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Table of Contents

U.S. International Transactions in 1987

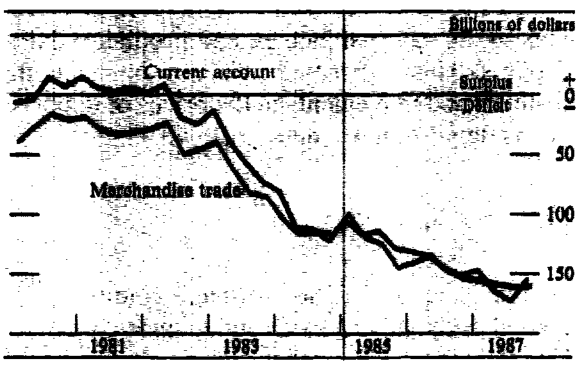
William R. Melick, of the Board's Division of International Finance, prepared this article.

In 1987, the U.S. external deficit increased for the sixth year in a row. Both the merchandise trade and the current account balances, measures of the deficit, deteriorated. Even though the growth of non-oil imports slowed, because it started from a larger base, it offset the rapid growth of exports.

Over the course of 1987, however, the downward trend in the trade balance leveled off; and in the fourth quarter, the current account deficit narrowed (chart 1). These developments in the nominal balances, bolstered by the sustained reduction in the real external deficit, laid the foundation for an improvement in the current account deficit in 1988.

Extending developments that began in 1986, net capital inflows, which were the counterpart to the 1987 current account deficit, included heavier purchases of U.S. assets by official monetary authorities. Foreign acquisitions of U.S. plant and equipment and other direct investments increased strongly, and by slightly more than U.S. direct investments abroad. The magnitude of the current account deficit and the associated net capital inflows constituted a significant further increase in net payments on portfolio investment income and in U.S. net foreign indebtedness.

1. U.S. trade and current account balances, 1980–87[1]



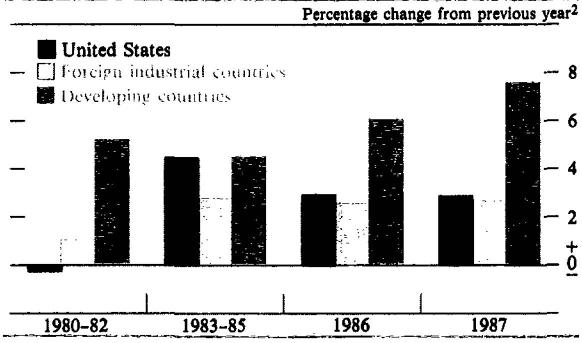
1. Seasonally adjusted at annual rates.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts.

Influences on U.S. International Transactions

In recent years, U.S. international transactions have responded both to relative rates of growth in income at home and abroad and to changes in U.S. international price competitiveness. As income growth differentials have narrowed, the importance of that factor has diminished. For most of 1982–85, the economy of the United States grew much more rapidly than the economies of the rest of the world combined, a situation that helped widen the U.S. external deficit significantly. Since 1985, however, U.S. growth rates have been close to average foreign growth rates. In 1987, the economies of Canada, Japan, and the United Kingdom grew more rapidly than that of the United States; but those of Germany, France, and Italy grew more slowly. In the past year, economic activity in the less-developed countries continued to expand, as the rapid growth in the newly industrialized countries in Asia dominated the slow growth in Latin America (chart 2).

As one measure of international price competitiveness, the real exchange value of the dollar can help explain much of the recent behavior of the U.S. external accounts. From its peak in early 1985 through 1986, the dollar depreciated sharply in real terms (adjusted with consumer price indexes) against the currencies of most foreign industrial countries, a small amount against the Canadian dollar, and not at all against the currencies of developing countries (chart 3). As the dollar declined further during 1987, the disparity of changes across currencies diminished considerably: for the first time since the dollar peaked against the currencies of the other

2. Growth of real GNP, 1980-87[1]

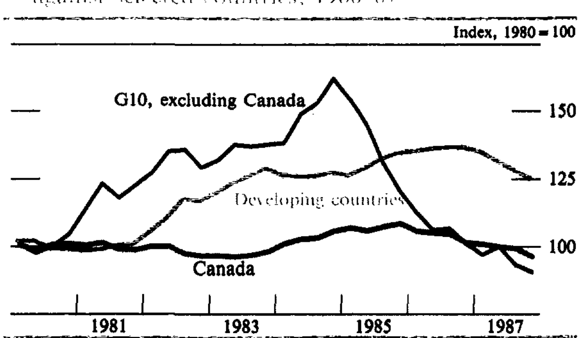


1. The GNP of foreign industrial countries is the weighted average GNP of the Group of Ten countries excluding the United States. The GNP for developing countries is the weighted average GNP for Brazil, Hong Kong, Korea, Malaysia, Mexico, the Philippines, Singapore, and Taiwan. Weights are proportional to each country's share in world exports plus imports during 1972-76.
2. For periods of more than one year, percentage changes are averaged.

Group of Ten (G-10) countries in early 1985, it depreciated in real terms against the currencies of developing countries on average. By early 1988, the dollar's real exchange rate had returned to about its 1980 level in terms of a weighted average of the currencies of ten industrial countries and eight developing countries. In real terms, the strongest increase against the dollar in 1987 was shared by the Japanese yen and the pound sterling among the currencies of industrial countries, while the currencies of Taiwan, Brazil, and Korea shared the largest appreciation among those of the developing countries.

Despite the sharp decline in the exchange value of the dollar, the U.S. external deficit has persisted. Exports have responded strongly to

3. Real exchange value of the dollar against selected countries, 1980-87[1]



1. Weighted nominal exchange rates are adjusted using weighted consumer prices. Weights in indexes are based on bilateral non-oil import trade shares with the United States for the years 1978-83.

the dollar's real depreciation, but the volume of imports continues to grow. This continued growth has remained something of a puzzle. To a certain extent this growth reflects special factors that are further discussed below. Part of the explanation, however, is that a real depreciation is not sufficient by itself to reduce the volume of imports. Two more conditions must be met. First, foreign firms must pass through the dollar's depreciation by raising the dollar price of their products. The actual amount of dollar depreciation that is passed through depends on a number of factors that influence the costs and the pricing decisions of foreign firms. Second, higher prices of imports in dollars must induce U.S. consumers and producers to shift from purchases of imported goods. In making their purchasing decisions, consumers and producers may be influenced significantly by factors other than relative prices.

For the depreciation to reduce the *value* of imports, the decline in the volume of imports must be proportionally greater than the increase in the prices of imports. Time lags between changes in prices and changes in volumes can actually cause the value of imports initially to increase following a currency depreciation—the well-known J-curve effect. Before even these negative J-curve effects can take place, however, the change in the exchange rate must be passed through into higher import prices.

Since early 1985, a 25 percent decline in the real value of the dollar on average against the currencies of foreign industrial and developing countries has been followed thus far by only a 15 percent increase in the price of non-oil imports—as measured by the fixed-weight, non-oil price index in the national income and product (GNP) accounts. This disparity between movements in the dollar and movements in the prices of imports is considered in more detail below.

MERCHANDISE TRADE

For 1987, the U.S. deficit on merchandise trade reached $159 billion, $15 billion more than in 1986 (table 1). The deficit widened despite a noticeably more rapid growth of exports than of imports, because imports started from a much

1. U.S. merchandise trade, 1985–87[1]

Billions of dollars, seasonally adjusted at annual rates

Item	1985	1986	1987	1986	1987			
				Q4	Q1	Q2	Q3	Q4
Merchandise exports	214.4	224.4	250.8	228.1	227.1	239.5	260.4	276.2
Agricultural	29.6	27.0	29.5	28.1	25.7	28.3	33.3	30.9
Nonagricultural	184.8	197.3	221.3	200.0	201.4	211.2	227.2	245.3
Merchandise imports	338.9	368.7	410.0	382.5	382.8	398.5	421.9	436.9
Oil	50.5	33.8	42.3	32.0	34.7	39.8	50.4	44.4
Non-oil	288.3	334.9	367.7	350.4	348.1	358.7	371.4	392.6
Trade balance	−124.4	−144.3	−159.2	−154.4	−155.7	−159.0	−161.5	−160.7

1. Details may not add to totals because of rounding.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts.

higher level. From the fourth quarter of 1986 to the fourth quarter of 1987, the value of exports increased 20 percent, while imports climbed 14 percent; but at the end of 1986, the level of imports was 68 percent higher than that of exports. The deficit, as revealed by movements in quarterly data, did level off during the course of 1987, and excluding oil imports it actually narrowed during the first three quarters of the year.

A regional analysis of U.S. merchandise trade shows that, in both 1986 and 1987, exports to all regions of the world increased substantially. Growth was strongest in exports to Japan, other Asian countries (Hong Kong, Singapore, Taiwan, and Korea), and Western Europe (table 2). Given the regional pattern of dollar depreciation since early 1985, this result is not surprising, except perhaps for the growth of exports to Asian countries other than Japan. The increase in the value of exports to these Asian countries more likely derives from the rapid rates of economic growth in these countries than from movements in exchange rates.

Like exports, imports from Western Europe, Japan, and other Asian countries increased greatly in value in 1987. The results for Western Europe and Japan, again given the amount of dollar depreciation since 1985, are somewhat surprising. J-curve effects may well help to ex-

2. Changes in U.S. merchandise trade, by selected regions, 1981–87

Percent, change from previous year

Year	World	Western Europe	Canada	Latin America[1]	Japan	Selected other Asia[2]
			Exports			
1981	5.7	−3.7	10.5	10.2	4.8	3.0
1982	−10.9	−8.3	−14.8	−22.5	−5.1	2.2
1983	−4.4	−7.1	13.5	−22.7	5.3	9.1
1984	9.0	2.6	19.2	16.1	6.7	7.0
1985	−1.8	−1.5	4.4	3.4	−4.7	−7.2
1986	3.9	8.3	2.9	.3	19.0	6.8
1987	11.8	13.6	8.4	13.6	4.8	31.8
			Non-oil imports			
1981	9.9	5.0	13.6	6.0	20.5	16.6
1982	−.3	−.2	.6	−3.9	.2	7.5
1983	14.8	9.4	14.4	16.5	13.7	29.0
1984	28.6	31.1	22.4	23.4	40.5	30.7
1985	4.6	11.2	2.4	−2.0	9.0	−.9
1986	16.4	19.2	4.1	12.6	23.1	23.7
1987	9.8	7.7	4.4	13.0	4.7	25.4

1. Western Hemisphere excluding Canada.
2. Hong Kong, Korea, Singapore, and Taiwan.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts.

