | 1,038.2 | 1,116.5 | 1,149.2 | 1,151.1 | 1,193.6 | 1,242.0 | 1,250.2 |
| 43 Gross government investment | 206.0 | 213.4 | 224.3 | 223.6 | 225.3 | 223.3 | 227.4 | 227.1 |
| 44 Net foreign investment | −120.0 | −114.4 | −132.9 | −156.4 | −132.9 | −148.4 | −146.0 | −168.9 |
| 45 **Statistical discrepancy** | **14.6** | **−28.2** | **−59.9** | **−79.5** | **−59.5** | **−64.3** | **−73.5** | **−103.2** |

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 | 1996 | | 1997 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Q3 | Q4 | Q1 | Q2 | Q3[p] |
| 1 Balance on current account | −133,538 | −129,095 | −148,184 | −42,833 | −36,874 | −39,972 | −37,852 | −42,156 |
| 2 Merchandise trade balance[2] | −166,192 | −173,560 | −191,170 | −52,493 | −48,190 | −49,787 | −47,134 | −51,549 |
| 3 Merchandise exports | 502,398 | 575,871 | 612,069 | 150,764 | 157,846 | 162,527 | 171,411 | 170,579 |
| 4 Merchandise imports | −668,590 | −749,431 | −803,239 | −203,257 | −206,036 | −212,314 | −218,545 | −222,128 |
| 5 Military transactions, net | 1,874 | 3,866 | 3,786 | 792 | 1,295 | 437 | 1,048 | 1,040 |
| 6 Other service transactions, net | 59,902 | 67,837 | 76,344 | 19,185 | 20,697 | 20,050 | 20,441 | 20,878 |
| 7 Investment income, net | 9,723 | 6,808 | 2,824 | −1,370 | 1,250 | −1,990 | −3,247 | −3,321 |
| 8 U.S. government grants | −15,671 | −11,096 | −14,933 | −2,690 | −5,499 | −2,109 | −2,245 | −2,252 |
| 9 U.S. government pensions and other transfers | −4,544 | −3,420 | −4,331 | −1,064 | −1,050 | −1,083 | −1,128 | −1,099 |
| 10 Private remittances and other transfers | −18,630 | −19,530 | −20,704 | −5,193 | −5,377 | −5,490 | −5,587 | −5,853 |
| 11 Change in U.S. government assets other than official reserve assets, net (increase, −) | −352 | −549 | −690 | 162 | −284 | −21 | −268 | 482 |
| 12 Change in U.S. official reserve assets (increase, −) | 5,346 | −9,742 | 6,668 | 7,489 | −315 | 4,480 | −236 | −730 |
| 13 Gold | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 14 Special drawing rights (SDRs) | −441 | −808 | 370 | 848 | −146 | 72 | −133 | −139 |
| 15 Reserve position in International Monetary Fund | 494 | −2,466 | −1,280 | −183 | −28 | 1,055 | 54 | −463 |
| 16 Foreign currencies | 5,293 | −6,468 | 7,578 | 6,824 | −141 | 3,353 | −157 | −128 |
| 17 Change in U.S. private assets abroad (increase, −) | −165,510 | −296,916 | −358,422 | −85,193 | −153,837 | −132,428 | −90,431 | −101,316 |
| 18 Bank-reported claims[3] | −4,200 | −75,108 | −98,186 | −33,589 | −66,657 | −62,026 | −27,947 | −22,760 |
| 19 Nonbank-reported claims | −31,739 | −34,997 | −64,234 | −17,294 | −26,115 | −29,466 | −3,984 | .. |
| 20 U.S. purchases of foreign securities, net | −60,309 | −100,074 | −108,189 | −23,206 | −30,200 | −14,510 | −21,841 | −37,995 |
| 21 U.S. direct investments abroad, net | −69,262 | −86,737 | −87,813 | −11,104 | −30,865 | −26,426 | −36,659 | −24,661 |
| 22 Change in foreign official assets in United States (increase, +) | 40,385 | 110,729 | 122,354 | 24,089 | 33,097 | 28,891 | −5,374 | 22,498 |
| 23 U.S. Treasury securities | 30,750 | 68,977 | 111,253 | 25,472 | 33,564 | 23,289 | −12,108 | 6,485 |
| 24 Other U.S. government obligations | 6,077 | 3,735 | 4,381 | 1,217 | 1,854 | 651 | 644 | 2,663 |
| 25 Other U.S. government liabilities[4] | 2,366 | 744 | 720 | 907 | 160 | 478 | 654 | 16 |
| 26 Other U.S. liabilities reported by U.S. banks[3] | 3,665 | 34,008 | 4,722 | −1,922 | −4,270 | 7,698 | 4,536 | 12,705 |
| 27 Other foreign official assets[5] | −2,473 | 3,265 | 1,278 | −1,585 | 1,789 | −3,225 | 900 | 629 |
| 28 Change in foreign private assets in United States (increase, +) | 256,952 | 340,505 | 425,201 | 134,540 | 161,482 | 153,347 | 148,389 | 147,042 |
| 29 U.S. bank-reported liabilities[3] | 104,338 | 30,176 | 9,784 | 2,040 | 38,960 | 17,387 | 28,100 | 14,102 |
| 30 U.S. nonbank-reported liabilities | −7,710 | 34,588 | 31,786 | 20,610 | −2,912 | 15,210 | −7,916 | |
| 31 Foreign private purchases of U.S. Treasury securities, net | 57,674 | 111,848 | 172,878 | 50,798 | 75,326 | 51,289 | 49,915 | 43,494 |
| 32 Foreign purchases of other U.S. securities, net | 56,971 | 96,367 | 133,798 | 35,115 | 32,447 | 38,820 | 51,682 | 60,770 |
| 33 Foreign direct investments in United States, net | 45,679 | 67,526 | 76,955 | 25,977 | 17,661 | 30,641 | 26,608 | 21,076 |
| 34 Allocation of special drawing rights | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 Discrepancy | −3,283 | −14,931 | −46,927 | −38,254 | −3,269 | −14,297 | −14,228 | −25,820 |
| 36 Due to seasonal adjustment | .. | .. | | −7,830 | 2,669 | 7,059 | −1,713 | −8,560 |
| 37 Before seasonal adjustment | −3,284 | −14,931 | −46,926 | −30,424 | −5,938 | −21,356 | −12,515 | −17,260 |
| MEMO | | | | | | | | |
| *Changes in official assets* | | | | | | | | |
| 38 U.S. official reserve assets (increase, −) | 5,346 | −9,742 | 6,668 | 7,489 | −315 | 4,480 | −236 | −730 |
| 39 Foreign official assets in United States, excluding line 25 (increase, +) | 38,019 | 109,985 | 121,634 | 23,182 | 32,937 | 28,413 | −6,028 | 22,482 |
| 40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22) | −1,529 | 4,239 | 12,278 | 5,263 | 3,315 | 9,272 | 2,287 | 3,170 |

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

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

## 3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

| Item | 1994 | 1995 | 1996 | 1997 May | June | July | Aug. | Sept | Oct. | Nov.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Goods and services, balance | −104,416 | −101,857 | −111,040 | −9,189 | −8,337 | −9,744 | −9,055 | −11,228 | −9,091 | −8,037 |
| 2 Merchandise | −166,192 | −173,560 | −191,170 | −16,363 | −15,244 | −16,848 | −16,559 | −18,538 | −16,479 | −15,098 |
| 3 Services | 61,776 | 71,703 | 80,130 | 7,174 | 6,907 | 7,104 | 7,504 | 7,310 | 7,388 | 7,061 |
| 4 Goods and services, exports | 699,646 | 794,610 | 848,833 | 77,989 | 78,365 | 77,845 | 78,890 | 78,116 | 80,230 | 79,197 |
| 5 Merchandise | 502,398 | 575,871 | 612,069 | 56,871 | 57,378 | 56,745 | 57,326 | 56,370 | 58,450 | 57,781 |
| 6 Services | 197,248 | 218,739 | 236,764 | 21,118 | 20,987 | 21,100 | 21,564 | 21,746 | 21,780 | 21,416 |
| 7 Goods and services, imports | −804,062 | −896,467 | −959,873 | −87,178 | −86,702 | −87,589 | −87,945 | −89,344 | −89,321 | −87,234 |
| 8 Merchandise | −668,590 | −749,431 | −803,239 | −73,234 | −72,622 | −73,593 | −73,885 | −74,908 | −74,929 | −72,879 |
| 9 Services | −135,472 | −147,036 | −156,634 | −13,944 | −14,080 | −13,996 | −14,060 | −14,436 | −14,392 | −14,355 |

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 | 1994 | 1995 | 1996 | 1997 May | June | July | Aug. | Sept. | Oct. | Nov | Dec.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total** | **74,335** | **85,832** | **75,090** | **65,873** | **67,813** | **66,120** | **66,640** | **67,148** | **68,036** | **67,112** | **69,957** |
| 2 Gold stock, including Exchange Stabilization Fund[1] | 11,051 | 11,050 | 11,049 | 11,051 | 11,050 | 11,051 | 11,050 | 11,050 | 11,050 | 11,050 | 11,050 |
| 3 Special drawing rights[2,3] | 10,039 | 11,037 | 10,312 | 9,726 | 10,023 | 9,810 | 9,985 | 9,997 | 10,132 | 10,120 | 10,027 |
| 4 Reserve position in International Monetary Fund[2] | 12,030 | 14,649 | 15,435 | 13,660 | 13,805 | 13,677 | 13,959 | 14,042 | 14,243 | 14,571 | 18,071 |
| 5 Foreign currencies[4] | 41,215 | 49,096 | 38,294 | 31,436 | 32,935 | 31,582 | 31,646 | 32,059 | 32,611 | 31,371 | 30,809 |

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 | 1994 | 1995 | 1996 | 1997 May | June | July | Aug. | Sept. | Oct. | Nov. | Dec.[p] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Deposits** | **250** | **386** | **167** | **176** | **178** | **175** | **169** | **188** | **190** | **167** | **457** |
| *Held in custody* | | | | | | | | | | | |
| 2 U.S. Treasury securities[2] | 441,866 | 522,170 | 638,049 | 662,747 | 652,077 | 653,157 | 660,461 | 655,406 | 638,100 | 635,092 | 620,885 |
| 3 Earmarked gold[3] | 12,033 | 11,702 | 11,197 | 10,868 | 10,794 | 10,793 | 10,793 | 10,793 | 10,793 | 10,793 | 10,763 |

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 | 1995[r] | 1996[r] | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | May[r] | June[r] | July[r] | Aug.[r] | Sept.[r] | Oct. | Nov.[p] |
| 1 **Total**[1] | **630,918** | **758,624** | **785,330** | **781,245** | **781,414** | **793,548** | **803,621** | **798,596** | **791,153** |
| *By type* | | | | | | | | | |
| 2 Liabilities reported by banks in the United States[2] | 107,394 | 113,098 | 127,273 | 125,785 | 129,797 | 128,628 | 138,176 | 153,704 | 147,281 |
| 3 U.S. Treasury bills and certificates[3] | 168,534 | 198,921 | 178,366 | 163,950 | 161,270 | 165,453 | 161,610 | 153,283 | 150,102 |
| U.S. Treasury bonds and notes | | | | | | | | | |
| 4 Marketable | 293,690 | 379,497 | 414,956 | 425,347 | 422,934 | 431,169 | 434,260 | 421,412 | 423,547 |
| 5 Nonmarketable[4] | 6,491 | 5,968 | 5,730 | 5,767 | 5,804 | 5,841 | 5,879 | 5,919 | 5,955 |
| 6 U.S. securities other than U.S. Treasury securities[5] | 54,809 | 61,140 | 59,005 | 60,396 | 61,609 | 62,457 | 63,696 | 64,278 | 64,268 |
| *By area* | | | | | | | | | |
| 7 Europe[1] | 222,406 | 257,915 | 269,187 | 274,026 | 272,159 | 272,566 | 276,594 | 280,489 | 272,630 |
| 8 Canada | 19,473 | 21,295 | 20,201 | 20,582 | 21,112 | 20,959 | 21,233 | 19,418 | 19,275 |
| 9 Latin America and Caribbean | 66,721 | 80,623 | 81,248 | 88,838 | 93,117 | 94,262 | 94,754 | 90,190 | 93,735 |
| 10 Asia | 311,016 | 385,484 | 402,850 | 382,911 | 380,702 | 390,584 | 394,551 | 391,541 | 390,138 |
| 11 Africa | 6,296 | 7,379 | 8,643 | 8,890 | 8,882 | 8,934 | 10,218 | 9,812 | 9,542 |
| 12 Other countries | 5,004 | 5,926 | 3,199 | 5,996 | 5,440 | 6,241 | 6,269 | 7,144 | 5,831 |

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 | | |
|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June[r] | Sept. |
| 1 Banks' liabilities | 78,259 | 89,258 | 109,713 | 103,383 | 109,238 | 109,433 | 118,477[r] |
| 2 Banks' claims | 62,017 | 60,711 | 74,016 | 66,018 | 72,589 | 84,623 | 89,568 |
| 3 Deposits | 20,993 | 19,661 | 22,696 | 22,467 | 24,542 | 26,461 | 28,961 |
| 4 Other claims | 41,024 | 41,050 | 51,320 | 43,551 | 48,047 | 58,162 | 60,607 |
| 5 Claims of banks' domestic customers[2] | 12,854 | 10,878 | 6,145 | 10,978 | 10,196[r] | 10,265 | 10,210 |

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 | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July[r] | Aug. | Sept. | Oct. | Nov.[p] |
| BY HOLDER AND TYPE OF LIABILITY | | | | | | | | | | |
| 1 **Total, all foreigners** | **1,014,996** | **1,099,549** | **1,162,148[r]** | **1,193,679[r]** | **1,184,712[r]** | **1,200,323** | **1,192,443[r]** | **1,198,563[r]** | **1,225,799** | **1,239,870** |
| 2 Banks' own liabilities | 718,591 | 753,461 | 758,998 | 812,753[r] | 801,908[r] | 807,103 | 788,607[r] | 797,480[r] | 824,420 | 833,596 |
| 3 Demand deposits | 23,386 | 24,448 | 27,034 | 26,204 | 29,545[r] | 27,655 | 27,107[r] | 28,332[r] | 33,551 | 35,725 |
| 4 Time deposits[2] | 186,512 | 192,558 | 186,910[r] | 183,083[r] | 186,904[r] | 189,352 | 190,465[r] | 187,475[r] | 193,424 | 191,643 |
| 5 Other[3] | 113,215 | 140,165 | 143,510[r] | 163,974[r] | 166,849[r] | 177,279 | 162,026[r] | 171,113[r] | 193,895 | 181,091 |
| 6 Own foreign offices[4] | 395,478 | 396,290 | 401,544 | 439,492 | 418,610[r] | 412,817 | 409,009[r] | 410,560[r] | 403,550 | 425,137 |
| 7 Banks' custodial liabilities[5] | 296,405 | 346,088 | 403,150[r] | 380,926[r] | 382,804[r] | 393,220 | 403,836[r] | 401,083 | 401,379 | 406,274 |
| 8 U.S. Treasury bills and certificates[6] | 162,938 | 197,355 | 236,874 | 207,894 | 205,792 | 202,630 | 209,121 | 205,946 | 200,215 | 196,476 |
| 9 Other negotiable and readily transferable instruments[7] | 42,539 | 52,200 | 72,011 | 72,716 | 75,235 | 88,057 | 89,096 | 90,686 | 95,108 | 99,882 |
| 10 Other | 90,928 | 96,533 | 94,265[r] | 100,316[r] | 101,777[r] | 102,533 | 105,619[r] | 104,451 | 106,056 | 109,916 |
| 11 Nonmonetary international and regional organizations[8] | 8,606 | 11,039 | 13,972 | 12,547 | 13,952 | 11,796 | 10,569 | 11,806 | 13,914 | 12,469 |
| 12 Banks' own liabilities | 8,176 | 10,347 | 13,355 | 12,332 | 13,496 | 11,384 | 10,068 | 11,524 | 13,509 | 12,205 |
| 13 Demand deposits | 29 | 21 | 29 | 16 | 775 | 86 | 217 | 771 | 36 | 43 |
| 14 Time deposits[2] | 3,298 | 4,656 | 5,784 | 4,857 | 6,669 | 4,726 | 4,879 | 5,967[r] | 5,161 | 6,310 |
| 15 Other[3] | 4,849 | 5,670 | 7,542 | 7,459 | 6,052 | 6,572 | 4,972 | 4,786[r] | 8,312 | 5,852 |
| 16 Banks' custodial liabilities[5] | 430 | 692 | 617 | 215 | 456 | 412 | 501 | 282 | 405 | 264 |
| 17 U.S. Treasury bills and certificates[6] | 281 | 350 | 352 | 122 | 65 | 47 | 166 | 53 | 148 | 46 |
| 18 Other negotiable and readily transferable instruments[7] | 149 | 341 | 265 | 88 | 383 | 365 | 314 | 229 | 257 | 217 |
| 19 Other | 0 | 1 | 0 | 5 | 8 | 0 | 21 | 0 | 0 | 1 |
| 20 Official institutions[9] | 212,957 | 275,928 | 312,019 | 305,639[r] | 289,735[r] | 291,067 | 294,081[r] | 299,786[r] | 306,987 | 297,383 |
| 21 Banks' own liabilities | 59,935 | 83,447 | 79,406 | 93,045[r] | 97,680[r] | 102,366 | 99,111[r] | 105,354[r] | 118,054 | 109,473 |
| 22 Demand deposits | 1,564 | 2,098 | 1,511 | 1,855 | 1,482 | 1,711 | 2,198[r] | 1,745 | 2,034 | 1,867 |
| 23 Time deposits[2] | 23,511 | 30,717 | 33,336 | 36,627 | 39,849[r] | 42,145 | 40,301[r] | 39,884[r] | 41,670 | 39,626 |
| 24 Other[3] | 34,860 | 50,632 | 44,559 | 54,563[r] | 56,349[r] | 58,510 | 56,612 | 63,725[r] | 74,350 | 67,980 |
| 25 Banks' custodial liabilities[5] | 153,022 | 192,481 | 232,613 | 212,594 | 192,055 | 188,701 | 194,970 | 194,432 | 188,933 | 187,910 |
| 26 U.S. Treasury bills and certificates[6] | 139,571 | 168,534 | 198,921 | 178,366 | 163,950 | 161,270 | 165,453 | 161,610 | 153,283 | 150,102 |
| 27 Other negotiable and readily transferable instruments[7] | 13,245 | 23,603 | 33,266 | 33,976 | 27,676 | 26,878 | 29,349 | 32,315 | 35,236 | 37,374 |
| 28 Other | 206 | 344 | 426 | 252 | 429 | 553 | 168 | 507 | 414 | 434 |
| 29 Banks[10] | 678,532 | 691,412 | 694,835 | 718,322[r] | 727,626[r] | 734,459 | 730,322[r] | 723,002[r] | 733,083 | 765,684 |
| 30 Banks' own liabilities | 563,617 | 567,834 | 562,898 | 591,067[r] | 575,788[r] | 573,819 | 566,366[r] | 562,218[r] | 568,464 | 595,754 |
| 31 Unaffiliated foreign banks | 168,139 | 171,544 | 161,354 | 151,575[r] | 157,178 | 161,002 | 157,357 | 151,658[r] | 164,914 | 170,617 |
| 32 Demand deposits | 10,633 | 11,758 | 13,692 | 12,686 | 14,800 | 13,700 | 13,323 | 13,852[r] | 18,354 | 21,324 |
| 33 Time deposits[2] | 111,171 | 103,471 | 89,765[r] | 80,323[r] | 79,281[r] | 80,131 | 81,890[r] | 76,443[r] | 83,172 | 84,583 |
| 34 Other[3] | 46,335 | 56,315 | 57,897[r] | 58,566[r] | 63,097[r] | 67,171 | 62,144[r] | 61,363[r] | 63,388 | 64,710 |
| 35 Own foreign offices[4] | 395,478 | 396,290 | 401,544 | 439,492 | 418,610[r] | 412,817 | 409,009[r] | 410,560[r] | 403,550 | 425,137 |
| 36 Banks' custodial liabilities[5] | 114,915 | 123,578 | 131,937 | 127,255 | 151,838 | 160,640 | 163,956 | 160,784 | 164,619 | 169,930 |
| 37 U.S. Treasury bills and certificates[6] | 11,264 | 15,872 | 23,106 | 14,127 | 27,115 | 28,642 | 30,629 | 30,012 | 33,085 | 32,995 |
| 38 Other negotiable and readily transferable instruments[7] | 14,506 | 13,035 | 17,027 | 18,918 | 28,866 | 35,522 | 33,960 | 32,886 | 32,065 | 33,826 |
| 39 Other | 89,145 | 94,671 | 91,804 | 94,210 | 95,857 | 96,476 | 99,367 | 97,886 | 99,469 | 103,109 |
| 40 Other foreigners | 114,901 | 121,170 | 141,322[r] | 157,171[r] | 153,399[r] | 163,001 | 157,471[r] | 163,969[r] | 171,815 | 164,334 |
| 41 Banks' own liabilities | 86,863 | 91,833 | 103,339 | 116,309 | 114,944[r] | 119,534 | 113,062[r] | 118,384[r] | 124,393 | 116,164 |
| 42 Demand deposits | 11,160 | 10,571 | 11,802 | 11,647 | 12,488[r] | 12,158 | 11,369 | 11,964[r] | 13,127 | 12,491 |
| 43 Time deposits[2] | 48,532 | 53,714 | 58,025 | 61,276 | 61,105[r] | 62,350 | 63,395[r] | 65,181[r] | 63,421 | 61,124 |
| 44 Other[3] | 27,171 | 27,548 | 33,512 | 43,386 | 41,351[r] | 45,026 | 38,298[r] | 41,239[r] | 47,845 | 42,549 |
| 45 Banks' custodial liabilities[5] | 28,038 | 29,337 | 37,983[r] | 40,862[r] | 38,455[r] | 43,467 | 44,409[r] | 45,585 | 47,422 | 48,170 |
| 46 U.S. Treasury bills and certificates[6] | 11,822 | 12,599 | 14,495 | 15,279 | 14,662 | 12,671 | 12,873 | 14,271 | 13,699 | 13,333 |
| 47 Other negotiable and readily transferable instruments[7] | 14,639 | 15,221 | 21,453 | 19,734 | 18,310 | 25,292 | 25,473 | 25,256 | 27,550 | 28,465 |
| 48 Other | 1,577 | 1,517 | 2,035[r] | 5,849[r] | 5,483[r] | 5,504 | 6,063[r] | 6,058 | 6,173 | 6,372 |
| MEMO | | | | | | | | | | |
| 49 Negotiable time certificates of deposit in custody for foreigners | 17,895 | 9,103 | 14,573 | 15,070[r] | 15,771 | 16,453 | 16,040 | 15,872 | 15,485 | 16,553 |