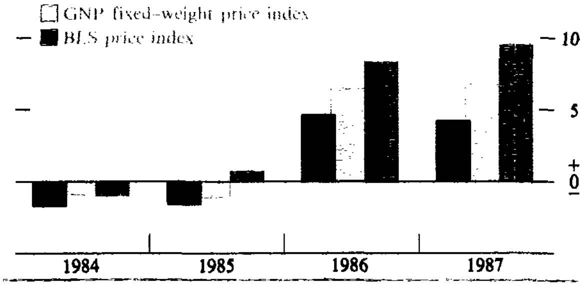
plain the increase in the value of imports from these two regions.

Measures of Import Prices

Part of the increase in the value of total non-oil imports shown in table 1 reflects higher prices, but the size of that part depends on which measure of prices of imports is used. Three commonly used measures are the implicit deflator from the GNP accounts, the GNP fixed-weight price index, and the Bureau of Labor Statistics (BLS) price index, which is also a fixed-weight index. (The analysis in this article does not directly make use of the Census Bureau's unit-value index.) Of these three measures, the GNP implicit deflator shows the smallest rate of increase in non-oil import prices. The BLS price index shows the largest rate of increase, while the GNP fixed-weight index gives an intermediate measure of the rate of increase (chart 4). Understanding why these indexes yield such disparate measures of changes in prices of non-oil imports is useful.

In the construction of an aggregate price index, each individual price is multiplied by a particular weight. The weighted prices are then summed, and the sum is expressed as a percentage of the corresponding sum from a base period. If the weight used to multiply each price remains the same as that used in the base year, then the index is called a fixed-weight, or base-weight, price index. If the weight used to multiply each price changes over time, the index is called a current-weight price index, or a deflator.

4. Changes in prices of non-oil imports, 1984–87

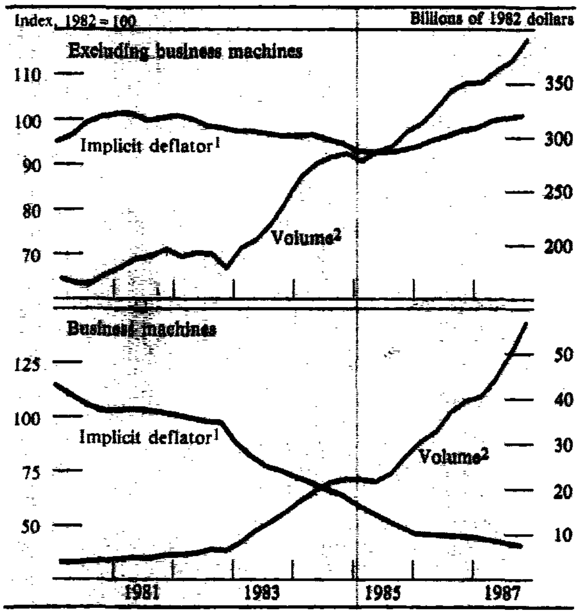


Both types of index have drawbacks. A fixed-weight index tends to overstate price increases and understate price decreases because constant weights do not allow for substitution, over two periods, away from goods whose prices have risen relative to the prices of other goods. A deflator, while capturing the effects of such substitution, makes historical comparisons difficult because changes in weights between two periods imply that the average price of a *different* bundle of goods is being compared from period to period.

A combination of (1) the effects of substitution away from goods whose prices are rising relatively rapidly and (2) different measures of the prices of imports of basic commodities and business machines (office machines and computers used for business applications) explains why the increase in the prices of non-oil imports is smallest in the GNP deflator, intermediate in the GNP fixed-weight index, and largest in the BLS price index. Because of measurement differences, the prices of imports of business machines have been falling in the two GNP indexes while rising in the BLS index. The two GNP indexes use a hedonic-model approach, which attempts to measure the price of performance characteristics (such as computing speed and storage capacity). The approach is applied to the price of domestically produced business machines, and this domestic price is taken to be equal to the price of both exports and imports of business machines. The BLS price index uses a matched-model approach, which attempts to measure the price change of the overall product from one period to the next. The shift in commodity composition in the GNP deflator toward the relatively inexpensive business machines has caused the weight given to business machines in that deflator to increase from 3 percent in 1982 (the weight it receives in the GNP fixed-weight index) to 13 percent in 1987.

An indication of the effect that changes in prices of imports of business machines have had on the GNP deflator is given in chart 5. Comparing the top and bottom panels of the chart, one can see that the decreasing price of business machines partially offsets a fairly substantial increase in the prices of other non-oil imports, producing the modest 4 percent increases, in

5. U.S. non-oil imports, 1980-87

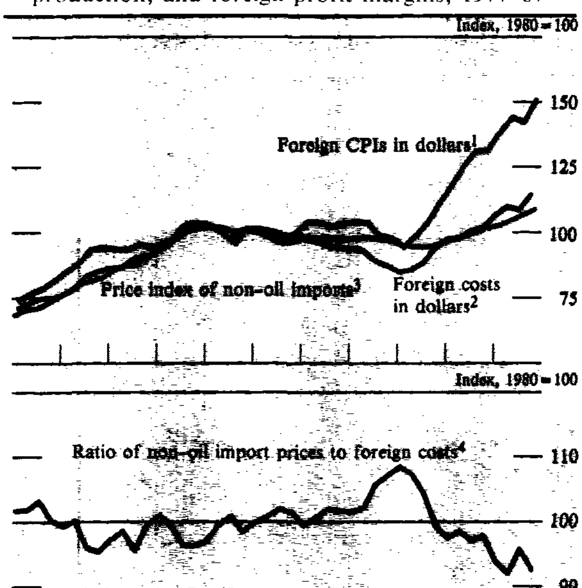


1. Derived from the National Income and Product Accounts, tables 4.3 and 4.4.
2. Seasonally adjusted at annual rates.

1986 and 1987, for total non-oil imports illustrated in chart 4. Yet changes in the price of imports of business machines only partially explain the relatively small increases in prices of imports overall. By any of the price measures discussed above, it is clear that the price of imports other than business machines has risen much less than the dollar has fallen.

A closer examination of the pricing behavior of foreign firms offers another explanation of why the dollar prices of imports have not responded fully to the dollar's depreciation. The pass-through of changes in exchange rates into import prices will vary depending on a firm's costs and its willingness to sacrifice profit margins. If foreign firms completely and simultaneously passed through a depreciation in the dollar and raised their prices to keep up with their domestic rates of inflation, an index of prices of imports would closely track movements in foreign consumer price indexes measured in dollars, as it did in 1977–82 (see chart 6). However, the GNP fixed-weight price index for non-oil imports shows that, since early 1985, prices of imports have diverged markedly from movements in foreign CPIs expressed in dollars. Whether this failure to track indicates declining profit margins depends on foreign costs. If a foreign firm's costs are falling, the firm does not need to match increases in domestic prices to maintain a given profit margin. In the foreign G-10 countries, average labor and material costs have risen much less than CPIs in recent years, partly because of substantial declines in the prices of oil and other commodities, which are more important as inputs into the production of goods than they are as part of total consumption. The bottom panel of chart 6 shows the ratio of the import price to the foreign cost measure. (The ratio is expressed as an index and is calculated from two of the indexes depicted in the top panel of the chart.) In theory, this curve would be horizontal if foreign firms matched every change in cost with a change in price to preserve an existing profit margin.

6. Prices of U.S. imports, costs of foreign production, and foreign profit margins, 1977-87

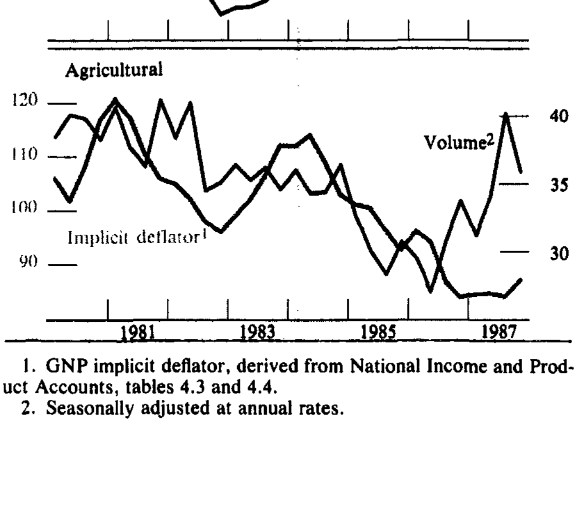


1. Weighted average of CPIs for the foreign G-10 countries multiplied by weighted average exchange value of the dollar against those countries (the weights are shares in U.S. non-oil imports).
2. Foreign costs cover unit labor costs and costs of raw materials weighted for each country by its own input-output weights. The average for the foreign G-10 countries is then formed using weights based on their shares in U.S. non-oil imports.
3. GNP fixed-weight index.
4. Ratio was calculated with the fixed-weight index of non-oil import prices and the index of foreign costs shown in the top panel. The ratio is expressed as an index.

That the ratio has been falling since 1985, after having risen earlier (while the dollar was appreciating), suggests that foreign firms have been sacrificing profit margins built up earlier to hold down their dollar prices. This ratio probably overstates the actual decline in foreign profit margins since it does not take into account the relatively lower costs in developing countries, whose currencies have fallen much less against the dollar than the G-10 currencies have.

The volume of total U.S. non-oil imports, excluding business machines, has been rising since 1980, with the rates of growth, which were rapid in 1983–85, slowing in 1986–87 (top panel of chart 5). In 1987, increases in the volume of imports of machinery and automobiles were partially offset by decreases in the volume of imports of consumer durables and apparel. The behavior of the volume of imports of business machines is somewhat different. Since 1982, imports of business machines have increased at a rapid pace (bottom panel of chart 5); and by the fourth quarter of 1987, they composed about 13 percent of the volume of non-oil imports.