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 | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July | Aug. | Sept | Oct. | Nov.p |
| AREA | | | | | | | | | | |
| 50 **Total, all foreigners** | **1,014,996** | **1,099,549** | **1,162,148r** | **1,193,679r** | **1,184,712r** | **1,200,323r** | **1,192,443r** | **1,198,563r** | **1,225,799r** | **1,239,870** |
| 51 **Foreign countries** | **1,006,390** | **1,088,510** | **1,148,176r** | **1,181,132r** | **1,170,760r** | **1,188,527r** | **1,181,874r** | **1,186,757r** | **1,211,885r** | **1,227,401** |
| 52 Europe | 390,869 | 362,819 | 376,590 | 382,293r | 395,718 | 411,680 | 407,700 | 402,063r | 418,988r | 425,619 |
| 53 Austria | 3,588 | 3,537 | 5,128 | 3,231 | 3,252 | 3,257 | 3,404 | 2,691 | 2,679 | 2,319 |
| 54 Belgium and Luxembourg | 21,877 | 24,792 | 24,084 | 21,256 | 41,286 | 45,291 | 46,063 | 43,436 | 46,067r | 46,258 |
| 55 Denmark | 2,884 | 2,921 | 2,565 | 2,112 | 2,098 | 2,289 | 1,736 | 2,867 | 2,359 | 2,157 |
| 56 Finland | 1,436 | 2,831 | 1,958 | 1,868 | 1,851 | 1,814 | 1,751 | 2,163 | 1,997 | 1,969 |
| 57 France | 44,365 | 39,218 | 35,078 | 38,742 | 41,211 | 43,464 | 41,213 | 43,065 | 45,057 | 45,688 |
| 58 Germany | 27,109 | 24,035 | 24,660 | 26,081 | 26,086 | 24,978 | 22,626 | 25,201 | 22,117 | 23,040 |
| 59 Greece | 1,400 | 2,014 | 1,835 | 2,296 | 1,701 | 1,726 | 1,592 | 2,086 | 2,075 | 1,229 |
| 60 Italy | 10,885 | 10,868 | 10,946 | 9,691 | 10,191 | 9,490 | 9,179 | 9,852 | 11,449 | 10,713 |
| 61 Netherlands | 16,033 | 13,745 | 11,110 | 8,702 | 8,292 | 8,440 | 7,823 | 8,388 | 8,119 | 7,010 |
| 62 Norway | 2,338 | 1,394 | 1,288 | 1,121 | 841 | 846 | 604 | 1,321 | 1,022r | 1,793 |
| 63 Portugal | 2,846 | 2,761 | 3,562 | 2,712 | 2,582 | 2,075 | 1,931 | 1,958 | 1,888 | 1,987 |
| 64 Russia | 2,726 | 7,948 | 7,623 | 9,582 | 12,302 | 13,604 | 13,216 | 12,784 | 11,722 | 6,938 |
| 65 Spain | 14,675 | 10,011 | 17,707 | 15,027 | 16,274 | 15,158 | 15,203 | 17,796 | 21,934 | 20,921 |
| 66 Sweden | 3,094 | 3,246 | 1,623 | 1,658 | 1,514 | 1,925 | 2,317 | 2,024 | 1,348 | 1,614 |
| 67 Switzerland | 40,724 | 43,625 | 44,538 | 44,028 | 39,124 | 44,283 | 41,076 | 36,862 | 37,065r | 39,650 |
| 68 Turkey | 3,341 | 4,124 | 6,738 | 6,757 | 6,545 | 6,594 | 5,933 | 4,736 | 4,661r | 4,218 |
| 69 United Kingdom | 163,733 | 139,183 | 153,420 | 163,267r | 156,127 | 161,672 | 167,914 | 158,849r | 165,199r | 177,781 |
| 70 Yugoslavia[11] | 245 | 177 | 206 | 324 | 228 | 267 | 244 | 243 | 233r | 234 |
| 71 Other Europe and other former U.S.S.R.[12] | 27,770 | 26,389 | 22,521 | 23,838 | 24,213 | 24,507 | 23,875 | 25,741 | 31,997 | 30,100 |
| 72 Canada | 24,768 | 30,468 | 38,920 | 38,441 | 37,976r | 30,445r | 27,629r | 29,592 | 30,282r | 30,921 |
| 73 Latin America and Caribbean | 423,847 | 440,213 | 467,529r | 495,112r | 496,530r | 500,824r | 496,658r | 502,648r | 501,854r | 498,879 |
| 74 Argentina | 17,203 | 12,235 | 13,877 | 16,486 | 18,229 | 17,100 | 18,033 | 16,643 | 17,557 | 18,214 |
| 75 Bahamas | 104,014 | 94,991 | 88,895 | 100,935 | 90,166 | 92,136 | 86,271 | 86,914 | 89,630r | 91,710 |
| 76 Bermuda | 8,424 | 4,897 | 5,527 | 6,358 | 5,358 | 5,919 | 7,786 | 6,084 | 6,209 | 6,167 |
| 77 Brazil | 9,145 | 23,797 | 27,701 | 25,452 | 26,058 | 28,340 | 31,567 | 33,575 | 31,675 | 32,609 |
| 78 British West Indies | 229,599 | 239,083 | 251,465r | 268,589r | 272,447r | 265,291r | 268,485r | 273,570r | 270,004r | 263,908 |
| 79 Chile | 3,127 | 2,826 | 2,915 | 3,239 | 3,371 | 3,440 | 3,353 | 3,327 | 3,579r | 3,283 |
| 80 Colombia | 4,615 | 3,659 | 3,256 | 2,776 | 2,836 | 2,652 | 2,587 | 2,657 | 3,395 | 3,266 |
| 81 Cuba | 13 | 8 | 21 | 54 | 55 | 54 | 60 | 55 | 71 | 57 |
| 82 Ecuador | 875 | 1,314 | 1,767 | 1,608 | 1,466 | 1,640 | 1,512 | 1,508 | 1,671 | 1,704 |
| 83 Guatemala | 1,121 | 1,276 | 1,282 | 1,457 | 1,497 | 1,455 | 1,389 | 1,449 | 1,399 | 1,361 |
| 84 Jamaica | 529 | 481 | 628 | 472 | 465 | 532 | 534 | 523 | 481 | 445 |
| 85 Mexico | 12,227 | 24,560 | 31,240 | 28,423r | 33,111r | 34,779r | 30,804 | 32,640 | 32,748 | 32,668 |
| 86 Netherlands Antilles | 5,217 | 4,673 | 6,099 | 3,755 | 6,134 | 10,986 | 8,286 | 7,566 | 6,059 | 4,987 |
| 87 Panama | 4,551 | 4,264 | 4,099 | 4,026 | 3,976 | 4,424 | 3,805 | 3,835 | 4,107 | 4,291 |
| 88 Peru | 900 | 974 | 834 | 1,117 | 919 | 958 | 1,006 | 904 | 917 | 907 |
| 89 Uruguay | 1,597 | 1,836 | 1,890 | 2,062 | 2,153 | 2,392 | 2,070 | 1,997 | 2,184 | 2,247 |
| 90 Venezuela | 13,986 | 11,808 | 17,363 | 18,899 | 19,197r | 19,124r | 20,159 | 20,580r | 20,639r | 22,050 |
| 91 Other | 6,704 | 7,531 | 8,670 | 9,404 | 9,092r | 9,602 | 8,951r | 8,821r | 9,529r | 9,005 |
| 92 Asia | 154,346 | 240,595 | 249,083 | 249,131 | 222,848r | 227,759r | 231,017r | 234,560r | 242,075r | 254,981 |
| China | | | | | | | | | | |
| 93 Mainland | 10,066 | 33,750 | 30,438 | 29,429 | 7,283 | 9,480 | 10,450 | 12,664r | 16,244r | 17,447 |
| 94 Taiwan | 9,844 | 11,714 | 15,995 | 12,442 | 12,363 | 13,464 | 11,803 | 13,460r | 15,207r | 13,586 |
| 95 Hong Kong | 17,104 | 20,197 | 18,789 | 19,397 | 20,236 | 18,737 | 17,647 | 18,533r | 19,690r | 18,816 |
| 96 India | 2,338 | 3,373 | 3,930 | 4,367 | 4,241 | 4,555 | 4,474 | 4,451 | 5,131 | 4,913 |
| 97 Indonesia | 1,587 | 2,708 | 2,298 | 2,770 | 2,531 | 2,817 | 3,737 | 2,810 | 4,568 | 3,092 |
| 98 Israel | 5,157 | 4,041 | 6,051 | 6,416 | 5,751 | 5,180 | 5,202 | 4,534 | 4,200 | 3,748 |
| 99 Japan | 62,981 | 109,193 | 117,316 | 118,921 | 118,413 | 118,410 | 119,581 | 118,536 | 116,852 | 133,694 |
| 100 Korea (South) | 5,124 | 5,749 | 5,949 | 7,866 | 7,657 | 8,928 | 9,646 | 9,327 | 8,663 | 10,047 |
| 101 Philippines | 2,714 | 3,092 | 3,378 | 2,387 | 2,469 | 2,908 | 2,541 | 2,409 | 2,505 | 2,552 |
| 102 Thailand | 6,466 | 12,279 | 10,912 | 7,808 | 6,159 | 5,262 | 4,956 | 6,545 | 6,988r | 5,854 |
| 103 Middle Eastern oil-exporting countries[13] | 15,494 | 15,582 | 16,285 | 14,425 | 13,086r | 14,306r | 15,325r | 14,279r | 14,436r | 14,018 |
| 104 Other | 15,471 | 18,917 | 17,742 | 22,903 | 22,659r | 23,712r | 25,655r | 27,012r | 27,591r | 27,214 |
| 105 Africa | 6,524 | 7,641 | 8,116 | 9,821 | 9,970 | 9,734 | 9,731 | 10,380r | 10,310r | 9,520 |
| 106 Egypt | 1,879 | 2,136 | 2,012 | 2,257 | 1,986 | 1,921 | 1,973 | 2,050 | 1,742 | 1,836 |
| 107 Morocco | 97 | 104 | 112 | 91 | 65 | 112 | 94 | 99 | 105 | 69 |
| 108 South Africa | 433 | 739 | 458 | 1,985 | 1,758 | 1,697 | 1,694 | 2,047r | 2,028r | 1,615 |
| 109 Zaire | 9 | 10 | 10 | 9 | 17 | 8 | 7 | 14 | 3 | 5 |
| 110 Oil-exporting countries[14] | 1,343 | 1,797 | 2,626 | 2,731 | 3,153 | 2,981 | 3,211 | 3,280 | 3,194 | 2,948 |
| 111 Other | 2,763 | 2,855 | 2,898 | 2,748 | 2,991 | 3,015 | 2,752 | 2,890 | 3,238r | 3,047 |
| 112 Other | 6,036 | 6,774 | 7,938 | 6,334 | 7,718 | 8,085r | 9,139 | 7,514 | 8,376 | 7,481 |
| 113 Australia | 5,142 | 5,647 | 6,479 | 4,991 | 6,433 | 6,782 | 7,917 | 6,391 | 7,284 | 6,283 |
| 114 Other | 894 | 1,127 | 1,459 | 1,343 | 1,285 | 1,303r | 1,222 | 1,123 | 1,092 | 1,198 |
| 115 Nonmonetary international and regional organizations | 8,606 | 11,039 | 13,972 | 12,547 | 13,952 | 11,796 | 10,569 | 11,806 | 13,914r | 12,469 |
| 116 International[15] | 7,537 | 9,300 | 12,099 | 10,873 | 12,297 | 10,341 | 9,434 | 10,634 | 11,943r | 10,926 |
| 117 Latin American regional[16] | 613 | 893 | 1,339 | 1,435 | 1,071 | 794 | 579 | 708 | 1,277 | 1,053 |
| 118 Other regional[17] | 456 | 846 | 534 | 239 | 584 | 661 | 556 | 464 | 694 | 490 |

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 | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May | June | July[r] | Aug.[r] | Sept.[r] | Oct. | Nov.[p] |
| 1 **Total, all foreigners** | **485,432** | **532,444** | **599,925[r]** | **632,643[r]** | **651,457[r]** | **646,504** | **650,453** | **656,676** | **682,894** | **698,937** |
| 2 **Foreign countries** | **480,841** | **530,513** | **597,321[r]** | **630,311[r]** | **649,527[r]** | **645,351** | **648,036** | **654,633** | **681,146** | **696,451** |
| 3 Europe | 124,124 | 132,150 | 165,769[r] | 196,207[r] | 192,392 | 186,365 | 189,759 | 199,261 | 213,886 | 215,397 |
| 4 Austria | 692 | 565 | 1,662 | 1,440 | 1,394 | 1,690 | 1,739 | 1,371 | 1,913 | 2,034 |
| 5 Belgium and Luxembourg | 6,923 | 7,624 | 6,727 | 8,022[r] | 8,164[r] | 8,094 | 8,124 | 7,847 | 8,347 | 7,461 |
| 6 Denmark | 1,129 | 403 | 492 | 924 | 981 | 806 | 811 | 1,082 | 896 | 844 |
| 7 Finland | 512 | 1,055 | 971 | 1,121 | 1,414 | 1,247 | 1,773 | 1,889 | 1,808 | 1,261 |
| 8 France | 12,149 | 15,033 | 15,246 | 17,291[r] | 16,759[r] | 18,689 | 16,232 | 17,531 | 17,043 | 19,891 |
| 9 Germany | 7,623 | 9,263 | 8,472 | 9,054 | 10,024 | 8,351 | 8,685 | 11,724 | 11,617 | 13,305 |
| 10 Greece | 604 | 469 | 568 | 477 | 630 | 461 | 481 | 499 | 463 | 401 |
| 11 Italy | 6,044 | 5,370 | 6,457 | 6,478 | 7,865 | 7,443 | 8,015 | 7,670 | 7,146 | 6,870 |
| 12 Netherlands | 2,960 | 5,346 | 7,117[r] | 8,190 | 10,687 | 12,050 | 11,083 | 11,548 | 11,504 | 11,496 |
| 13 Norway | 504 | 665 | 808 | 1,199 | 750 | 745 | 849 | 1,713 | 1,419 | 2,080 |
| 14 Portugal | 938 | 888 | 418 | 306 | 468 | 439 | 732 | 563 | 615 | 695 |
| 15 Russia | 973 | 660 | 1,669 | 1,881 | 2,020 | 2,098 | 2,192 | 1,927 | 2,054 | 2,207 |
| 16 Spain | 3,536 | 2,166 | 3,211 | 5,854 | 6,811 | 6,496 | 6,175 | 5,431 | 6,624 | 6,338 |
| 17 Sweden | 4,098 | 2,080 | 1,739 | 1,870 | 2,539 | 1,740 | 1,639 | 1,659 | 1,838 | 1,804 |
| 18 Switzerland | 5,747 | 7,474 | 19,798 | 24,574 | 22,523 | 24,883 | 24,338 | 25,393 | 29,980 | 29,599 |
| 19 Turkey | 878 | 803 | 1,109 | 1,306 | 1,392 | 1,362 | 1,305 | 1,410 | 1,424 | 1,572 |
| 20 United Kingdom | 66,863 | 67,784 | 85,234[r] | 101,679[r] | 94,070 | 84,162 | 90,226 | 93,825 | 102,405 | 100,870 |
| 21 Yugoslavia[2] | 265 | 147 | 115 | 79 | 75 | 75 | 76 | 75 | 75 | 74 |
| 22 Other Europe and other former U.S.S.R.[3] | 1,686 | 4,355 | 3,956 | 4,462 | 3,826 | 5,534 | 5,284 | 6,104 | 6,715 | 6,595 |
| 23 Canada | 18,490 | 20,874 | 26,436 | 31,613 | 35,916 | 26,289 | 24,442 | 23,513 | 22,814 | 24,755 |
| 24 Latin America and Caribbean | 224,229 | 256,944 | 274,153[r] | 264,404[r] | 281,258[r] | 300,339 | 298,786 | 302,528 | 305,147 | 316,617 |
| 25 Argentina | 5,854 | 6,439 | 7,400 | 7,251 | 7,293 | 7,088 | 7,277 | 7,243 | 8,138 | 8,757 |
| 26 Bahamas | 66,410 | 58,818 | 71,871 | 65,546 | 66,804 | 69,819 | 70,031 | 66,074 | 73,837 | 72,739 |
| 27 Bermuda | 8,533 | 5,741 | 4,129[r] | 6,629[r] | 7,112 | 8,252 | 9,829 | 9,342 | 8,097 | 6,552 |
| 28 Brazil | 9,583 | 13,297 | 17,259 | 18,588 | 18,757 | 18,879 | 19,249 | 19,422 | 20,130 | 20,385 |
| 29 British West Indies | 96,373 | 124,037 | 105,510 | 106,898 | 122,088 | 134,438 | 128,373 | 133,778 | 134,577 | 141,084 |
| 30 Chile | 3,820 | 4,864 | 5,136 | 5,745 | 5,599 | 5,686 | 5,919 | 6,235 | 7,189 | 7,782 |
| 31 Colombia | 4,004 | 4,550 | 6,247 | 6,041 | 6,324 | 6,419 | 6,608 | 6,543 | 6,862 | 6,968 |
| 32 Cuba | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| 33 Ecuador | 682 | 825 | 1,031 | 1,092 | 1,132 | 1,165 | 1,199 | 1,218 | 1,307 | 1,292 |
| 34 Guatemala | 366 | 457 | 620 | 619 | 651 | 679 | 689 | 764 | 760 | 787 |
| 35 Jamaica | 258 | 323 | 345 | 328 | 336 | 359 | 375 | 374 | 364 | 405 |
| 36 Mexico | 17,749 | 18,024 | 18,425 | 19,168 | 19,201 | 19,585 | 18,680 | 18,770 | 18,584 | 18,759 |
| 37 Netherlands Antilles | 1,404 | 9,229 | 25,209 | 14,759 | 14,016 | 15,759 | 18,399 | 20,325 | 12,274 | 17,064 |
| 38 Panama | 2,198 | 3,008 | 2,786 | 3,347 | 3,183 | 3,272 | 3,482 | 3,566 | 3,957 | 4,108 |
| 39 Peru | 997 | 1,829 | 2,720 | 2,580 | 2,597 | 2,697 | 2,850 | 3,060 | 3,184 | 3,456 |
| 40 Uruguay | 503 | 466 | 589 | 735 | 705 | 778 | 702 | 728 | 709 | 651 |
| 41 Venezuela | 1,832 | 1,661 | 1,702 | 1,710 | 1,801 | 1,734 | 1,750 | 1,716 | 1,636 | 1,915 |
| 42 Other | 3,663 | 3,376 | 3,174 | 3,368 | 3,659[r] | 3,730 | 3,374 | 3,370 | 3,542 | 3,910 |
| 43 Asia | 107,800 | 115,336 | 122,478 | 128,728[r] | 129,761[r] | 122,517 | 124,927 | 120,807 | 129,589 | 130,183 |
| China | | | | | | | | | | |
| 44 Mainland | 836 | 1,023 | 1,401 | 2,168 | 2,036[r] | 2,385 | 2,574 | 2,798 | 2,345 | 2,102 |
| 45 Taiwan | 1,448 | 1,713 | 1,894 | 1,500 | 1,851 | 1,523 | 1,521 | 1,250 | 1,271 | 1,000 |
| 46 Hong Kong | 9,222 | 12,821 | 12,802 | 14,969 | 16,014 | 12,247 | 13,188 | 13,573 | 15,343 | 15,156 |
| 47 India | 994 | 1,846 | 1,946 | 2,257 | 2,342 | 2,184 | 2,110 | 2,086 | 2,360 | 2,501 |
| 48 Indonesia | 1,472 | 1,696 | 1,762 | 2,438[r] | 2,539[r] | 2,524 | 2,579 | 2,713 | 2,698 | 2,746 |
| 49 Israel | 688 | 739 | 633 | 909 | 631 | 855 | 749 | 907 | 1,539 | 1,201 |
| 50 Japan | 59,569 | 61,468 | 59,967 | 56,484 | 59,679 | 55,592 | 54,427 | 52,480 | 59,437 | 60,568 |
| 51 Korea (South) | 10,286 | 13,975 | 18,901 | 20,864 | 20,606 | 21,274 | 21,690 | 19,978 | 19,922 | 19,253 |
| 52 Philippines | 663 | 1,318 | 1,697 | 1,937 | 2,119 | 1,723 | 1,834 | 1,670 | 1,455 | 1,533 |
| 53 Thailand | 2,902 | 2,612 | 2,679 | 3,069 | 3,187 | 2,825 | 2,641 | 2,479 | 2,317 | 2,100 |
| 54 Middle Eastern oil-exporting countries[4] | 13,982 | 9,639 | 10,424 | 10,607[r] | 9,115 | 9,751 | 9,503 | 7,988 | 8,490 | 8,909 |
| 55 Other | 5,738 | 6,486 | 8,372 | 11,526 | 9,642[r] | 9,634 | 12,111 | 12,885 | 12,412 | 13,114 |
| 56 Africa | 3,053 | 2,742 | 2,776 | 2,847 | 3,273 | 3,125 | 3,281 | 3,464 | 3,342 | 3,332 |
| 57 Egypt | 225 | 210 | 247 | 270 | 312 | 267 | 288 | 251 | 245 | 282 |
| 58 Morocco | 429 | 514 | 524 | 463 | 465 | 463 | 554 | 547 | 599 | 412 |
| 59 South Africa | 674 | 465 | 584 | 569 | 602 | 493 | 489 | 655 | 557 | 743 |
| 60 Zaire | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 61 Oil-exporting countries[5] | 856 | 552 | 420 | 679 | 1,129 | 1,134 | 1,178 | 1,123 | 1,111 | 1,091 |
| 62 Other | 867 | 1,000 | 1,001 | 866 | 765 | 768 | 772 | 888 | 830 | 804 |
| 63 Other | 3,145 | 2,467 | 5,709 | 6,512 | 6,927 | 6,716 | 6,841 | 5,060 | 6,368 | 6,167 |
| 64 Australia | 2,192 | 1,622 | 4,577 | 4,088 | 5,042 | 4,938 | 5,266 | 4,314 | 5,296 | 4,962 |
| 65 Other | 953 | 845 | 1,132 | 2,424 | 1,885 | 1,778 | 1,575 | 746 | 1,072 | 1,205 |
| 66 Nonmonetary international and regional organizations[6] | 4,591 | 1,931 | 2,604 | 2,332 | 1,930 | 1,153 | 2,417 | 2,043 | 1,748 | 2,486 |

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$^{r}$ | 1997 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | May$^{r}$ | June$^{r}$ | July$^{r}$ | Aug.$^{r}$ | Sept.$^{r}$ | Oct. | Nov.$^{p}$ |
| 1 **Total** | **601,814** | **655,211** | **743,919** | ... | **813,714** | | ... | **826,669** | ... | ... |
| 2 Banks' claims | 485,432 | 532,444 | 599,925 | 632,643 | 651,457 | 646,504 | 650,453 | 656,676 | 682,894 | 698,937 |
| 3 Foreign public borrowers | 23,416 | 22,518 | 22,216 | 27,264 | 29,399 | 26,923 | 28,263 | 30,287 | 29,795 | 28,112 |
| 4 Own foreign offices[2] | 283,015 | 307,427 | 341,574 | 367,982 | 379,426 | 370,506 | 370,599 | 374,443 | 401,467 | 408,509 |
| 5 Unaffiliated foreign banks | 110,410 | 101,595 | 113,682 | 113,084 | 119,545 | 117,694 | 115,343 | 104,749 | 115,298 | 122,813 |
| 6 Deposits | 59,368 | 37,771 | 33,826 | 34,586 | 35,794 | 36,006 | 35,436 | 29,509 | 30,358 | 32,373 |
| 7 Other | 51,042 | 63,824 | 79,856 | 78,498 | 83,751 | 81,688 | 79,907 | 75,240 | 84,940 | 90,440 |
| 8 All other foreigners | 68,591 | 100,904 | 122,453 | 124,313 | 123,087 | 131,381 | 136,248 | 147,197 | 136,334 | 139,503 |
| 9 Claims of banks' domestic customers[3] | 116,382 | 122,767 | 143,994 | ... | 162,257 | ... | ... | 169,993 | ... | ... |
| 10 Deposits | 64,829 | 58,519 | 77,657 | ... | 94,591 | ... | ... | 101,683 | ... | |
| 11 Negotiable and readily transferable instruments[4] | 36,111 | 44,161 | 51,207 | ... | 50,301 | ... | ... | 50,291 | ... | ... |
| 12 Outstanding collections and other claims | 15,442 | 20,087 | 15,130 | ... | 17,365 | ... | ... | 18,019 | ... | ... |
| MEMO | | | | | | | | | | |
| 13 Customer liability on acceptances | 8,427 | 8,410 | 10,388 | ... | 11,437 | | ... | 10,854 | ... | ... |
| 14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5] | 32,796 | 30,717 | 39,661 | 42,097 | 36,210 | 38,213 | 45,342 | 38,181 | 39,076 | 37,395 |

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$^{r}$ | | |
|---|---|---|---|---|---|---|---|
| | | | | Dec. | Mar. | June | Sept. |
| 1 **Total** | **202,566** | **202,282** | **224,932** | **258,106$^{r}$** | **276,025** | **271,894** | **282,234** |
| *By borrower* | | | | | | | |
| 2 Maturity of one year or less | 172,662 | 170,411 | 178,857 | 211,859$^{r}$ | 223,721 | 211,140 | 219,343 |
| 3 Foreign public borrowers | 17,828 | 15,435 | 14,995 | 15,411 | 19,876 | 17,979 | 21,535 |
| 4 All other foreigners | 154,834 | 154,976 | 163,862 | 196,448$^{r}$ | 203,845 | 193,161 | 197,808 |
| 5 Maturity of more than one year | 29,904 | 31,871 | 46,075 | 46,247$^{r}$ | 52,304 | 60,754 | 62,891 |
| 6 Foreign public borrowers | 10,874 | 7,838 | 7,522 | 6,790$^{r}$ | 8,835 | 11,220 | 8,752 |
| 7 All other foreigners | 19,030 | 24,033 | 38,553 | 39,457$^{r}$ | 43,469 | 49,534 | 54,139 |
| *By area* | | | | | | | |
| Maturity of one year or less | | | | | | | |
| 8 Europe | 57,413 | 56,381 | 55,622 | 55,690$^{r}$ | 74,888 | 69,233 | 69,213 |
| 9 Canada | 7,727 | 6,690 | 6,751 | 8,339 | 10,423 | 10,320 | 8,460 |
| 10 Latin America and Caribbean | 60,490 | 59,583 | 72,504 | 103,254 | 96,892 | 87,059 | 99,902 |
| 11 Asia | 41,418 | 40,567 | 40,296 | 38,078 | 36,478 | 38,434 | 36,030 |
| 12 Africa | 1,820 | 1,379 | 1,295 | 1,316 | 1,451 | 1,899 | 2,157 |
| 13 All other[3] | 3,794 | 5,811 | 2,389 | 5,182 | 3,589 | 4,195 | 3,581 |
| Maturity of more than one year | | | | | | | |
| 14 Europe | 5,310 | 4,358 | 4,995 | 6,965$^{r}$ | 9,512 | 11,835 | 11,198 |
| 15 Canada | 2,581 | 3,505 | 2,751 | 2,645 | 2,934 | 3,164 | 3,832 |
| 16 Latin America and Caribbean | 14,025 | 15,717 | 27,681 | 24,943$^{r}$ | 26,797 | 31,001 | 34,873 |
| 17 Asia | 5,606 | 5,323 | 7,941 | 9,392 | 10,773 | 12,510 | 10,394 |
| 18 Africa | 1,935 | 1,583 | 1,421 | 1,361 | 1,204 | 1,264 | 1,236 |
| 19 All other[3] | 447 | 1,385 | 1,286 | 941 | 1,084 | 980 | 1,358 |