7. U.S. exports, 1980–87



1. GNP implicit deflator, derived from National Income and Product Accounts, tables 4.3 and 4.4.
2. Seasonally adjusted at annual rates.

3. Changes in the volume of U.S. merchandise exports, 1980–87[1]

Percent, annual rate

End-use category	1980:4–1985:4	1985:4–1986:4	1986:4–1987:4
Total merchandise exports	−.5	10.3	18.9
Foods, feeds, and beverages	4.9	7.0	10.6
Industrial supplies and materials	−1.4	9.2	9.1
Capital goods	−.1	13.1	26.4
Business machines	25.9	30.6	49.5
Excluding business machines	−5.9	4.0	11.4
Automobiles and products	.7	−.9	21.4
Consumer goods	−4.7	14.5	21.3
Durables	−8.7	24.1	22.4
Nondurables	−1.0	7.8	21.7
All other	11.0	14.4	22.1

1. Seasonally adjusted data.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, National Income and Product Accounts.

Changes in U.S. Exports

Unlike the situation with imports, the depreciation of the dollar has been passed through fairly completely into lower foreign-currency prices of U.S. exports, and the volume of exports has responded strongly in the expected direction (top panel of chart 7). Increases in the dollar prices of U.S. exports since early 1985 have been only marginally larger than the increases in the prices of similar domestic goods in the United States, a situation that implies a sizable decline in the price of U.S. exports in terms of the currencies of industrial countries. Since 1985, the volume of exports has been increasing rapidly despite only moderate economic growth abroad, on average. The gain in U.S. price competitiveness associated with the declines in the dollar has clearly been the force behind the expansion of exports. As indicated in table 3, the expansion has been widespread across categories of commodities. Within the category of industrial supplies and materials, exports of lumber and paper products and semifinished iron and steel showed rapid growth. Among consumer durables, exports of household electrical appliances and recreational equipment such as toys and sporting goods showed the most dramatic growth in volume.

After two years of decline, in 1987 the volume of agricultural exports recovered to its 1984 level (bottom panel of chart 7). Two-thirds of the increase is attributable to two factors: (1) large increases in the volume of corn exports resulting from lower loan rates and payments in kind to farmers and (2) the re-entry of the Soviet Union and China into the U.S. wheat market. The Export Enhancement Program stimulated U.S. sales to these countries. These U.S. subsidy programs, however, helped to depress the average price of agricultural exports. The unit value of corn exports fell 19 percent, while the unit value of wheat exported to the Soviet Union and China was 25 percent lower than that for wheat exported to the rest of the world.

Resultant Pressures on the U.S. Economy

The recent increase in real net exports, along with prospects of substantial further gains, has raised questions about how the resulting reallocation of U.S. resources toward external demand will affect domestic inflation and capacity pressures in the U.S. manufacturing sector. Members of the staff of the Federal Reserve Board's Division of Research and Statistics have developed a preliminary classification of industries based on the ratio of exports and imports to production in each industry. The classification suggests that production in trade-sensitive industries swelled in 1987, both absolutely and in comparison with that in less trade-sensitive industries (table 4). Such a surge would be expected to increase pressures on costs to the extent that the increase in demand would raise capacity utilization rates in these trade-sensitive industries. Capacity utilization rates for broader categories of industries suggest that rates in the chemical, textile, and pulp and paper industries already are historically high. Whether other industries encounter pressures on capacity in 1988 and beyond depends on the ability and willingness of firms to expand output capacity and on the size and timing of further increases in the demand for their goods at home and abroad.

To date, pressures on domestic prices associated with the decline in the dollar have been limited; however, prices have increased substantially since late 1986 for a broad range of primary commodities. In 1987, increases in the prices of industrial materials were particularly sharp (chart 8), with the prices of several commodities increasing 30 percent or more during the year. The inflationary consequences of such increases are not clear-cut. For most of manufacturing, labor—not raw materials—accounts for the largest portion of total costs. Yet, other things being equal, these increases in prices do suggest at least the potential for upward pressures on consumer prices.

Rising prices of imports can also put pressure

4. Changes in industrial production in trade-sensitive U.S. industries, 1985–87[1]

Percent, change from previous year

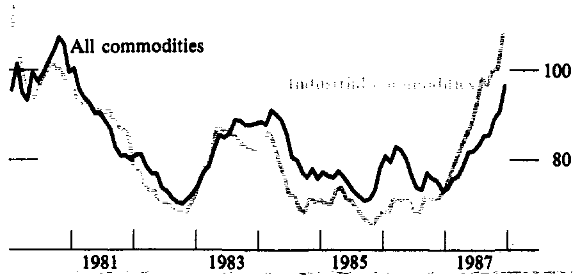
Industry	1985	1986	1987p	Memo: Percentage of 1977 value added in industrial production
Chemicals	2.6	5.0	8.0	9.6
Apparel	2.0	1.8	4.1	3.3
Instruments	.8	.1	5.1	3.2
Metalworking and industrial machinery	0	4.6	5.3	3.1
Construction and allied equipment	−6.1	−2.0	10.9	2.0
Miscellaneous textiles	7.4	3.5	7.5	1.8
Office and computing machinery	3.7	−3.2	8.5	1.7
Pulp and paper	.6	7.3	3.7	1.5
Electronic components	−17.9	.8	9.7	1.5
Special industry machinery	−8.0	−1.1	10.1	.8
Industries with above-average trade sensitivity	1.2	1.3	7.3	52.2
Industries with below-average trade sensitivity	2.9	3.5	4.6	47.8

p Preliminary.

1. Industries determined by preliminary analysis of 1985 data on exports, imports, and plant shipments by industry.

Source. Federal Reserve Board, Division of Research and Statistics, Industrial Output Section.

Index, 1980 = 100



1. Excludes petroleum and petroleum products.
SOURCE. "Economic and Financial Indicators," *The Economist*, various issues.

on the U.S. inflation rate. Historical relationships suggest that a 10 percent decline in the value of the dollar against the currencies of the other G-10 countries raises the level of U.S. consumer prices by 1 to 1½ percent over three years or more. The effect can vary depending on the degree to which importers and foreign exporters pass through changes in exchange rates and on the prevailing rates of labor force and overall capacity utilization. Caution should be exercised in applying this historical rule of thumb, especially to the recent dollar depreciation. Rarely has such a large fall in the exchange value of the dollar against the currencies of the other G-10 countries occurred; nor have other factors, such as the price of oil and the behavior of the currencies of non-G-10 countries, remained constant. Moreover, the previously discussed behavior of foreign firms indicates that the effect of the dollar depreciation this time may be smaller and last longer than in the past.

SERVICES ACCOUNT

Five years of increasing deficits in the U.S. current account have had significant effects on the U.S. net international investment position and on the associated income flows recorded in current account transactions other than trade (table 5). According to available data, the United States has become a substantial net debtor, particularly in portfolio assets. Net receipts of income from portfolio investment have fallen sharply in recent years. This decline would have been even greater if the rate of return paid on U.S. portfolio liabilities to foreigners had not remained below the rate of return earned on U.S. portfolio assets held abroad. In 1987, increasing net portfolio payments, combined with a negative trend in unilateral transfers, pushed the balance on nontrade current account transactions into deficit for the first time in more than three decades.

In contrast to net payments on portfolio investments, net receipts on direct investments remained positive in 1987. U.S. direct investment holdings abroad continue to exceed, by a significant margin, foreign direct investments in the United States. Moreover, returns on U.S. holdings abroad have surged as the effects of a depreciating dollar have added to the dollar value of U.S. direct investments abroad as well as to

... current account, 1983–87[1]

Billions of dollars

Account	1983	1984	1985	1986	1987
Total, nontrade current account	20.8	5.5	5.8	3.0	-5.7
Service transactions, net	30.3	17.7	21.1	18.6	7.6
Investment income, net	24.9	18.5	25.4	20.8	8.4
Direct investment income, net	14.9	12.0	26.6	30.9	29.2
Portfolio investment income, net	10.0	6.5	−1.2	−10.0	−20.7
Military, net	−.2	−1.9	−3.3	−3.7	−.5
Other services, net	5.7	1.1	−1.0	1.5	−.3
Unilateral transfers	−9.5	−12.2	−15.3	−15.7	−13.4
Private transfers	−1.0	−1.4	−1.9	−1.7	−1.2
U.S. government grants and pensions	−8.5	−10.7	−13.4	−14.0	−12.1

1. Details may not add to totals because of rounding.

SOURCE. U.S. Deartment of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts.

foreign currency earnings on these investments. On balance, capital gains and losses in 1987, largely the result of foreign currency fluctuations, added $11 billion to net direct investment income receipts.

CAPITAL ACCOUNT

Recorded net capital inflows, the statistical discrepancy, and the deficit in the current account are presented in table 6. U.S. and foreign holders of official reserves accounted for $55 billion of the net capital inflow in 1987, up from $33 billion in 1986; in the preceding years official flows were negligible. However, foreign official holdings in the United States increased by only a fraction of the increase in total official reserves of these countries in 1987, as a substantial part of the dollar proceeds of intervention in foreign exchange markets by several countries was apparently invested in the Euromarkets.

Private capital flows in 1987 were dominated by net inflows reported by banks, particularly through interbank transactions. These inflows probably reflected indirectly the increase in the availability of funds in the Euromarkets resulting from placements by official monetary authorities. Inflows through securities transactions were down sharply from 1986. On the one hand, private foreigners were net sellers of U.S. Treasury securities, and their net purchases of U.S. corporate bonds also contracted. On the other hand, private foreign net purchases of U.S. corporate stocks were up sharply in the first 10 months of the year. Net sales late in the year, however, held the total for 1987 slightly below that for 1986.

Table 7 presents an estimate of the recent increase in the recorded U.S. net international investment position, which reached about $400 billion by the end of 1987. This measure of the net international investment position is only a rough indicator, since many assets and liabilities are not valued at market prices and since the positive and large statistical discrepancy in the recent U.S. international transactions accounts indicates substantial unrecorded transactions. If much of the statistical discrepancy represents unrecorded accumulations of claims by foreigners, the U.S. net international investment position by the end of 1987 would have been as large as $600 billion.