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 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sept. | Dec. | Mar. | June | Sept. | Dec. | Mar. | June | Sept. |
| 1 **Total** | **409.5** | **499.5** | **535.3** | **551.9** | **574.7r** | **614.9** | **587.9r** | **646.9r** | **649.2** | **680.4** | **712.7r** |
| 2 G-10 countries and Switzerland | 161.9 | 191.2 | 203.0 | 206.0 | 203.4 | 229.0 | 221.7r | 229.9r | 233.0 | 251.8 | 250.0r |
| 3 Belgium and Luxembourg | 7.4 | 7.2 | 11.0 | 13.6 | 11.0 | 11.4 | 11.3 | 11.7 | 14.1 | 9.3 | 11.3 |
| 4 France | 12.0 | 19.1 | 18.0 | 19.4 | 17.9 | 18.0 | 17.4 | 16.6 | 19.7 | 17.9 | 20.1 |
| 5 Germany | 12.6 | 24.7 | 27.5 | 27.3 | 31.5 | 33.5 | 35.5 | 31.4 | 33.7 | 35.8 | 36.6r |
| 6 Italy | 7.7 | 11.8 | 12.6 | 11.5 | 13.2 | 14.9 | 15.2 | 16.0 | 14.4 | 20.2 | 19.3 |
| 7 Netherlands | 4.7 | 3.6 | 4.5 | 3.7 | 3.1r | 4.7 | 5.9 | 4.0r | 4.5 | 6.4 | 7.2 |
| 8 Sweden | 2.7 | 2.7 | 2.9 | 2.7 | 3.3 | 2.7 | 3.0 | 2.6 | 3.4 | 3.6 | 4.1 |
| 9 Switzerland | 5.9 | 5.1 | 6.6 | 6.7 | 5.2 | 6.3 | 6.3 | 5.3 | 6.0 | 5.4 | 4.8 |
| 10 United Kingdom | 84.4 | 85.8 | 80.4 | 82.4 | 84.7 | 101.6 | 90.5 | 104.7r | 99.2 | 110.6 | 108.8 |
| 11 Canada | 6.9 | 10.0 | 12.9 | 10.3 | 10.8 | 12.2 | 14.8 | 14.0 | 16.3 | 15.7 | 15.1r |
| 12 Japan | 17.6 | 21.1 | 26.6 | 28.5 | 22.7 | 23.6 | 21.7 | 23.7 | 21.7 | 26.8 | 22.6 |
| 13 Other industrialized countries | 26.5 | 45.7 | 50.5 | 50.2 | 61.3 | 55.5 | 62.1 | 65.7 | 66.4 | 71.7 | 73.8 |
| 14 Austria | .7 | 1.1 | 1.2 | .9 | 1.3 | 1.2 | 1.0 | 1.1 | 1.9 | 1.5 | 1.7 |
| 15 Denmark | 1.0 | 1.3 | 1.8 | 2.6 | 3.4 | 3.3 | 1.7 | 1.5 | 1 7 | 2.8 | 3.7 |
| 16 Finland | .4 | .9 | .7 | .8 | .7 | 6 | .6 | 8 | .7 | 1.4 | 1.9 |
| 17 Greece | 3.2 | 4.5 | 5.1 | 5.7 | 5.6 | 5.6 | 6.1 | 6.7 | 6.3 | 6.1 | 6.2 |
| 18 Norway | 1.7 | 2.0 | 2.3 | 3.2 | 2.1 | 2.3 | 3.0 | 8.0 | 5.3 | 4.7 | 4.6 |
| 19 Portugal | .8 | 1.2 | 1.9 | 1.3 | 1.6 | 1.6 | 1.4 | .9 | 1.0 | 1.1 | 1.4 |
| 20 Spain | 9.9 | 13.6 | 13.3 | 11.6 | 17.5 | 13.6 | 16.1 | 13.2 | 14.4 | 15.4 | 13.9 |
| 21 Turkey | 2.1 | 1.6 | 2.0 | 1.9 | 2.0 | 2.3 | 2.8 | 2.7 | 2.8 | 3.4 | 4.4 |
| 22 Other Western Europe | 3.2 | 3.2 | 3.3 | 4.7 | 3.8 | 3.4 | 4.8 | 4.7 | 6.3 | 5.5 | 6.1 |
| 23 South Africa | 1.1 | 1.0 | 1.3 | 1.2 | 1.7 | 2.0 | 1.7 | 2.0 | 1.9 | 1.9 | 1.9 |
| 24 Australia | 2.3 | 15.4 | 17.4 | 16.4 | 21.7 | 19.6 | 22.8 | 24.0 | 24.4 | 27.8 | 28.1 |
| 25 OPEC[2] | 17 6 | 24.1 | 22.7 | 22.1 | 21.2 | 20.1 | 19.2 | 19.7 | 21.8 | 22.2 | 22.1 |
| 26 Ecuador | .5 | .5 | .7 | .7 | .8 | .9 | .9 | 1.1 | 1.1 | 9 | 1.2 |
| 27 Venezuela | 5.1 | 3.7 | 3.0 | 2.7 | 2.9 | 2.3 | 2.3 | 2.4 | 1.9 | 2.1 | 2.2 |
| 28 Indonesia | 3.3 | 3.8 | 4.4 | 4.8 | 4.7 | 4.9 | 5.4 | 5.2 | 4.9 | 5.6 | 6.5 |
| 29 Middle East countries | 7.6 | 15.3 | 13.9 | 13.3 | 12.3 | 11.5 | 10.2 | 10.7 | 13.2 | 12.4 | 11.0r |
| 30 African countries | 1.2 | .9 | .6 | .6 | .6 | .5 | .4 | .4 | .7 | 1.2 | 1.1 |
| 31 Non-OPEC developing countries | 83.2 | 96.0 | 104.1 | 112.6 | 118.6 | 126.5 | 124.4r | 130.3 | 128.1 | 140.5 | 136.2r |
| *Latin America* | | | | | | | | | | | |
| 32 Argentina | 7.7 | 11.2 | 10.9 | 12.9 | 12.7 | 14.1 | 15.0 | 14.3 | 14.3 | 16.4 | 17.0 |
| 33 Brazil | 12.0 | 8.4 | 13.6 | 13.7 | 18.3 | 21.7 | 17.8 | 20.7 | 22.0 | 27.3 | 25.9 |
| 34 Chile | 4.7 | 6.1 | 6.4 | 6.8 | 6.4 | 6.7 | 6.6 | 7.0 | 6.8 | 7.6 | 7.9 |
| 35 Colombia | 2.1 | 2.6 | 2.9 | 2.9 | 2.9 | 2.8 | 3.1 | 4.1 | 3.7 | 3.3 | 3.4 |
| 36 Mexico | 17.9 | 18.4 | 16.3 | 17.3 | 16.1 | 15.4 | 16.3r | 16.2 | 17.2 | 16.6 | 16.1 |
| 37 Peru | .4 | .5 | 7 | .8 | .9 | 1.2 | 1.3 | 1.6 | 1.6 | 1.4 | 1.8 |
| 38 Other | 3.1 | 2.7 | 2.6 | 2.8 | 3.1 | 3.0 | 3.0 | 3.3 | 3.4 | 3.4 | 3.6 |
| *Asia* | | | | | | | | | | | |
| China | | | | | | | | | | | |
| 39 Mainland | 2.0 | 1.1 | 1.7 | 1.8 | 3.3 | 2.9 | 2.6 | 2.5 | 2.7 | 3.6 | 4.3 |
| 40 Taiwan | 7.3 | 9.2 | 9.0 | 9.4 | 9.7 | 9.8 | 10.4 | 10.3 | 10.5 | 10.6 | 9.7 |
| 41 India | 3.2 | 4.2 | 4.4 | 4.4 | 4.7 | 4.2 | 3.8 | 4.3 | 4.9 | 5.3 | 4.9 |
| 42 Israel | .5 | .4 | .5 | .5 | 5 | .6 | .5 | .5 | .6 | .8 | 1.0 |
| 43 Korea (South) | 6.7 | 16.2 | 18.0 | 19.1 | 19.3 | 21.7 | 21.9 | 21.5 | 14.6 | 16.3 | 16.2 |
| 44 Malaysia | 4.4 | 3.1 | 4.3 | 4.4 | 5.2 | 5.3 | 5.5 | 6.0 | 6.5 | 6.4 | 5.6 |
| 45 Philippines | 3.1 | 3.3 | 3.3 | 4.1 | 3.9 | 4.7 | 5.4 | 5.8 | 6.0 | 7.0 | 5.7 |
| 46 Thailand | 3.1 | 2.1 | 3.9 | 4.9 | 5.2 | 5.4 | 4.8 | 5.7 | 6.8 | 7.3 | 6.2 |
| 47 Other Asia | 3.1 | 4.7 | 3.7 | 4.5 | 4.3 | 4.8 | 4.1 | 4.1 | 4.3 | 4.7 | 4.5 |
| *Africa* | | | | | | | | | | | |
| 48 Egypt | .4 | .3 | .4 | .4 | .5 | .5 | .6 | .7 | .9 | 1.1 | .9 |
| 49 Morocco | .7 | .6 | .9 | .7 | .7 | .8 | .7 | .7 | .6 | .6 | .7 |
| 50 Zaire | .0 | .0 | .0 | .0 | .0 | .0 | .0 | .1 | .0 | .0 | .0 |
| 51 Other Africa[3] | 8 | .8 | .8 | .9 | .8 | .8 | 1.0 | .9 | .9 | 9 | .9 |
| 52 Eastern Europe | 3.2 | 2.7 | 3.4 | 4.2 | 6.3 | 5.1 | 5.3 | 6.9 | 8.9 | 7.1 | 9.6 |
| 53 Russia[4] | 1.6 | .8 | .6 | 1.0 | 1.4 | 1.0 | 1.8 | 3.7 | 3.5 | 4.2 | 4.9 |
| 54 Other | 1.6 | 1.9 | 2.8 | 3.2 | 4.9 | 4.1 | 3.5 | 3.2 | 5.4 | 2.9 | 4.7 |
| 55 Offshore banking centers | 73.5 | 72.9 | 87.5 | 99.2 | 101.3 | 106.1 | 105.2 | 134.7 | 131.3 | 129.6 | 140.9r |
| 56 Bahamas | 10.9 | 10.2 | 12.6 | 11.0 | 13.9 | 17.3 | 14.2 | 20.3 | 20.9 | 16.1 | 19.8 |
| 57 Bermuda | 8.9 | 8.4 | 6.1 | 6.3 | 5.3 | 4.1 | 4.0 | 4.5 | 6.7 | 7.9 | 9.8 |
| 58 Cayman Islands and other British West Indies | 18.4 | 21.4 | 25.1 | 32.4 | 28.8 | 26.1 | 32.0 | 37.2 | 32.8 | 35.1 | 45.7 |
| 59 Netherlands Antilles | 2.8 | 1.6 | 5.7 | 10.3 | 11.1 | 13.2 | 11.7 | 26.1 | 19.9 | 15.8 | 21.7 |
| 60 Panama[5] | 2.4 | 1.3 | 1.3 | 1.4 | 1.6 | 1.7 | 1.7 | 2.0 | 2.0 | 2.6 | 2.6 |
| 61 Lebanon | 1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | 1 | 1 | .1 |
| 62 Hong Kong, China | 18.8 | 20.0 | 23.7 | 25.0 | 25.3 | 27 6 | 26.0 | 27.9 | 30.8 | 35.2 | 27.2 |
| 63 Singapore | 11.2 | 10.1 | 13.3 | 13.1 | 15.4 | 15.9 | 15.5 | 16.7 | 17.9 | 16.7 | 14.1 |
| 64 Other[6] | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .1 | .3 | .1 |
| 65 Miscellaneous and unallocated[7] | 43.6 | 66.9 | 64.2 | 57.6 | 62.6 | 72.7 | 50.0 | 59.6 | 59.6 | 57.6 | 80.2 |

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 | 1996 | | | 1997 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | June | Sept. | Dec. | Mar. | June | Sept.[p] |
| 1 | **Total** | **50,597** | **54,309** | **46,448** | **48,943[r]** | **51,604[r]** | **54,798[r]** | **55,068[r]** | **52,950** | **52,445** |
| 2 | Payable in dollars | 38,728 | 38,298 | 33,903 | 35,338[r] | 36,374[r] | 38,956[r] | 39,114[r] | 37,398 | 37,485 |
| 3 | Payable in foreign currencies | 11,869 | 16,011 | 12,545 | 13,605 | 15,230 | 15,842[r] | 15,954[r] | 15,552 | 14,960 |
| | *By type* | | | | | | | | | |
| 4 | Financial liabilities | 29,226 | 32,954 | 24,241 | 24,797[r] | 25,445[r] | 26,065[r] | 25,951[r] | 24,630 | 22,946 |
| 5 | Payable in dollars | 18,545 | 18,818 | 12,903 | 12,165[r] | 11,272[r] | 11,327[r] | 11,017[r] | 10,107 | 9,157 |
| 6 | Payable in foreign currencies | 10,681 | 14,136 | 11,338 | 12,632 | 14,173 | 14,738[r] | 14,934[r] | 14,523 | 13,789 |
| 7 | Commercial liabilities | 21,371 | 21,355 | 22,207 | 24,146 | 26,159 | 28,733 | 29,117 | 28,320 | 29,499 |
| 8 | Trade payables | 8,802 | 10,005 | 11,013 | 11,081 | 11,791 | 12,720 | 11,515 | 11,122 | 10,954 |
| 9 | Advance receipts and other liabilities | 12,569 | 11,350 | 11,194 | 13,065 | 14,368 | 16,013 | 17,602 | 17,198 | 18,545 |
| 10 | Payable in dollars | 20,183 | 19,480 | 21,000 | 23,173 | 25,102 | 27,629 | 28,097 | 27,291 | 28,328 |
| 11 | Payable in foreign currencies | 1,188 | 1,875 | 1,207 | 973 | 1,057 | 1,104 | 1,020 | 1,029 | 1,171 |
| | *By area or country* | | | | | | | | | |
| | Financial liabilities | | | | | | | | | |
| 12 | Europe | 18,810 | 21,703 | 15,622 | 16,387[r] | 16,086[r] | 16,195[r] | 16,399[r] | 16,327 | 15,026 |
| 13 | Belgium and Luxembourg | 175 | 495 | 369 | 498 | 547 | 632 | 769 | 238 | 89 |
| 14 | France | 2,539 | 1,727 | 999 | 1,011 | 1,220 | 1,091 | 1,205 | 1,280 | 1,334 |
| 15 | Germany | 975 | 1,961 | 1,974 | 1,850 | 2,276 | 1,834 | 1,589 | 1,765 | 1,730 |
| 16 | Netherlands | 534 | 552 | 466 | 444 | 519 | 556 | 507 | 466 | 507 |
| 17 | Switzerland | 634 | 688 | 895 | 1,156 | 830 | 699 | 694 | 591 | 645 |
| 18 | United Kingdom | 13,332 | 15,543 | 10,138 | 10,743[r] | 9,837[r] | 10,177[r] | 10,181[r] | 10,765 | 9,172 |
| 19 | Canada | 859 | 629 | 632 | 951 | 973 | 1,401 | 602 | 456 | 399 |
| 20 | Latin America and Caribbean | 3,359 | 2,034 | 1,783 | 969 | 1,169 | 1,668 | 1,876 | 1,279 | 1,061 |
| 21 | Bahamas | 1,148 | 101 | 59 | 31 | 50 | 236 | 293 | 124 | 10 |
| 22 | Bermuda | 0 | 80 | 147 | 28 | 25 | 50 | 27 | 55 | 64 |
| 23 | Brazil | 18 | 207 | 57 | 8 | 52 | 78 | 75 | 97 | 52 |
| 24 | British West Indies | 1,533 | 998 | 866 | 826 | 764 | 1,030 | 965 | 769 | 663 |
| 25 | Mexico | 17 | 0 | 12 | 11 | 13 | 17 | 16 | 15 | 76 |
| 26 | Venezuela | 5 | 5 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| 27 | Asia | 5,956 | 8,403 | 5,988 | 6,351 | 6,969 | 6,423[r] | 6,370[r] | 5,984 | 5,975 |
| 28 | Japan | 4,887 | 7,314 | 5,436 | 6,051 | 6,602 | 5,869[r] | 5,794[r] | 5,435 | 5,492 |
| 29 | Middle Eastern oil-exporting countries[1] | 23 | 35 | 27 | 26 | 25 | 25 | 72 | 39 | 23 |
| 30 | Africa | 133 | 135 | 150 | 72 | 153 | 38 | 29 | 29 | 33 |
| 31 | Oil-exporting countries[2] | 123 | 123 | 122 | 61 | 121 | 0 | 0 | 0 | 0 |
| 32 | All other[3] | 109 | 50 | 66 | 67 | 95 | 340 | 675 | 555 | 452 |
| | Commercial liabilities | | | | | | | | | |
| 33 | Europe | 6,827 | 6,773 | 7,700 | 7,916 | 8,680 | 9,767 | 9,551 | 8,711 | 9,364 |
| 34 | Belgium and Luxembourg | 239 | 241 | 331 | 326 | 427 | 479 | 643 | 738 | 705 |
| 35 | France | 655 | 728 | 481 | 678 | 657 | 680 | 680 | 709 | 783 |
| 36 | Germany | 684 | 604 | 767 | 839 | 949 | 1,002 | 1,047 | 852 | 951 |
| 37 | Netherlands | 688 | 722 | 500 | 617 | 668 | 766 | 553 | 290 | 453 |
| 38 | Switzerland | 375 | 327 | 413 | 516 | 405 | 624 | 481 | 430 | 401 |
| 39 | United Kingdom | 2,039 | 2,444 | 3,568 | 3,266 | 3,663 | 4,303 | 4,165 | 3,827 | 3,834 |
| 40 | Canada | 879 | 1,037 | 1,040 | 998 | 1,144 | 1,090 | 1,068 | 1,136 | 1,151 |
| 41 | Latin America and Caribbean | 1,658 | 1,857 | 1,740 | 2,301 | 2,386 | 2,574 | 2,563 | 2,501 | 2,226 |
| 42 | Bahamas | 21 | 19 | 1 | 35 | 33 | 63 | 43 | 33 | 38 |
| 43 | Bermuda | 350 | 345 | 205 | 509 | 355 | 297 | 479 | 397 | 180 |
| 44 | Brazil | 214 | 161 | 98 | 119 | 198 | 196 | 201 | 225 | 233 |
| 45 | British West Indies | 27 | 23 | 56 | 10 | 15 | 14 | 14 | 26 | 23 |
| 46 | Mexico | 481 | 574 | 416 | 475 | 446 | 665 | 633 | 594 | 562 |
| 47 | Venezuela | 123 | 276 | 221 | 283 | 341 | 328 | 318 | 304 | 322 |
| 48 | Asia | 10,980 | 10,741 | 10,421 | 11,389 | 12,227 | 13,422 | 13,968 | 13,926 | 14,686 |
| 49 | Japan | 4,314 | 4,555 | 3,315 | 3,943 | 4,149 | 4,614 | 4,502 | 4,460 | 4,587 |
| 50 | Middle Eastern oil-exporting countries[1] | 1,534 | 1,576 | 1,912 | 1,784 | 1,951 | 2,168 | 2,495 | 2,420 | 2,984 |
| 51 | Africa | 453 | 428 | 619 | 924 | 1,020 | 1,040 | 1,037 | 941 | 907 |
| 52 | Oil-exporting countries[2] | 167 | 256 | 254 | 462 | 490 | 532 | 479 | 423 | 504 |
| 53 | Other[3] | 574 | 519 | 687 | 618 | 702 | 840 | 930 | 1,105 | 1,165 |