6. U.S. capital account transactions, 1983–87[1]

Billions of dollars

Type of transaction	1983	1984	1985	1986	1987
Official capital, net	−.2	−5.6	−8.0	33.1	54.7
Private capital, net	35.7	84.7	102.7	84.3	84.1
Inflows reported by U.S. banks, net	20.4	22.7	39.7	18.3	44.4
Securities, net	13.4	32.4	60.4	75.8	32.4
Net purchases by private foreigners	20.4	37.5	68.4	79.1	36.1
U.S. Treasuries	8.7	23.1	20.5	8.3	−6.1
U.S. corporate bonds	5.3	15.4	43.0	53.8	26.7
U.S. corporate stocks	6.4	−.9	4.9	17.0	15.4
U.S. net purchases of foreign securities	−7.0	−5.1	−8.0	−3.3	−3.7
Direct investment, net	8.5	19.8	2.1	−3.0	2.4
Foreign direct investment in the United States	11.9	25.4	17.9	25.1	40.6
U.S. direct investment abroad	−3.5	−5.6	−15.8	−28.0	−38.2
Other	−6.6	9.8	.5	−6.8	4.9
Statistical discrepancy	11.1	27.3	23.0	23.9	21.9
Memo: Current account	−46.6	−106.5	−117.7	−141.4	−160.7

1. A minus sign indicates an outflow. Details may not add to totals because of rounding.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. International Transactions Accounts.

7. Net international investment position of the United States, 1983–87[1]
Billions of dollars

Item	1983	1984	1985	1986	1987[e]
Net international investment position	90	4	−112	−264	−403
U.S. assets abroad	874	896	949	1,068	1,132
Government	113	120	130	138	128
Private	761	776	819	930	1,004
Direct investment	207	211	230	260	298
Other	554	565	589	670	706
Foreign assets in the United States	784	892	1,061	1,331	1,535
Official	194	199	203	241	285
Private	590	693	859	1,091	1,249
Direct investment	137	164	185	209	250
Other	453	529	674	882	999

e Estimate.

1. Details may not add to totals because of rounding. All data except those for 1987 include estimates for gains and losses on assets denominated in foreign currency due to their revaluation at current exchange rates, as well as estimates for price changes in stocks, bonds, and other assets held by foreigners in the United States. Other adjustments to the value of assets relate to changes in coverage, statistical discrepancies, and the like.

SOURCES. 1983–86, net recorded position—*Survey of Current Business*, vol. 67 (June 1987), p. 38; other data from the U.S. Department of Commerce, Bureau of Economic Analysis. All data for 1987 are estimates by Federal Reserve staff based on preliminary 1987 flows. Estimates do not include valuation adjustments (see note 1).

Much concern has been expressed about the growing net debtor position of the United States and, in particular, about the expansion in foreign ownership of U.S. productive resources. Foreign direct investment in the United States again reached record levels, but it is still smaller than U.S. direct investment abroad. Direct investment abroad measured in dollars also continued to increase in 1987, by about as much as foreign-direct investment in the United States, although the accounting effects of dollar depreciation explained roughly one-third of the increase in U.S. holdings abroad.

OUTLOOK FOR 1988

The U.S. current account balance appears to have bottomed out during 1987, and 1988 may be the first year since 1981 in which the current account in nominal terms shows some improvement. Continued gains in real net exports could lay the foundation for some narrowing of the current account deficit. Another year of strong-growth in the volume of exports is likely to be an important element in this improvement. Also, as foreign firms find further compression of their profit margins increasingly difficult, the decline of the dollar during 1987 should translate into higher prices of imports. In the short run, these higher prices may boost the value of imports, but over time they should also bring about a compensating decline in their volume. However, the current account deficit is likely to shrink less than the U.S. trade deficit in 1988 because the increasing payments associated with the expanding debtor position of the United States will have a negative effect on the current account.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN *are available without charge. The list of Federal Reserve Board publications at the back of each* BULLETIN *includes a separate section entitled "Staff Studies" that lists the studies that are currently available.*

STUDY SUMMARY

INTERNATIONAL BANKING TRENDS FOR U.S. BANKS AND BANKING MARKETS

James V. Houpt—Staff, Board of Governors

Prepared as a staff study in the spring of 1988

U.S. international banking activity has grown rapidly during recent decades in response to growing international trade, international shifts of wealth, and regulatory and market incentives. Assets of foreign offices of U.S. banks, for example, grew from less than $5 billion in 1960 to more than $500 billion at the end of 1987 and represented a broad array of financial services—including some not permissible to banks in the United States. However, the pace of international lending and the expansion of foreign offices by U.S. banks has slowed in recent years, partly because of the problems of many heavily indebted countries and partly because of other factors.

The assets of U.S. banking offices of foreign banks and foreign nonbank investors have also grown rapidly, but the pace of this growth shows few signs of slowing. From less than $30 billion in 1970, these assets climbed to $229 billion within a decade and to more than $600 billion by the end of 1987. The share of all domestic banking assets controlled by foreigners grew accordingly—by one measure, from 3.6 percent in 1972 to almost 20 percent in 1987. These assets, however, include a much higher percentage of interbank and international assets than do those of other domestic banking offices, and market shares can be misleading. The foreign banks' penetration of the domestic consumer market is much less, while their share of domestic commercial lending is larger.

Branching is usually the preferred form of market entry for both U.S. and foreign banks, and branches account for most international banking assets. Nevertheless, legal and regulatory restrictions, tax laws, and market practicalities make other forms of entry attractive as well. Locally incorporated and controlled subsidiaries, as well as joint ventures and institutions specific to the United States, such as Edge corporations and international banking facilities

(IBFs), all have their advantages and perform important roles in the international activities of some banks.

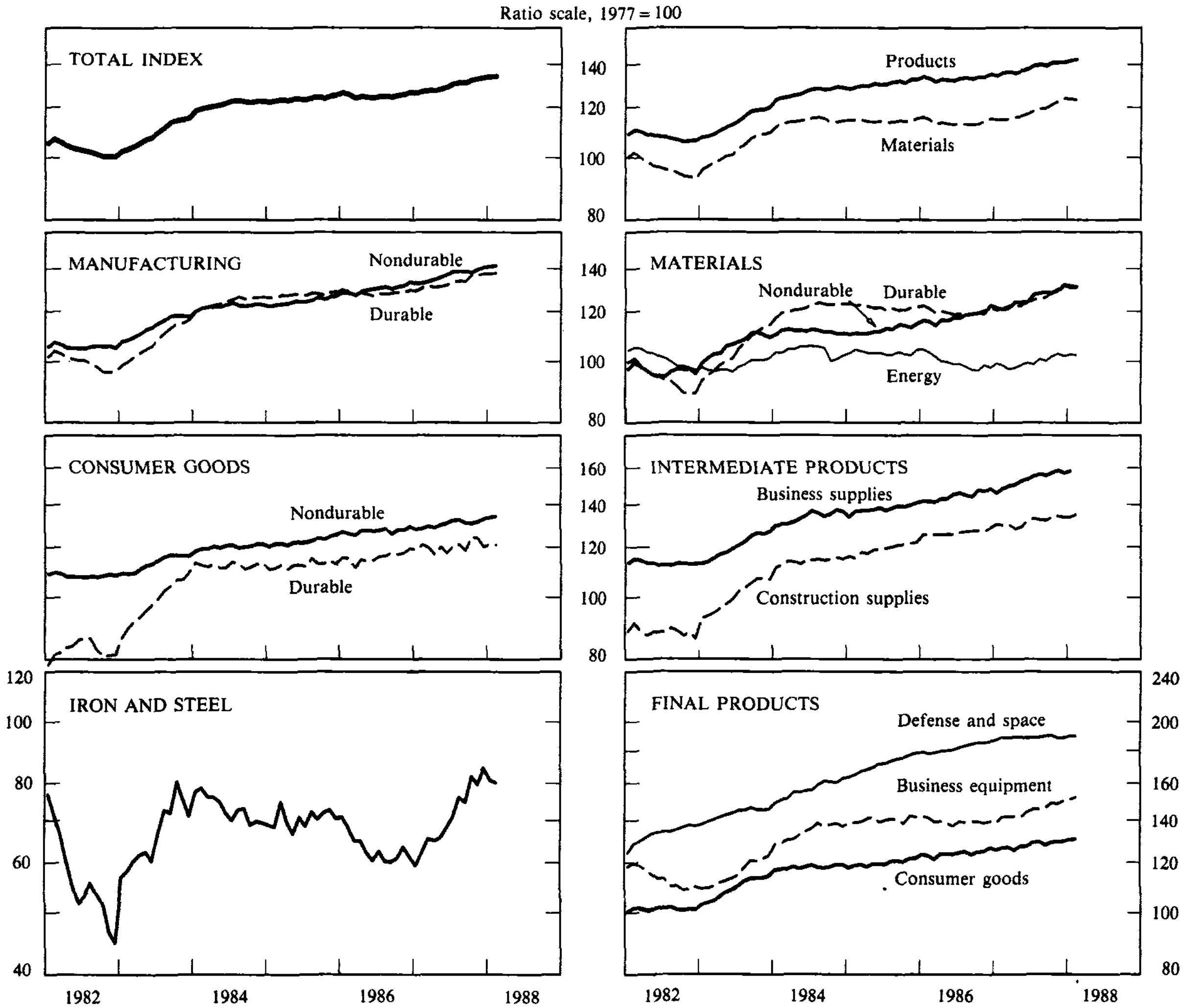
The international banking laws, regulations, and supervisory policies of the United States and its banking agencies have evolved along with market practices and structures. The trend has generally been to grant U.S. banks slightly broader powers, so that they can continue to compete abroad with institutions that may offer a wider range of financial services. The most significant U.S. legislation directed toward foreign banks, however, has limited their authority to operate in this country by reducing earlier advantages they held over domestic banks. Combined, these shifts reflect the underlying desire by most authorities and market participants to create a "more level playing field." The extent to which banks are able to compete effectively both at home and abroad helps to measure whether that goal is being met.

Industrial Production

Released for publication March 16

Industrial production rose 0.2 percent in February, following a revised gain of 0.3 percent in January. Further strong increases in the output of business equipment as well as gains in the production of construction and business supplies were the main contributors to growth in February. Output of durable consumer goods dropped slightly. At the same time, production of materials, which had advanced rapidly during the second half of last year, edged down for a second month. At 134.4 percent of the 1977 average, the total index in February was 5.8 percent higher than it was a year earlier.