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 | 1996 | | | 1997 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | June | Sept. | Dec. | Mar. | June | Sept.[p] |
| 1 **Total** | **49,159** | **57,888** | **52,509** | **60,195** | **59,092** | **63,642** | **64,911[r]** | **66,127** | **67,266** |
| 2 Payable in dollars | 45,161 | 53,805 | 48,711 | 55,350 | 55,014 | 58,630 | 60,747[r] | 61,404 | 62,665 |
| 3 Payable in foreign currencies | 3,998 | 4,083 | 3,798 | 4,845 | 4,078 | 5,012 | 4,164[r] | 4,723 | 4,601 |
| *By type* | | | | | | | | | |
| 4 Financial claims | 27,771 | 33,897 | 27,398 | 35,251 | 34,200 | 35,268 | 37,356[r] | 38,578 | 38,513 |
| 5 Deposits | 15,717 | 18,507 | 15,133 | 19,507 | 19,877 | 21,404 | 19,625[r] | 22,282 | 21,233 |
| 6 Payable in dollars | 15,182 | 18,026 | 14,654 | 19,069 | 19,182 | 20,631 | 18,547[r] | 21,373 | 20,271 |
| 7 Payable in foreign currencies | 535 | 481 | 479 | 438 | 695 | 773 | 1,078[r] | 909 | 962 |
| 8 Other financial claims | 12,054 | 15,390 | 12,265 | 15,744 | 14,323 | 13,864 | 17,731[r] | 16,296 | 17,280 |
| 9 Payable in dollars | 10,862 | 14,306 | 10,976 | 13,347 | 12,234 | 12,069 | 15,954[r] | 13,918 | 15,383 |
| 10 Payable in foreign currencies | 1,192 | 1,084 | 1,289 | 2,397 | 2,089 | 1,795 | 1,777 | 2,378 | 1,897 |
| 11 Commercial claims | 21,388 | 23,991 | 25,111 | 24,944 | 24,892 | 28,374 | 27,555 | 27,549 | 28,753 |
| 12 Trade receivables | 18,425 | 21,158 | 22,998 | 22,353 | 22,454 | 25,751 | 24,801 | 24,858 | 25,148 |
| 13 Advance payments and other claims | 2,963 | 2,833 | 2,113 | 2,591 | 2,438 | 2,623 | 2,754 | 2,691 | 3,605 |
| 14 Payable in dollars | 19,117 | 21,473 | 23,081 | 22,934 | 23,598 | 25,930 | 26,246 | 26,113 | 27,011 |
| 15 Payable in foreign currencies | 2,271 | 2,518 | 2,030 | 2,010 | 1,294 | 2,444 | 1,309 | 1,436 | 1,742 |
| *By area or country* | | | | | | | | | |
| Financial claims | | | | | | | | | |
| 16 Europe | 7,299 | 7,936 | 7,609 | 10,498 | 9,777 | 9,282 | 9,885[r] | 10,765 | 12,325 |
| 17 Belgium and Luxembourg | 134 | 86 | 193 | 151 | 126 | 185 | 119 | 203 | 360 |
| 18 France | 826 | 800 | 803 | 679 | 733 | 694 | 760[r] | 680 | 1,112 |
| 19 Germany | 526 | 540 | 436 | 296 | 272 | 276 | 324 | 281 | 352 |
| 20 Netherlands | 502 | 429 | 517 | 488 | 520 | 493 | 567 | 519 | 764 |
| 21 Switzerland | 530 | 523 | 498 | 461 | 432 | 474 | 570 | 447 | 448 |
| 22 United Kingdom | 3,585 | 4,649 | 4,303 | 7,426 | 6,603 | 6,119 | 6,646[r] | 7,692 | 7,727 |
| 23 Canada | 2,032 | 3,581 | 2,851 | 4,773 | 4,502 | 3,445 | 4,917 | 6,422 | 4,278 |
| 24 Latin America and Caribbean | 16,224 | 19,536 | 14,500 | 17,644 | 17,241 | 19,577 | 19,742 | 18,725 | 19,168 |
| 25 Bahamas | 1,336 | 2,424 | 1,965 | 2,168 | 1,746 | 1,452 | 1,894 | 2,064 | 2,477 |
| 26 Bermuda | 125 | 27 | 81 | 84 | 113 | 140 | 157 | 188 | 189 |
| 27 Brazil | 654 | 520 | 830 | 1,242 | 1,438 | 1,468 | 1,404 | 1,617 | 1,501 |
| 28 British West Indies | 12,699 | 15,228 | 10,393 | 13,024 | 12,819[r] | 15,182 | 15,176[r] | 13,552 | 12,912 |
| 29 Mexico | 872 | 723 | 554 | 392 | 413 | 457 | 517 | 498 | 508 |
| 30 Venezuela | 161 | 35 | 32 | 23 | 20 | 31 | 22 | 21 | 15 |
| 31 Asia | 1,657 | 1,871 | 1,579 | 1,571 | 1,834 | 2,221 | 2,068 | 1,934 | 2,015 |
| 32 Japan | 892 | 953 | 871 | 852 | 1,001 | 1,035 | 831 | 766 | 999 |
| 33 Middle Eastern oil-exporting countries[1] | 3 | 141 | 3 | 9 | 13 | 22 | 12 | 20 | 15 |
| 34 Africa | 99 | 373 | 276 | 197 | 177 | 174 | 182 | 179 | 174 |
| 35 Oil-exporting countries[2] | 1 | 0 | 5 | 5 | 13 | 14 | 14 | 15 | 16 |
| 36 All other[3] | 460 | 600 | 583 | 568 | 669 | 569 | 562 | 553 | 553 |
| Commercial claims | | | | | | | | | |
| 37 Europe | 9,105 | 9,540 | 9,824 | 9,842 | 9,288 | 10,443 | 9,863 | 9,603 | 10,478 |
| 38 Belgium and Luxembourg | 184 | 213 | 231 | 239 | 213 | 226 | 364 | 327 | 331 |
| 39 France | 1,947 | 1,881 | 1,830 | 1,659 | 1,532 | 1,644 | 1,514 | 1,377 | 1,640 |
| 40 Germany | 1,018 | 1,027 | 1,070 | 1,335 | 1,250 | 1,337 | 1,364 | 1,229 | 1,393 |
| 41 Netherlands | 423 | 311 | 452 | 481 | 424 | 562 | 582 | 613 | 573 |
| 42 Switzerland | 432 | 557 | 520 | 602 | 594 | 642 | 418 | 389 | 381 |
| 43 United Kingdom | 2,377 | 2,556 | 2,656 | 2,658 | 2,516 | 2,946 | 2,626 | 2,836 | 2,903 |
| 44 Canada | 1,781 | 1,988 | 1,951 | 2,074 | 2,083 | 2,165 | 2,381 | 2,464 | 2,643 |
| 45 Latin America and Caribbean | 3,274 | 4,117 | 4,364 | 4,347 | 4,409 | 5,276 | 5,067 | 5,241 | 5,012 |
| 46 Bahamas | 11 | 9 | 30 | 28 | 14 | 35 | 40 | 29 | 22 |
| 47 Bermuda | 182 | 234 | 272 | 264 | 290 | 275 | 159 | 197 | 128 |
| 48 Brazil | 460 | 612 | 898 | 838 | 968 | 1,303 | 1,216 | 1,136 | 1,100 |
| 49 British West Indies | 71 | 83 | 79 | 103 | 119 | 190 | 127 | 98 | 98 |
| 50 Mexico | 990 | 1,243 | 993 | 1,021 | 936 | 1,128 | 1,102 | 1,140 | 1,222 |
| 51 Venezuela | 293 | 348 | 285 | 313 | 316 | 357 | 330 | 451 | 418 |
| 52 Asia | 6,014 | 6,982 | 7,312 | 6,939 | 7,289 | 8,376 | 8,348 | 8,460 | 8,572 |
| 53 Japan | 2,275 | 2,655 | 1,870 | 1,877 | 1,919 | 2,003 | 2,065 | 2,079 | 2,046 |
| 54 Middle Eastern oil-exporting countries[1] | 704 | 708 | 974 | 903 | 945 | 971 | 1,078 | 1,014 | 989 |
| 55 Africa | 493 | 454 | 654 | 688 | 731 | 746 | 718 | 618 | 764 |
| 56 Oil-exporting countries[2] | 72 | 67 | 87 | 83 | 142 | 166 | 100 | 81 | 207 |
| 57 Other[3] | 721 | 910 | 1,006 | 1,054 | 1,092 | 1,368 | 1,178 | 1,163 | 1,284 |