In market groups, production of consumer goods rose 0.2 percent in February as increases in the output of nondurable goods more than



All figures are seasonally adjusted. Latest figures: February.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Feb. 1987 to Feb. 1988
	1988		1987			1988		
	Jan.	Feb.	Oct.	Nov.	Dec.	Jan.	Feb.	
	Major market groups							
Total industrial production	**134.2**	**134.4**	**1.1**	**.5**	**.5**	**.3**	**.2**	**5.8**
Products, total	141.9	142.4	1.1	.1	.0	.6	.4	4.8
Final products	140.5	140.9	1.1	−.1	.3	.6	.3	4.5
Consumer goods	130.4	130.6	1.1	.3	.0	.7	.2	3.3
Durable	121.3	121.1	4.8	−.4	−2.9	.9	−.2	.1
Nondurable	133.7	134.1	−.2	.5	1.1	.6	.3	4.5
Business equipment	150.8	151.8	1.6	−.2	.9	.7	.7	7.1
Defense and space	190.0	189.9	.3	−.8	.1	.6	−.1	.5
Intermediate products	146.9	147.7	.9	.8	−.7	.4	.5	5.5
Construction supplies	133.8	134.9	.8	.7	−.4	.1	.8	3.8
Materials	123.6	123.4	1.3	1.1	1.1	−.2	−.2	7.4
	Major industry groups							
Manufacturing	139.1	139.3	1.2	.4	.6	.2	.2	5.9
Durable	137.5	137.9	2.3	−.1	.5	.1	.2	5.4
Nondurable	141.2	141.4	−.3	1.1	.8	.4	.1	6.5
Mining	103.7	102.9	1.7	1.0	−.1	−.7	−.8	4.2
Utilities	114.2	115.0	.8	1.0	−.9	1.8	.7	6.0

NOTE. Indexes are seasonally adjusted.

offset declines among durables. Auto assemblies were little changed in February at an annual rate of 6.1 million units versus 6.0 million units for the previous month. However, production of lightweight trucks fell, and the output of home goods, which includes appliances, edged down last month. The expansion in production of business equipment reflected widespread gains in all subsectors except transit equipment. The index for total materials fell slightly further in February after a downward revised decline of 0.2 percent in January. Both durable and nondurable materials have shown small declines in January and February after vigorous output gains last year. The recent slowdown in materials production has been widespread, with particular weakness evident in textiles and steel.

In industry groups, manufacturing output increased 0.2 percent in February. Durable manufacturing output, which is the larger component, increased 0.2 percent, while nondurable manufacturing was little changed. Production at utilities was up 0.7 percent, and mining output declined 0.8 percent as coal production slackened.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
November	133.0	133.2	.4	.5
December	133.6	133.8	.4	.5
January	133.8	134.2	.2	.3
February	...	134.4	...	.2

Statements to Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, March 2, 1988.

I appreciate the opportunity to appear before this committee today, as you begin your deliberations on the budget for fiscal year 1989. The Summit Agreement reached with the administration in November, if fully implemented, should maintain pressure on the deficit this year and next. But it is crucial that further actions in support of a long-term policy of reducing budget deficits and the associated claims on the nation's supply of saving be implemented. This morning, after a brief review of the current economic situation, I would like to address some of these longer-run fiscal concerns.

As I reported to the Banking Committees last week, 1987 generally was a good year for the U.S. economy. Real GNP rose nearly 4 percent, almost twice the pace of the previous year, and unemployment continued to decline. In January of this year, the civilian jobless rate stood at 5.8 percent, nearly a percentage point below its year-earlier level.

Especially encouraging was the improvement in the balance between domestic spending and domestic production. Although it is not yet evident in the nominal figures, there has been a marked turnaround in real net exports. Our international competitiveness has been enhanced by the success of business and labor in increasing productivity and restraining cost pressures. In addition, the lower level of the dollar on foreign exchange markets, because much of it was not passed through into wages and other costs domestically, also helped our firms price more competitively in foreign markets and compete with imports at home. As a result, exports have been soaring in real terms and the growth of imports has slowed.

This turnaround in the external sector also has contributed to better balance across domestic industries and regions of the country. In particular, output in the manufacturing sector has picked up appreciably, in response to both stronger orders from abroad and higher levels of capital spending at home. Improvement also was apparent among domestic energy producers and in agriculture, two sectors that had lagged considerably in recent years.

On the negative side, virtually all broad measures of price inflation rebounded somewhat, after dropping sharply in 1986. And although wage increases remained restrained, we clearly need sustained effort to bring about price stability.

As we move into 1988, members of the Federal Reserve Board and the Reserve Bank Presidents look for a moderate rise in real GNP over the course of this year, on the order of 2 to 2½ percent. The stock market plunge has added continued uncertainty to the outlook, and activity in the near term may be restrained somewhat by efforts to bring inventories into better balance with sales. However, such an inventory-induced slowdown almost surely would be reflected first in shortfalls in manufacturers' orders, and for the moment at least, order books remain impressively solid. In general, there are few signs of the imbalances that typify the late stages of a business-cycle expansion. Moreover, the external sector is expected to provide considerable support to domestic production throughout the year. Inflation, meanwhile, is anticipated to fall within a range of 3¼ to 3¾ percent, similar to the 1987 pace. The "central tendency" of our projections for real GNP growth this year encompasses the administration forecast, but is somewhat stronger than that of the Congressional Budget Office (CBO); we also are a bit more optimistic on prospects for price inflation. However, the differences are not large.

In this context, the Federal Open Market Committee (FOMC), at its meeting last month, set ranges of 4 to 8 percent for growth of M2 and M3. Expansion of money within these ranges, whose midpoints are 1 percentage point lower than those of last year, is expected to support continued economic growth at a pace that is consistent with sustained external adjustment and progress over time toward price stability. Given the large movements of money relative to income in recent years and the unusual degree of uncertainty in the economic outlook, the FOMC widened the ranges for money growth to 4 percentage points and will continue to assess the behavior of the aggregates in light of information about the pace of business activity and the source and strength of price pressures, with particular attention to the performance of the dollar on foreign exchange markets and other indicators of the impact of monetary policy.

Looking beyond 1988, prospects for maintaining balanced growth, as well as continued improvement in our external accounts, will depend importantly on developments in the federal budget. It is encouraging that the latest figures from the Congressional Budget Office show the baseline deficit on a declining trend into the early 1990s, especially when you recall that, as recently as 1985, such projections approached $300 billion, or more than 5 percent of GNP. Nonetheless, the deficits as currently estimated remain sizable, as a share of GNP as well as in absolute terms. Moreover, relatively small changes in the assumptions underlying budget deficit projections can alter them quite radically, as recent history demonstrates.

Throughout most of the postwar period, gross private domestic saving and investment were roughly in balance, at slightly more than 15 percent of GNP. Budget deficits generally were small, at least by today's standards, and the United States showed a positive—and gradually increasing—net foreign investment position. In the 1980s, the pattern changed dramatically, as total domestic saving fell well below investment, reflecting not only the enormous federal deficits, but also a large drop in the private saving rate.

That gap between domestic saving and investment has been filled by capital inflows from abroad. This is neither a satisfactory nor a sustainable solution over the longer run. Indeed, an examination of the historical record reveals that it has been the exceptional industrialized country that has been able to attract large capital inflows on an extended basis in the past quarter century. In this regard, the lesson for the United States is clear. The widely anticipated improvement in the nation's current account balance will provide considerable benefits to the overall economy, but also will result in diminished capital inflows to the United States.

The record also shows that the relatively healthy share of gross investment in GNP in the 1980s has masked a perceptible decline in the investment share measured net of depreciation—that is, the portion of investment spending that actually increases the nation's capital stock, rather than merely replacing worn-out equipment and structures. This divergence reflects a continued shift in the composition of investment away from long-lived assets, such as structures, toward high-technology and other shorter-lived equipment, which has raised the share of depreciation in gross investment.

Achieving adequate investment rates—whether measured in gross or net terms—is critical if we are to equip the nation's productive facilities with the state-of-the-art technology and machinery necessary to enhance our international competitiveness. This will require stepped-up domestic saving to compensate for the anticipated slowing in capital inflows.

It is difficult to explain why saving by households and businesses has fallen to such low levels, and there is considerable uncertainty about the outlook for saving in coming years. Some arguments, such as the association between lower saving and the surging stock market of the mid-1980s, suggest that the low saving rate is a temporary aberration. But other factors that are believed by some analysts to have depressed private saving, such as a diminished need to save for emergencies because of improvements in disability and life insurance coverage and the easier financing of "big-ticket" items, are likely to persist. In any event, despite numerous initiatives, public policy has had little effect on private saving. Indeed, over the years, we have enacted significant tax changes designed to provide incentives to saving, but the evidence of most economic studies suggests that the net effect has been to shift saving from one pile to another, without much impact on the total. Thus, the surest way to overcome our shortage of aggregate domestic saving is through sizable reductions in budget deficits. Such steps are essential if we are to avoid greater pressures on financial and foreign exchange markets.

The importance of taking actions to make a sizable dent in the budget deficit during periods of satisfactory economic performance becomes even more apparent when we recognize the likely effects on revenues and outlays of a future economic slowdown, if one were to occur. While we all seek to avoid recessions, the Congress cannot count on indefinitely sustaining federal revenues by a growing economy.

The achievement of meaningful deficit reduction undoubtedly will require that some hard decisions are made. The adoption of the Gramm–Rudman–Hollings approach, and its reaffirmation last year, highlight all too vividly the extraordinary difficulty of making such choices. There are no easy answers or magic formulas. Nonetheless, economic logic and historical experience can provide a framework for analyzing the range of possible options.

I suspect that in the long run there are upside limits to the share of income that can be taxed. For several decades, the overall federal tax bite has been fairly flat, at a bit less than 20 percent of GNP, and under current tax laws will remain in this range into the 1990s. This stability over time is not a coincidence, but is indicative of the public's aversion to rising tax burdens. That sentiment was reflected in the many small tax changes in the 1970s, as inflation pushed many taxpayers into higher brackets, and in the large reductions that were enacted in the early 1980s. Of course, no one likes higher taxes, but I also sense a more sophisticated awareness of the disincentives and economic inefficiencies that seem to grow disproportionately along with the size of the tax burden. And people are skeptical that tax increases will translate fully into smaller deficits, given the reduced pressure to control spending that would result.

This does not mean, however, that revenue changes should be dismissed out of hand. Some specific taxes may serve other desirable objectives, while also bringing in needed receipts. For example, I have long urged the consideration of a sizable increase in the federal gasoline tax. A hike of 15 cents per gallon, for example, could raise close to $15 billion in revenues, while retail gasoline prices still would be well below the levels of the early 1980s. And if energy use is restrained at all, there is a further benefit.

But on the whole, deficit-reduction efforts must of necessity focus on the expenditure side of the budget. Over the past three decades, we have seen marked shifts in the composition of federal spending, accompanied by a distinct uptrend in its ratio to nominal GNP. That ratio, which reached 24 percent of GNP in the mid-1980s, has edged off in the past few years, in part because the administration and the Congress have been relatively successful in holding the line on new programs.

I do not underestimate the difficulty of the task of further reducing the ratio of federal outlays to GNP. Several rounds of deficit-reduction efforts already have taken care of the "easy" cuts. Partly as a result, the composition of the budget has shifted toward those categories that are less amenable to control, at least in the short run. In particular, interest payments were nearly $140 billion last year, and in light of prospective deficits, are likely to grow even larger in coming years. The way to control these payments, and to get a handle on the scale of federal debt relative to GNP, is to concentrate on the remainder of federal spending and on the so-called "primary deficit"—that is, the deficit excluding interest payments (net of taxes on interest).

Looking at the programmatic part of spending, it is apparent that demographic trends, especially the shifting age profile of the population, will put substantial pressure on outlays in the years ahead. At present, 38 million Americans, or about 15 percent of the population, are collecting social security retirement or disability benefits; most of them are insured under medicare as well. That figure will rise appreciably over the next decade.

Controlling the growth of outlays is crucial and will require close scrutiny of virtually all programs. Such control, in the face of demographic pressures, will demand a willingness to take bold, controversial actions. It is essential that this committee focus on those changes that will result in significant saving, not just this year or next, but on a lasting basis.

It would be inappropriate for me to offer suggestions on specific program actions to reduce the deficit. You know all the alternatives. The choices are political, not economic. But simple arithmetic points clearly to those areas where the scope for action is greatest. In this context, entitlement programs offer substantial opportunities for long-term budgetary savings, since they currently account for nearly half of total outlays. And with the base of expenditures certain to expand in conjunction with the increase in the beneficiary population during the next few decades, the deficit-reduction benefits of changes in the law today will accumulate over time, leading to much larger savings in the year 1995 and beyond than in, say, 1990 or 1991.

Leaving aside the serious questions of evaluating military adequacy, the budgetary arithmetic of cutting defense spending is considerably less favorable. In part, this is because the Summit Agreement already has solidified a recent trend toward reductions in appropriations from President Reagan's original overall defense plan. But more fundamentally, defense programs are essentially lumpy. A large share of spending in the early and mid-1980s went to build up our military asset base. But as we reach the requisite number of F-16 wings, air carrier groups, missile deployments, and the like, expenditures will fall back toward maintenance levels, which are significantly lower in real terms than the huge outlays of the past few years. Accordingly, reductions in defense procurement programs are not translatable, as they are in entitlement programs, into very much larger cuts in the future.

As for discretionary domestic spending, these programs are a small and shrinking share of the total, and many provide services that enjoy broad support. Moreover, in a number of areas, such as law enforcement, environmental protection, and air traffic safety, there are few feasible alternatives to the federal programs.

There are, however, areas in which the private sector probably can provide services more efficiently, and at lower cost, than the government. The President's Budget placed a high priority on "privatization," and suggested several activities that could be transferred out of the federal sector. I believe this emphasis is appropriate and deserves careful consideration on its own merits. But I would stress that the resulting asset sales should not obscure the more fundamental budgetary issue. Indeed, I would be troubled by the extensive use of asset sales as a long-run deficit-reduction strategy. Merely shifting the ownership of an asset from the government to the private sector has little effect on overall credit demands; moreover, it produces only a one-time budget saving.

I also would be disturbed by the greater use of federal credit guarantees, as a substitute for on-budget outlays. Such a substitution may lower the measured budget deficit, but it does not reduce the federal presence in credit markets. Both the administration and the CBO have long argued that current budgetary procedures give a misleading impression of federal credit activity. In this regard, the administration's proposals for reform, which call for the explicit recognition and better measurement of the subsidy value of credit programs, point in the right direction.

A smaller public sector would carry significant benefits in terms of improved efficiency of the overall economy. The relationship between the size of the government and economic performance is complex, and depends—among other things—on the mix of consumption and investment in government spending. Moreover, budget figures do not capture the full scope of governmental activities on real resource allocation; the effects of government economic regulation on private activity may be sizable.

International comparisons inevitably are difficult, and the empirical evidence is only roughly suggestive of broad trends. But the disappointing macroeconomic performance of many industrialized countries over the past few decades, in the face of rapidly expanding public sectors, does raise questions about the true costs and benefits of large government expenditures. Indeed, in several European countries with sizable public outlays on income maintenance, education, and health care, those programs are coming under increased scrutiny, in part because of a perception that some of them have had detrimental effects on individual incentives and resource allocation.

To sum up, the benefit from taking credible actions to curb federal outlays and related credit demands will be enormous. Over the longer run, lower deficits will absorb less of our private saving and, all else equal, allow private investment to flourish. Moreover, a clear demonstration to the financial markets that the current services budget has been set permanently on a more favorable track will have a handsome payoff currently in terms of lower real interest rates. As I stated earlier, one way to achieve that outcome is to exploit the "wedge effect" arising from reductions in programs such as entitlements, where the savings tend to grow over time. I should note too that, in my view, you run little risk of setting deficit-reduction objectives that would be excessive in macroeconomic terms, given the broad constraints of political feasibility. And at some point in the future, it probably will be desirable to aim—not just for smaller deficits—but for outright budgetary surpluses.

In closing, let me commend the Congress for initiating the National Economic Commission. The Commissioners face an extremely difficult challenge, and I wish them well. □

Chairman Greenspan presented identical testimony before the House Committee on the Budget, March 3, 1988.

Statement by Manuel H. Johnson, Vice Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on International Development Institutions and Finance and the Subcommittee on International Finance, Trade and Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, March 9, 1988.

I am pleased to have this opportunity to appear before these two subcommittees and to assess the international debt situation in light of recent developments.

At the outset, let me state that despite occasional setbacks I see no workable alternative to the case-by-case approach of dealing with international debt problems in the framework that Secretary Baker put forward in Seoul. This approach has achieved considerable progress, for more than many observers have given it credit. That basic framework has involved a cooperative enterprise by the borrowing countries, the industrial countries, the international lending institutions, and the commercial banks.

The ongoing efforts to deal with the international debt problem have been far from static. Over time, the various aspects of these efforts have been modified. The approach to the debt problem has been adaptive and has allowed for differences in the circumstances of individual countries. Above all, it has laid the foundation for borrowing countries to resume sustainable economic growth while maintaining orderly debt servicing.

ROLE OF BORROWING COUNTRIES

Many of the borrowing countries have shown constructive responses in the face of adversity. They have demonstrated the political capacity and the will to pursue sound economic policies, despite at times facing adverse external developments. In contrast to the "inward" looking policies followed by many of these countries in the fiscal, monetary, exchange rate, and structural areas for several years before the onset of the debt crisis, many of these countries have adopted stabilization programs in recent years that represent a distinct change from the past.

Moreover, many leaders of borrowing countries have recognized the need to restructure their economies by correcting economic and financial distortions. They also have acknowledged the benefit of greater emphasis on the private sector in development. In several borrowing countries, incentives to private industry have been strengthened by the removal of price controls, reduction of trade barriers, and the simplification of regulations and licensing requirements. Similarly, some public enterprises have been privatized or the scope and operation of state-owned enterprises have been rationalized.

Some positive results of this shift in policy emphasis are already evident in many of the borrowing countries—a resumption of economic growth, a dramatic improvement in external accounts, and lower public sector deficits. Changes in the economic policy environment also have led to more efficient utilization of domestic resources and have improved the incentives to save domestically. The establishment of confidence among local citizens has led to a halt and even a reversal of capital flight and should lead to increased confidence by nonresident investors.

Not all of the borrowing countries have participated evenly in this policy reorientation. Those countries that have been in the forefront in pursuing sounder macroeconomic stabilization policies and that have adopted structural adjustment policies have shown better results than others that have been reluctant to embrace change. For example, several borrowing countries that have adopted realistic exchange rates have recorded impressive gains in their exports in recent years, particularly of nontraditional exports, while those countries that have maintained overvalued exchange rates have experienced stagnant export growth.

The maintenance of orderly debt servicing has been a challenge for many of the borrowing countries. Despite political pressures to take unilateral actions regarding debt-servicing obligations, responsible leaders of these countries have recognized the benefits to be derived from being a functioning participant in the international financial system. Trying to withdraw from the system could be costly. Brazilian leaders have recently acknowledged that Brazil's interests were not served or attained by last year's debt-servicing moratorium. The normalization of Brazil's relations with its creditors, which appears to be proceeding in a constructive manner, not only promises to restore orderly debt-servicing arrangements for Brazil and access to international credit markets but also can facilitate Brazil's achievement of its immense potential.

Role of Industrial Countries

A favorable economic, financial, and trade environment in industrial countries is essential for the borrowing countries to continue their progress. Economic policies in industrial countries need to continue to be directed at achieving sustainable economic growth, while at the same time seeking to correct large global payments imbalances. The need for adjustment and sound economic management is not only a prescription for developing countries but applies equally to industrial countries.

The slow growth and high levels of unemployment in several Western European countries and persistent large external imbalances in the United States have generated political pressures for trade protection as an expedient way to resolve these problems. Besides being an inefficient policy tool to deal with the problems facing these countries, protectionist policies hit the developing countries particularly hard. To allow these countries to grow out of debt, it is essential that their access to the markets of industrial countries remain open and be allowed to expand. In this connection, it is noteworthy that imports by Japan and by Western European countries from the main borrowing countries are relatively small and have shown little or no growth in recent years.