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[r] | 1997 Jan.–Nov. | 1997 May[r] | June[r] | July[r] | Aug.[r] | Sept.[r] | Oct. | Nov.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| | U.S. corporate securities | | | | | | | | | |
| STOCKS | | | | | | | | | | |
| 1 Foreign purchases | 462,950 | 590,714 | 871,426 | 77,610 | 82,289 | 85,138 | 84,953 | 80,546 | 105,207 | 85,150 |
| 2 Foreign sales | 451,710 | 578,203 | 808,765 | 71,137 | 72,211 | 74,715 | 76,820 | 75,428 | 102,253 | 80,133 |
| 3 **Net purchases, or sales (−)** | **11,240** | **12,511** | **62,661** | **6,473** | **10,078** | **10,423** | **8,133** | **5,118** | **2,954** | **5,017** |
| 4 **Foreign countries** | **11,445** | **12,585** | **62,767** | **6,492** | **10,089** | **10,412** | **8,176** | **5,123** | **2,972** | **5,025** |
| 5 Europe | 4,912 | 5,367 | 53,198 | 2,475 | 5,659 | 6,108 | 4,391 | 5,296 | 5,899 | 5,318 |
| 6 France | −1,099 | −2,402 | 2,835 | 240 | −605 | 1,187 | 461 | 241 | −80 | −65 |
| 7 Germany | −1,837 | 1,104 | 8,276 | 556 | 858 | 1,080 | 584 | 374 | 527 | 857 |
| 8 Netherlands | 3,507 | 1,415 | 3,426 | 384 | 117 | 88 | −118 | 820 | 759 | 579 |
| 9 Switzerland | −2,283 | 2,715 | 6,369 | 185 | 1,043 | 922 | 557 | −405 | 846 | 1,043 |
| 10 United Kingdom | 8,066 | 4,478 | 20,983 | 304 | 2,669 | 1,167 | 2,170 | 3,559 | 2,444 | 1,875 |
| 11 Canada | −1,517 | 2,226 | −869 | 24 | 32 | −489 | −286 | −560 | −519 | −344 |
| 12 Latin America and Caribbean | 5,814 | 5,816 | 8,446 | 2,413 | 2,140 | 3,968 | 2,456 | 813 | −2,133 | −627 |
| 13 Middle East[1] | −337 | −1,600 | 152 | −244 | 163 | −51 | −64 | 32 | 79 | 16 |
| 14 Other Asia | 2,503 | 918 | 990 | 1,549 | 2,247 | 686 | 1,545 | −519 | −508 | 888 |
| 15 Japan | −2,725 | −372 | 4,229 | 1,763 | 1,121 | 849 | 888 | −313 | 229 | 709 |
| 16 Africa | 2 | −85 | 464 | 3 | 81 | 99 | 2 | 94 | 80 | −36 |
| 17 Other countries | 68 | −57 | 386 | 272 | −233 | 91 | 132 | −33 | 74 | −190 |
| 18 **Nonmonetary international and regional organizations** | **−205** | **−74** | **−106** | **−19** | **−11** | **11** | **−43** | **−5** | **−18** | **−8** |
| BONDS[2] | | | | | | | | | | |
| 19 Foreign purchases | 293,533 | 393,953 | 560,603 | 44,568 | 56,305 | 62,627 | 62,605 | 50,762 | 57,965 | 51,910 |
| 20 Foreign sales | 206,951 | 268,487 | 435,118 | 34,831 | 44,245 | 46,045 | 48,283 | 41,297 | 44,421 | 49,177 |
| 21 **Net purchases, or sales (−)** | **86,582** | **125,466** | **125,485** | **9,737** | **12,060** | **16,582** | **14,322** | **9,465** | **13,544** | **2,733** |
| 22 **Foreign countries** | **87,036** | **125,295** | **124,904** | **9,829** | **11,928** | **16,568** | **14,254** | **9,464** | **13,017** | **2,821** |
| 23 Europe | 70,318 | 77,570 | 68,418 | 5,949 | 8,181 | 10,182 | 7,586 | 5,843 | 3,108 | 1,593 |
| 24 France | 1,143 | 4,460 | 3,368 | −2 | 102 | 522 | 275 | 300 | 142 | 546 |
| 25 Germany | 5,938 | 4,439 | 3,216 | 181 | −94 | 1,606 | 34 | 638 | 120 | 165 |
| 26 Netherlands | 1,463 | 2,107 | 3,151 | 976 | 203 | −79 | 602 | 135 | 369 | 185 |
| 27 Switzerland | 494 | 1,170 | −768 | 6 | 176 | −378 | −304 | −501 | −109 | 490 |
| 28 United Kingdom | 57,591 | 60,509 | 52,648 | 4,135 | 6,982 | 7,284 | 6,577 | 4,109 | 2,121 | −684 |
| 29 Canada | 2,569 | 4,486 | 5,587 | 522 | −89 | 281 | 557 | 624 | 866 | 459 |
| 30 Latin America and Caribbean | 6,141 | 17,737 | 27,609 | 2,444 | 1,757 | 3,283 | 2,110 | 1,265 | 3,720 | 3,884 |
| 31 Middle East[1] | 1,869 | 1,679 | 1,499 | −179 | 16 | −9 | −44 | −1 | −183 | 184 |
| 32 Other Asia | 5,659 | 23,762 | 20,239 | 914 | 1,901 | 2,700 | 3,916 | 1,591 | 5,634 | −3,497 |
| 33 Japan | 2,250 | 14,173 | 13,118 | 449 | 1,683 | 1,885 | 2,996 | −613 | 5,207 | −2,883 |
| 34 Africa | 234 | 624 | 956 | 48 | 56 | 104 | 103 | 8 | 11 | 88 |
| 35 Other countries | 246 | −563 | 596 | 131 | 106 | 27 | 26 | 134 | −139 | 110 |
| 36 **Nonmonetary international and regional organizations** | **−454** | **171** | **581** | **−92** | **132** | **14** | **68** | **1** | **527** | **−88** |
| | Foreign securities | | | | | | | | | |
| 37 Stocks, net purchases, or sales (−) | −50,291 | −59,268 | −39,501 | −3,777 | −5,746 | −7,532 | −7,892 | −170 | −1,757 | 3,217 |
| 38 Foreign purchases | 345,540 | 450,365 | 653,950 | 56,692 | 63,401 | 68,868 | 60,740 | 62,687 | 78,771 | 70,176 |
| 39 Foreign sales | 395,831 | 509,633 | 693,451 | 60,469 | 69,147 | 76,400 | 68,632 | 62,857 | 80,528 | 66,959 |
| 40 Bonds, net purchases, or sales (−) | −48,405 | −51,369 | −43,383 | −1,357 | −12,910 | −11,337 | −4,852 | −7,963 | −597 | −4,699 |
| 41 Foreign purchases | 889,541 | 1,114,035 | 1,357,363 | 123,618 | 117,928 | 133,992 | 123,558 | 122,266 | 164,416 | 110,999 |
| 42 Foreign sales | 937,946 | 1,165,404 | 1,400,746 | 124,975 | 130,838 | 145,329 | 128,410 | 130,229 | 165,013 | 115,698 |
| 43 **Net purchases, or sales (−), of stocks and bonds** | **−98,696** | **−110,637** | **−82,884** | **−5,134** | **−18,656** | **−18,869** | **−12,744** | **−8,133** | **−2,354** | **−1,482** |
| 44 **Foreign countries** | **−97,891** | **−109,766** | **−82,914** | **−5,191** | **−18,672** | **−18,906** | **−12,673** | **−8,127** | **−2,189** | **−1,434** |
| 45 Europe | −48,125 | −57,139 | −26,994 | 302 | −2,133 | −10,412 | −4,590 | −5,501 | −4,363 | −1,392 |
| 46 Canada | −7,812 | −7,685 | −4,182 | −836 | −1,353 | −1,815 | −1,451 | −1,153 | 336 | 85 |
| 47 Latin America and Caribbean | −7,634 | −11,507 | −21,529 | −1,486 | −8,544 | −2,421 | −207 | −112 | 1,939 | −2,123 |
| 48 Asia | −34,056 | −27,831 | −25,686 | −3,401 | −5,779 | −3,938 | −4,802 | −707 | 1,066 | 1,709 |
| 49 Japan | −25,072 | −5,887 | −11,723 | −2,860 | −4,944 | −2,370 | 95 | −183 | 1,963 | 2,260 |
| 50 Africa | −327 | −1,517 | −2,863 | 14 | −596 | −72 | −703 | −273 | −874 | −174 |
| 51 Other countries | 63 | −4,087 | −1,660 | 216 | −267 | −248 | −920 | −381 | −293 | 461 |
| 52 **Nonmonetary international and regional organizations** | **−805** | **−871** | **30** | **57** | **16** | **37** | **−71** | **−6** | **−165** | **−48** |

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[r] | 1997 Jan.–Nov. | 1997 May[r] | June[r] | July[r] | Aug.[r] | Sept.[r] | Oct. | Nov.[p] |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 **Total estimated** | **134,115** | **232,241** | **192,953** | **7,216** | **22,844** | **2,949** | **23,966** | **16,045** | **15,464** | **16,430** |
| 2 Foreign countries | 133,676 | 234,083 | 190,860 | 7,373 | 21,894 | 2,681 | 24,161 | 15,659 | 15,670 | 15,985 |
| 3 Europe | 49,976 | 118,781 | 146,041 | 9,817 | 8,163 | 12,032 | 19,029 | 20,022 | 23,118 | 10,400 |
| 4 Belgium and Luxembourg | 591 | 1,429 | 3,266 | 309 | −37 | 298 | 92 | 138 | 357 | 384 |
| 5 Germany | 6,136 | 17,980 | 19,419 | 721 | 1,096 | 6,428 | 4,050 | 2,714 | 4,847 | 5,255 |
| 6 Netherlands | 1,891 | −582 | 3,271 | 194 | −408 | 378 | 882 | −3 | 334 | 375 |
| 7 Sweden | 358 | 2,242 | −340 | 90 | 135 | 2 | 583 | 16 | 302 | −67 |
| 8 Switzerland | −472 | 328 | 3,383 | −121 | 346 | 344 | −291 | 109 | 892 | 1,395 |
| 9 United Kingdom | 34,754 | 65,658 | 100,922 | 6,931 | 3,048 | 2,745 | 13,130 | 13,874 | 18,593 | 5,882 |
| 10 Other Europe and former U.S.S.R. | 6,718 | 31,726 | 16,120 | 1,693 | 3,983 | 1,837 | 583 | 3,174 | −2,207 | −2,824 |
| 11 Canada | 252 | 2,331 | 1,327 | 322 | 1,373 | 719 | −839 | −414 | −730 | 730 |
| 12 Latin America and Caribbean | 48,609 | 20,785 | −7,692 | −10,111 | 1,381 | −5,358 | 1,063 | −769 | −2,848 | 6,512 |
| 13 Venezuela | −2 | −69 | 595 | 93 | 635 | 57 | 25 | −691 | 11 | 397 |
| 14 Other Latin America and Caribbean | 25,152 | 8,439 | −3,062 | 1,388 | 2,902 | −1,266 | −3,245 | −2,880 | −3,764 | −723 |
| 15 Netherlands Antilles | 23,459 | 12,415 | −5,225 | −11,592 | −2,156 | −4,149 | 4,283 | 2,802 | 905 | 6,838 |
| 16 Asia | 32,467 | 89,735 | 49,618 | 7,514 | 8,474 | −3,347 | 4,849 | −4,614 | −5,424 | −748 |
| 17 Japan | 16,979 | 41,366 | 28,169 | 7,657 | 5,972 | 2,612 | −3,458 | −2,782 | 4,160 | −4,834 |
| 18 Africa | 1,464 | 1,083 | 1,255 | 27 | 341 | 194 | 218 | 461 | 45 | −82 |
| 19 Other | 908 | 1,368 | 311 | −196 | 2,162 | −1,559 | −159 | 973 | 1,509 | −827 |
| 20 Nonmonetary international and regional organizations | 439 | −1,842 | 2,093 | −157 | 950 | 268 | −195 | 386 | −206 | 445 |
| 21 International | 9 | −1,390 | 1,577 | −172 | 1,068 | 14 | −190 | 341 | −74 | 451 |
| 22 Latin American regional | 261 | −779 | 304 | −2 | −145 | 70 | −117 | −21 | 78 | −24 |
| MEMO | | | | | | | | | | |
| 23 Foreign countries | 133,676 | 234,083 | 190,860 | 7,373 | 21,894 | 2,681 | 24,161 | 15,659 | 15,670 | 15,985 |
| 24 Official institutions | 39,631 | 85,807 | 44,050 | 3,607 | 10,391 | −2,413 | 8,235 | 3,091 | −12,848 | 2,135 |
| 25 Other foreign | 94,045 | 148,276 | 146,810 | 3,766 | 11,503 | 5,094 | 15,926 | 12,568 | 28,518 | 13,850 |
| *Oil-exporting countries* | | | | | | | | | | |
| 26 Middle East[2] | 3,075 | 10,232 | 8,622 | 521 | −1,735 | −2,251 | 3,455 | 52 | −3,877 | 3,175 |
| 27 Africa[3] | 2 | 1 | −13 | −6 | 0 | 0 | −7 | 0 | 0 | 0 |

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

## 3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

| Country | Rate on Jan. 30, 1998 Percent | Month effective | Country | Rate on Jan. 30, 1998 Percent | Month effective |
|---|---|---|---|---|---|
| Austria | 2.5 | Apr. 1996 | Germany | 2.5 | Apr. 1996 |
| Belgium | 2.75 | Oct. 1997 | Italy | 5.5 | Dec. 1997 |
| Canada | 5.0 | Jan. 1998 | Japan | .5 | Sept. 1995 |
| Denmark | 3.5 | Oct. 1997 | Netherlands | 2.5 | Apr. 1996 |
| France[2] | 3.3 | Oct. 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 | 1995 | 1996 | 1997 | 1997 July | Aug. | Sept. | Oct. | Nov. | Dec. | 1998 Jan. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 Eurodollars | 5.93 | 5.38 | 5.61 | 5.61 | 5.58 | 5.59 | 5.63 | 5.71 | 5.79 | 5.53 |
| 2 United Kingdom | 6.63 | 5.99 | 6.81 | 6.93 | 7.12 | 7.19 | 7.24 | 7.52 | 7.60 | 7.49 |
| 3 Canada | 7.14 | 4.49 | 3.59 | 3.57 | 3.67 | 3.66 | 3.83 | 4.02 | 4.61 | 4.68 |
| 4 Germany | 4.43 | 3.21 | 3.24 | 3.06 | 3.19 | 3.24 | 3.51 | 3.68 | 3.67 | 3.51 |
| 5 Switzerland | 2.94 | 1.92 | 1.58 | 1.43 | 1.39 | 1.36 | 1.73 | 1.91 | 1.56 | 1.27 |
| 6 Netherlands | 4.30 | 2.91 | 3.25 | 3.17 | 3.33 | 3.35 | 3.50 | 3.65 | 3.61 | 3.42 |
| 7 France | 6.43 | 3.81 | 3.35 | 3.27 | 3.31 | 3.29 | 3.47 | 3.57 | 3.57 | 3.50 |
| 8 Italy | 10.43 | 8.79 | 6.86 | 6.87 | 6.85 | 6.65 | 6.63 | 6.49 | 6.07 | 6.05 |
| 9 Belgium | 4.73 | 3.19 | 3.40 | 3.39 | 3.55 | 3.55 | 3.76 | 3.72 | 3.61 | 3.47 |
| 10 Japan | 1.20 | .58 | .58 | .67 | .58 | .55 | .52 | .53 | .78 | .77 |