Role of International Lending Institutions

The third component in the cooperative effort to deal with the international debt problem involves the international lending institutions. The International Monetary Fund (IMF) and the World Bank have played constructive roles in assisting the borrowing countries. In the period ahead, these institutions will continue to be relied upon to act as catalysts in mobilizing financial support by other creditors and to help guide the adjustment and structural reform policies of the borrowing countries.

The IMF has played a major role in arranging financing arrangements for the borrowing countries. The recent approval of the Enhanced Structural Adjustment Facility and current efforts to modify the Fund's lending programs illustrate a willingness to strengthen the capacity of this important institution to adapt to changing circumstances.

The financial assistance of the World Bank and that institution's role in contributing to structural adjustment programs being introduced in a number of borrowing countries have taken on greater importance in recent years. The recent agreement in the World Bank Executive Board to recommend a sizable General Capital Increase, if approved by national authorities, should assist the World Bank to play a key role in continuing to assist the developing countries in the future. Prompt congressional approval of legislation for this capital increase when it is submitted to the Congress will provide assurance that the World Bank will be able to fulfill its role in this area.

In assisting the borrowing countries, the international lending institutions must be sensitive to the circumstances of these countries. As we have learned from experience in recent years, the stabilization and structural adjustment programs arranged under the auspices of the IMF and the World Bank will be more effective if they are "home grown" and have domestic support.

Role of Commercial Banks

Commercial banks have a substantial stake in the success of adjustment by the debtor countries. For the largest international banks, their stake derives from their long-term business strategy as worldwide multinational banks. Multinational banks have an interest in finding ways to reward and reinforce good policies in debtor countries, since it is ultimately through sound economic policies that the adjustment will occur.

A return to sound policies should be accompanied by continued availability of new external financing. Commercial banks, to whom the borrowing countries owe a major portion of their external debt, continue to have a self-interest in helping the borrowing countries restore an orderly debt-servicing capability. Over the past few years, banks have provided new funds, generally through so-called concerted lending in connection with stabilization efforts by the debtor countries that have been endorsed by the IMF. However, the amount of *net* external financing provided by banks in recent years is considerably less than the gross figures indicate, because some outstanding debts to banks have been repaid.

Debt retirement—either outright via amortization or through conversion into alternative financial instruments—is in general not a substitute for new money. But some elements of the "menu" approach (proposed by Secretary Baker last year) can be useful in reducing the outstanding debts of borrowing countries, thereby improving their financial position. The innovative talents of bankers have not yet been tapped fully, and I expect that we shall see additional techniques developed in the period ahead.

Reserving by Banks

I believe that actions by certain U.S. banks to increase their reserves against loans to developing countries have been overinterpreted by the market, and perhaps by some officials of debtor countries. A decision by a bank to establish a reserve may reflect the judgment of that bank's management on the ultimate collectability of some part of its loan portfolio. However, that decision may also reflect a bank's plans for adjusting its loan portfolio by disposing of certain loans, perhaps over a considerable period. Under generally accepted accounting principles, once a decision is made to dispose of loans the net carrying value of those loans must be adjusted to fair market value. Because reserving is an individual decision, made in light of the bank's own circumstances and its overall business strategy, differences among banks regarding reserving are to be expected.

That is particularly true for international credits because there are greater differences between banks' judgments and strategies on these credits than on problem domestic credits. It is generally easier to assess the financial prospects of a commercial concern than of a sovereign country when the outcome will depend importantly on the policies of the country concerned. Judgments on present and future policies are likely to differ widely, especially when banks have limited international experience. Similarly, strategies vary among banks, depending on their overall commitments to international lending and the time frames in which they envision working out their positions.

The significance of bank decisions to set up reserves depends on the actions that are associated with reserving. Some U.S. regional banks coupled reserving actions in late 1987 with sales of loans in the secondary market. In total, sales announced by regional banks amounted to a few hundred million dollars of market value.

U.S. international banks that have established reserves have engaged in debt-for-equity swaps as well as other loan swaps and exchanges, including the recent Mexican exchange offer. These transactions have been relatively small in comparison with the exposure of the major banks. Moreover, these banks have not withdrawn from participating in the overall adjustment process through new money packages.

The Federal Reserve and other federal bank supervisors have strongly encouraged banks in recent years to strengthen their capital positions. This can occur in the form of retained earnings, including net additions to reserves, or from the proceeds of security issues. Within broad limits, decisions on how best to add to capital and strengthen the financial resources of banks are appropriately left to the individual banks. However, because of the great attention that has been focused on reserving actions, we must recognize that there is a systemic risk if officials of debtor countries interpret additions to bank reserves as presaging a withdrawal by these banks from the adjustment process.

As part of the menu approach, banks can withdraw from new money packages via exit instruments, and this may be particularly appropriate for those smaller banks that have no real long-term interest or expertise to be part of the international lending market. Some banks have taken advantage of the opportunity to do so through the Mexican exchange offer. Slimming down the number of banks involved in new money packages in ways such as this offers promise of simplifying the process, with advantages for all parties. Thus, the Mexican exchange offer appears to have been a useful effort to reduce marginally the outstanding stock of Mexican debt and to permit banks to adjust their portfolios.

Another technique that has contributed to ameliorating debt problems has been debt-for-equity swaps. As you are aware, the Federal Reserve recently further liberalized its regulations to enable bank holding companies to make investments in up to 40 percent of the shares of any private sector company in a heavily indebted country, and also substantially lengthened the permissible holding period for investments made through debt-for-equity swaps. In a number of countries, debt conversions have resulted in reductions in outstanding debts of the countries concerned. But the contribution that these swaps can make to helping investment in the debtor countries may be as important as the impact on the level of outstanding debt, since it is ultimately through investment and reallocation of resources in the debtor countries that the adjustment process must take place.

CONCLUSION

Despite the considerable progress achieved over the past six years in dealing with debt problems, we have a way to go before being able to declare that these problems are behind us. The dimensions are complex and of a long-term nature.

The current approach, which allows for differences in the circumstances of particular countries, offers the best prospects for continued adjustment and resumed access to external finance by the borrowing countries. The search for a universal solution to the international debt problem that will be demonstrably preferable to the flexible case-by-case approach currently being followed appears to be elusive. At the same time, we need to continue to be ready to adapt the current approach in light of changing circumstances and new opportunities. An open mind should be kept for all options that may prove applicable to specific situations. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, March 15, 1988.

I am pleased to appear before this committee to discuss the current economic situation and the outlook for 1988. As you know, the Federal Reserve submitted its semiannual report on monetary policy to the Congress about three weeks earlier. That report and the accompanying testimony discussed in some detail the monetary policy developments of 1987 and the Federal Open Market Committee's (FOMC's) policy targets for 1988. Today, I would like to summarize briefly the main points of those reports and then turn to some more general considerations, particularly the process of external adjustment that is now under way and the challenge that it poses to our economy.

The overall record shows 1987 to have been another year of significant economic progress. Real gross national product rose nearly 4 percent over the course of the year, job growth totaled 3 million, and the unemployment rate declined to 5¾ percent, its lowest level of the current decade.

Some sectors that had lagged earlier in the recovery exhibited particular strength last year. Buoyed by rising exports and a pickup in capital spending, industrial production in manufacturing surged 5½ percent over the 12 months of 1987, and capacity utilization rose to its highest level in nearly 8 years. Capacity use in the steel business was about 90 percent at the end of 1987, up from 65 percent a year earlier. Improvement also was evident in mining, oil extraction, and agriculture.

The year, however, was not without its setbacks. Inflation, which had dropped sharply in 1986, increased in 1987, owing to the bounceback in oil prices and to the effects of the dollar's decline on prices of imported goods and their domestic substitutes. Concerns that these one-time price changes might trigger a more pronounced and more deeply rooted upswing in inflation persisted through late summer, surfacing, at one time or another, in the form of upward pressures on commodity prices or rising long-term interest rates. Under these conditions, further declines in the exchange value of the dollar added to the general uncertainty regarding longer-run price prospects.

For much of the year, Federal Reserve policy leaned in the direction of countering potential inflationary tendencies in the economy, while seeking to maintain a monetary and financial environment compatible with sustainable growth. The discount rate was raised on one occasion, and growth in M2 ran lower than the target range that the Federal Open Market Committee had established early in the year. In view of the very rapid money growth of 1986, the perceived inflation risks, the strength in the real economy, and the marked variations in money velocity in recent years, modest growth of the monetary aggregates was viewed as acceptable and appropriate.

The stock market crash of late October shifted the balance of risks, and the Federal Reserve modified its approach to monetary policy accordingly. In particular, we took steps to ensure adequate liquidity in the financial system during the period of serious turmoil, and we encouraged some decline in short-term interest rates as a precaution against the possibility of a significant retrenchment by households and businesses.

While some uneasiness still is apparent in the financial markets, the situation has calmed considerably since October. Interest rates have come down noticeably, and exchange rate pressures have moderated. In the real economy a buildup in business inventories late last year, coupled with the possibility that effects of the stock market crash might still be working through, suggested at the turn of the year that the growth of real GNP might slow in the first part of 1988. However, employment has continued to advance early this year, and at present, deep or prolonged cutbacks in production do not seem likely. Consumer spending seems to be holding its own, export prospects remain favorable, and capital goods orders have been strong. Overall, the chances appear relatively good for maintaining the current expansion through another year. As of mid-February, the central tendency of the forecasts of FOMC members and other Reserve Bank presidents was for growth of real GNP of about 2 to 2½ percent from the fourth quarter of 1987 to the fourth quarter of 1988; this is a slower rate of growth than in 1987, but is probably close to what the economy can maintain on a long-run basis. Exports seem likely to provide a major impetus for growth in 1988, while the growth in domestic demand may be relatively slow.

With respect to inflation, price increases have picked up in some markets this past year. However, in general, business and labor still seem to be exercising a considerable degree of restraint in their wage and price-setting behavior, and bottlenecks are not a serious problem at the present time. Should the FOMC's forecasts of moderate growth of real GNP over the coming year be realized, this situation is not likely to change much. The central-tendency forecast of the FOMC was for a rise in prices, as measured by the GNP deflator, of about 3¼ to 3¾ percent in 1988—similar to the inflation performance in most recent years.