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 | 1995 | 1996 | 1997 | 1997 | | | | | 1998 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Aug | Sept. | Oct. | Nov. | Dec. | Jan. |
| 1 Australia/dollar[2] | 74.073 | 78.283 | 74.368 | 74.036 | 72.310 | 71.971 | 69.526 | 66.187 | 65.659 |
| 2 Austria/schilling | 10.076 | 10.589 | 12.206 | 12.946 | 12.568 | 12.360 | 12.182 | 12.510 | 12.765 |
| 3 Belgium/franc | 29.472 | 30.970 | 35.807 | 38.011 | 36.876 | 36.266 | 35.737 | 36.748 | 37.536 |
| 4 Canada/dollar | 1.3725 | 1.3638 | 1.3849 | 1.3905 | 1.3872 | 1.3869 | 1.4128 | 1.4271 | 1.4409 |
| 5 China, P.R./yuan | 8.3700 | 8.3389 | 8.3193 | 8.3187 | 8.3171 | 8.3135 | 8.3109 | 8.3099 | 8.3094 |
| 6 Denmark/krone | 5.5999 | 5.8003 | 6.6092 | 7.0109 | 6.8001 | 6.6922 | 6.5937 | 6.7752 | 6.9190 |
| 7 Finland/markka | 4.3763 | 4.5948 | 5.1956 | 5.5046 | 5.3455 | 5.2674 | 5.2217 | 5.3789 | 5.5006 |
| 8 France/franc | 4.9864 | 5.1158 | 5.8393 | 6.2010 | 6.0031 | 5.8954 | 5.8001 | 5.9542 | 6.0832 |
| 9 Germany/deutsche mark | 1.4321 | 1.5049 | 1.7348 | 1.8400 | 1.7862 | 1.7575 | 1.7323 | 1.7788 | 1.8165 |
| 10 Greece/drachma | 231.68 | 240.82 | 273.28 | 288.41 | 281.69 | 276.84 | 271.87 | 279.93 | 287.24 |
| 11 Hong Kong/dollar | 7.7357 | 7.7345 | 7.7431 | 7.7436 | 7.7440 | 7.7373 | 7.7314 | 7.7456 | 7.7425 |
| 12 India/rupee | 32.418 | 35.506 | 36.365 | 36.009 | 36.476 | 36.302 | 37.289 | 39.400 | 39.391 |
| 13 Ireland/pound[2] | 160.35 | 159.95 | 151.63 | 145.34 | 148.06 | 146.92 | 150.30 | 145.33 | 138.19 |
| 14 Italy/lira | 1,629.45 | 1,542.76 | 1,703.81 | 1,797.12 | 1,743.22 | 1,721.09 | 1,697.08 | 1,743.86 | 1,787.87 |
| 15 Japan/yen | 93.96 | 108.78 | 121.06 | 117.93 | 120.89 | 121.06 | 125.38 | 129.73 | 129.55 |
| 16 Malaysia/ringgit | 2.5073 | 2.5154 | 2.8173 | 2.7589 | 3.0254 | 3.2972 | 3.3791 | 3.7907 | 4.4093 |
| 17 Netherlands/guilder | 1.6044 | 1.6863 | 1.9525 | 2.0709 | 2.0116 | 1.9800 | 1.9524 | 2.0051 | 2.0472 |
| 18 New Zealand/dollar[2] | 65.625 | 68.765 | 66.247 | 64.211 | 63.604 | 63.556 | 62.420 | 59.137 | 57.925 |
| 19 Norway/krone | 6.3355 | 6.4594 | 7.0857 | 7.6224 | 7.3008 | 7.0807 | 7.0588 | 7.2630 | 7.5007 |
| 20 Portugal/escudo | 149.88 | 154.28 | 175.44 | 186.50 | 181.49 | 179.07 | 176.84 | 181.91 | 185.80 |
| 21 Singapore/dollar | 1.4171 | 1.4100 | 1.4857 | 1.4977 | 1.5164 | 1.5597 | 1.5820 | 1.6518 | 1.7477 |
| 22 South Africa/rand | 3.6284 | 4.3011 | 4.6072 | 4.6856 | 4.6890 | 4.7145 | 4.8394 | 4.8706 | 4.9417 |
| 23 South Korea/won | 772.69 | 805.00 | 950.77 | 898.71 | 912.50 | 929.42 | 1,035.22 | 1,494.04 | 1,707.30 |
| 24 Spain/peseta | 124.64 | 126.68 | 146.53 | 155.51 | 150.75 | 148.32 | 146.30 | 150.46 | 153.93 |
| 25 Sri Lanka/rupee | 51.047 | 55.289 | 59.026 | 59.189 | 59.713 | 59.723 | 60.132 | 61.591 | 62.281 |
| 26 Sweden/krona | 7.1406 | 6.7082 | 7.6446 | 7.9886 | 7.6887 | 7.5765 | 7.5589 | 7.7977 | 8.0193 |
| 27 Switzerland/franc | 1.1812 | 1.2361 | 1.4514 | 1.5128 | 1.4702 | 1.4516 | 1.4069 | 1.4393 | 1.4748 |
| 28 Taiwan/dollar | 26.495 | 27.468 | 28.775 | 28.824 | 28.731 | 29.696 | 31.794 | 32.502 | 34.117 |
| 29 Thailand/baht | 24.921 | 25.359 | 31.072 | 32.399 | 35.256 | 37.543 | 39.092 | 44.309 | 52.983 |
| 30 United Kingdom/pound[2] | 157.85 | 156.07 | 163.76 | 160.35 | 160.13 | 163.30 | 168.89 | 165.97 | 163.50 |
| MEMO | | | | | | | | | |
| 31 United States/dollar[3] | 84.25 | 87.34 | 96.38 | 99.96 | 98.29 | 97.07 | 96.37 | 98.82 | 100.52 |

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*

# Index to Statistical Tables

*References are to pages A3–A62 although the prefix "A" is omitted in this index*

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*Some* Bulletin *articles are reprinted. The articles listed below are those for which reprints are available. Beginning with the January 1997 issue, articles are available on the Board's World Wide Web site* (http://www.bog.frb.fed.us) *under* **Publications**, Federal Reserve Bulletin articles.

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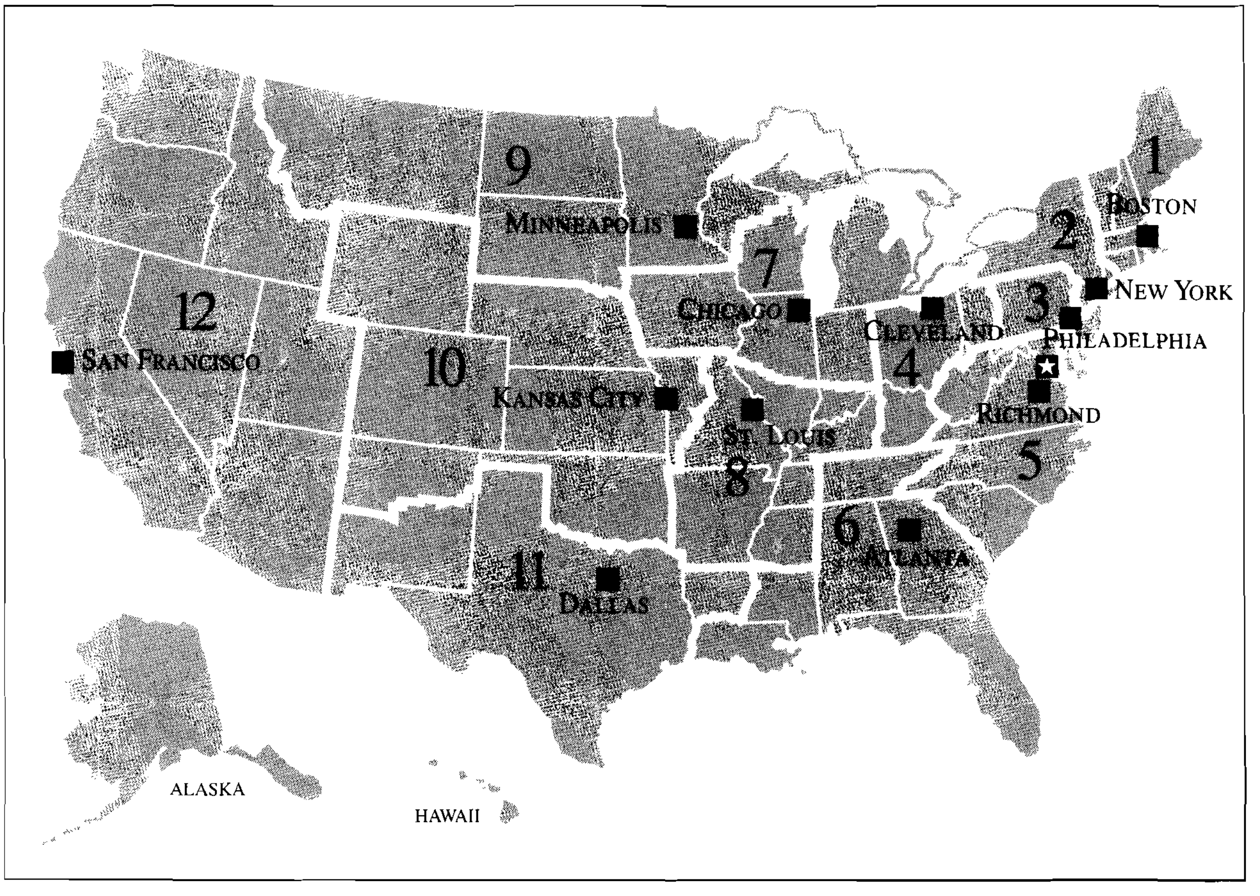


LEGEND

*Both pages*

■ Federal Reserve Bank city

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*Facing page*

• Federal Reserve Branch city

— Branch boundary

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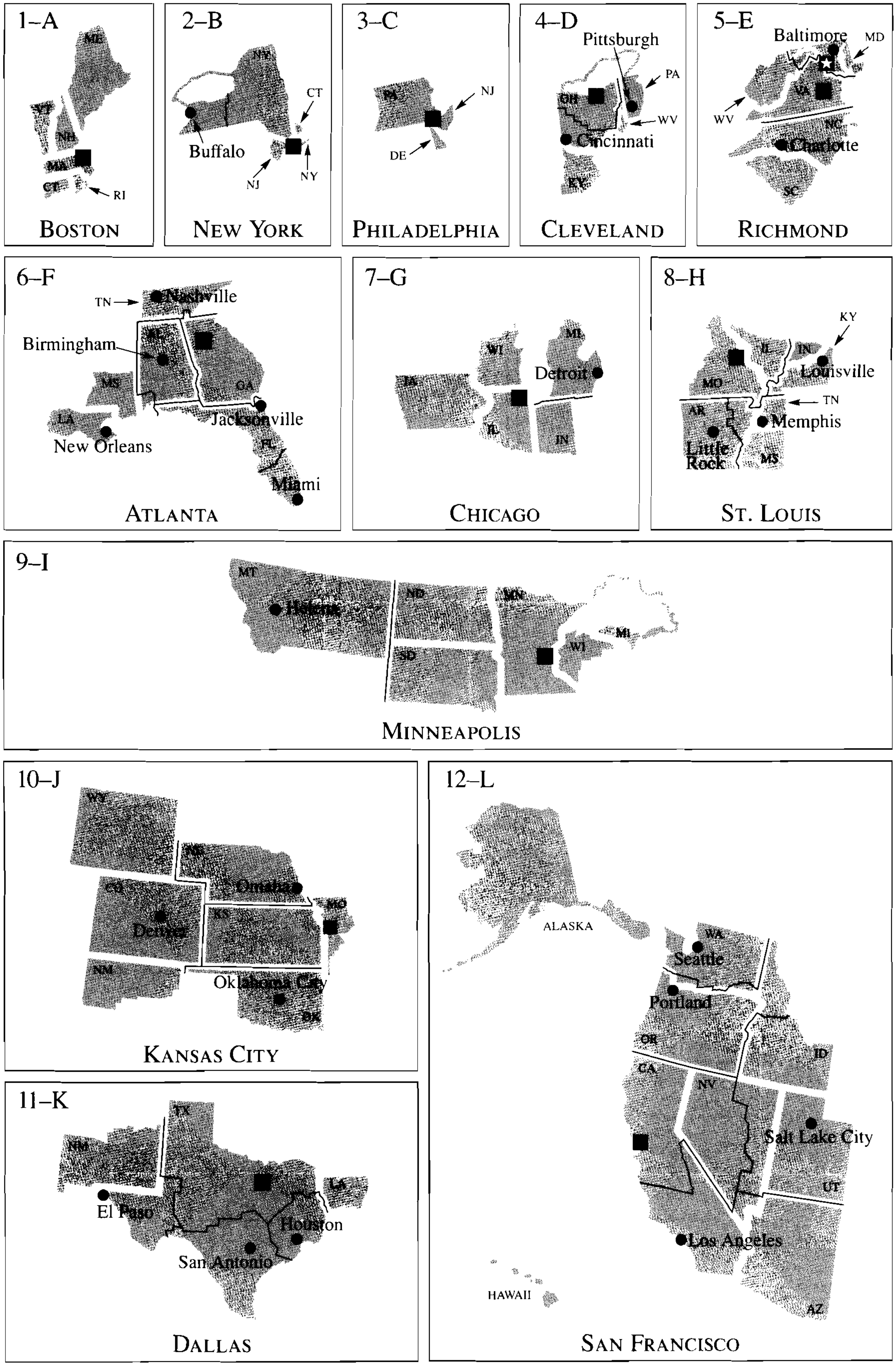
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