The central tendency of our projections for real growth of GNP encompasses the administration forecast that you are reviewing today; the central-tendency range for inflation is slightly below the administration forecast, but the difference is not significant.

In formulating its policy objectives for 1988, the Federal Open Market Committee, at its mid-February meeting, established monetary target ranges of 4 to 8 percent for both M2 and M3 over the four quarters of 1988. Expansion of money within these ranges is expected to support continued economic growth at a pace that is consistent with progress over time toward price stability. In recent years, of course, the relation of money to income has not been very stable. Accordingly, as the coming year unfolds, we will continue to keep a close eye not only on the behavior of the aggregates but also on the overall performance of the economy.

Although the near-term prospects thus look reasonably encouraging, major uncertainties remain and we should not be complacent about the nation's economic future. To a considerable extent, we still are sailing in uncharted waters and are facing adjustments that have no precedent in our recent history. A couple of decades earlier, we still viewed our economy as being relatively self-contained. We thought of business cycles largely in terms of domestic spending, inventories, and production; foreign trade did not play a major role. Businesses saw their competition as being the firm down the road or in the next city or state, not the producer on the other side of the world. We recognized, of course, that American economic activity and policies materially affected the rest of the world. Developments outside our borders, however, appeared to have little impact on economic activity in this country.

This has all changed in recent years. Our economy today is being driven by external forces and is coming to resemble more nearly the open, trade-based economies of Europe than the insulated economy of our own past. We are increasingly affected by developments outside our borders and need to learn to do business there. Despite the attendant complications, our own policies are going to have to be shaped with close surveillance of what is happening in the rest of the world.

Particularly striking evidence of a changed economic climate was the deterioration of our external balance over the first half of the 1980s, a period in which import growth far outpaced the rise in exports. The causes of this imbalance were complex, but its effects on consumers and businesses were relatively clear. Consumers benefited from having access to a broad range of good-quality imports, while the producing sectors that are heavily affected by foreign trade suffered a loss of market share, both domestically and worldwide. In manufacturing, which accounts for nearly two-thirds of our exports, production was sluggish, layoffs mounted, and pressures for protectionism rose. Agriculture also suffered as the export boom of the 1970s turned into the export bust of the 1980s. Overall, from mid-1980 to the summer of 1986, real net exports of goods and services fell by an amount equal to 6 percent of real GNP.

Fortunately, this situation has started to change. In volume terms, our external sector has been improving and accounted for nearly ½ of a percentage point of GNP growth over the four quarters of 1987. As I noted earlier, manufacturing growth was especially robust last year, and the current backlog of orders suggests that factory output should be well maintained over the near term.

However, just as the deterioration of our external account created serious dislocations for the domestic economy in recent years, the swing back toward better balance also may create difficulties, though of a different nature. These adjustments—and the way that we deal with them—will go far toward shaping the economic outlook for several years to come.

Let me illustrate by drawing some comparisons between the current situation and other episodes from our recent economic history. When real exports bottomed out in the summer of 1986, the nation's total spending for goods and services, including inventory investment, exceeded the comparable domestic production of goods and services by about 4¼ percent, a gap unprecedented for the postwar period. By comparison, production and spending were closely matched throughout much of the 1950s and 1960s; and even in the more volatile decade of the 1970s, spending did not depart from production by more than a couple of percentage points.

Those smaller gaps of the 1970s eventually closed, largely because of growth in the volume of exports. But the transitions back toward external balance were not smooth, either in the early part of the decade or in the late 1970s. Rather, the transitions were marked by strongly competing demands on domestic resources, an overheating of product markets, and widespread inflationary pressures.

Of course, history does not have to repeat itself, and in harkening back to these past episodes, I do not mean to suggest that the economy will inevitably follow a similar path in the years immediately ahead. Indeed, the world is more competitive than it was 10 or 15 years earlier, and recognition by business and labor of the need to stay competitive may help to quell whatever latent inflationary tendencies arise.

What is clear is that a major adjustment is under way. As part of the move back toward external balance, export growth could place stronger demands on a domestic resource base that already is operating at high levels of utilization in some areas. To date, lead times in the deliveries of production materials remain moderate, implying for the moment little pressure from capacity restraints. Nevertheless, our experience from the 1970s, when smaller external adjustments took place, should make us cautious about thinking that this adjustment can be accomplished without some upward pressures on prices. Ideally, one can conceive of a strengthening of exports meshing neatly with a slowing of domestic spending in such a way as to maintain utilization levels for labor and capital without overheating. Certainly, if, as I noted earlier, growth is moderate in the period ahead, bottlenecks should not be a serious problem. Realistically, however, one has to recognize that events in the real world may not mesh as neatly as contemplated and that the adjustment may not proceed as smoothly as we would like.

Although the exact path of adjustment cannot be predicted with precision, we know that there are several actions that can be taken to help make the process smoother than would otherwise be the case.

Monetary policy needs to remain supportive of the expansion but also alert to the possibility of a reemergence of inflation. Policymakers must be especially mindful that the cost of temporizing in the face of accumulating price pressures would be a far more serious and painful adjustment down the road.

After several years of debate, the Congress is understandably tired of wrestling with the budget deficit issue. The temptation is great to lay it aside for a year or permit small retreats from the real progress that has been achieved to date. However, there are risks in delaying or retreating, even a little, on an issue of such great importance. It is urgent that the Congress fully implement the deficit-reduction measures agreed to in December and continue to consider additional measures that might be taken to lock in further progress in the out years.

As part of the coming adjustment, this nation must find ways of generating sufficient domestic saving to finance investment and maintain the productivity gains that are needed to keep us competitive in world markets. Over the course of the expansion, the adverse implications of a low domestic saving rate have been temporarily obscured, as a large inflow of capital from abroad has made it possible to finance a large federal deficit and a high level of consumption and investment spending without undue pressures on the credit markets. However, there are limits to how long a country can depend upon savings from abroad, and at some point we will have to revert to financing our future from our own resources. Indeed, the pressures experienced in the foreign exchange and financial markets last year suggest that those limits are closer than they were before.

Nor can we count on a major pickup in private saving. We have endeavored in recent decades to implement tax policies to augment household and business saving; however, these policies have not been demonstrably successful. Accordingly, it will become doubly important for the federal government to reduce its demands on the credit markets by cutting the budget deficit. Indeed, as I have suggested previously, we may have to consider at some point whether the nation's inability to boost private saving argues for a federal budget policy aimed at generating surpluses.

Foreign governments also must play a part if the adjustment process is to work smoothly in the context of a growing world economy. During most of this expansion, the purchases of goods by U.S. businesses and households have provided a strong impetus for production gains abroad. Now that process must work in reverse. Other countries need to promote growth in their economies, reduce trade barriers, and in general ensure receptive markets for exports from the United States and elsewhere. The chances of attaining access to markets abroad would be damaged, of course, if the United States itself were to embrace greater protectionism, a temptation that I earnestly hope we will avoid.

Let me conclude by saying that I view the outlook as satisfactory, but not without risks. Our economy was dealt a potentially severe shock last October, and, at present, we seem to be weathering that shock perhaps better than might have been expected. Looking ahead, we know that the economy will be heavily influenced by the ongoing correction of fundamental internal and external imbalances. However, the broad contours of the coming adjustment are relatively clear and should not come to us as a surprise. Although our place in the world is changing, the future can be prosperous if we remain attentive to the course of events and take those actions that we know are needed. □

Statement by William Taylor, Staff Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, March 15, 1988.

I am pleased to appear before this subcommittee today to discuss the Real Estate Reform Act of 1987 (H.R. 3675), an act that would establish a federal interagency council charged with the mission of promoting throughout the United States real estate appraisals formulated by qualified appraisers in accordance with high industry standards.

As the work of this subcommittee and its staff has extensively documented, there have been far too many appraisals prepared in either a faulty or fraudulent way over this decade, and that has resulted in substantial costs to lenders, investors, and the federal deposit insurance funds. The Federal Reserve thus concurs in the subcommittee's conclusion that this appraisal record stands in need of improvement.

Faulty and fraudulent real estate appraisals are but one of the elements responsible for the serious dislocations that have developed in real estate markets over the present decade. Indeed, the most important such elements are the fundamental changes that have occurred in economic conditions. One such change has been the sharp and unexpected shift from high and accelerating conditions of inflation that had prevailed in the late 1970s to the relatively stable price conditions of the 1980s. Another change has been the marked weakening in the energy and agricultural sectors, which has had especially severe consequences in certain states and regions. As a result of this confluence of developments, real estate markets that once offered what seemed to be unlimited promise have been dampened by harsh economic realities. Real estate projects that had been planned and constructed on the expectation of continued prosperity accompanied by booming demand have come to fruition in markets afflicted with high vacancy rates and no perceptible prospects for a significant near-term turnaround. As a consequence, real estate prices have declined substantially, and cash flows, in all too many cases, have failed to match projections, making it necessary for lenders to renegotiate loan terms or to take over underlying collateral. And, of course, the depressed conditions in the agriculture sector generated similar pressures on prices of agricultural land, and also made it necessary for lenders to make adjustments to the terms and conditions of loans on farmland.

Deficient real estate lending practices and procedures have also played an important contributing role in real estate problems experienced over the decade. Lenders, caught up in the optimism of the times, extended loans under very liberal terms and conditions relative to time-tested standards. Too great a dependence was placed on collateral backing a real estate loan without careful and appropriate regard given to the ability of the borrower to repay. And, judgments on the quality of collateral rested too heavily on an expected general rise in real estate values rather than on a careful assessment of the potential for individual properties to generate cash flows under prevailing economic conditions adequate to cover debt-servicing costs and other expenses.

As this committee has documented, appraisers—certainly not the majority but a significant minority—have also failed to carry out their responsibilities in accordance with long-recognized principles of valuation. In some cases, appraisers allowed themselves to become overly influenced by the general optimism of the times in reaching estimates of cash flow and resultant property values; in other cases, to maintain or attract new business, they yielded to pressures from developers and lenders to value properties without proper respect for the realistic cash flow potential of the project. And, in some cases, appraisers stepped beyond the line of utilizing sloppy procedures and loose assumptions and colluded fraudulently with borrowers and lenders in the overstatement of property values.

Responses to the Problem

As a response to the substantial problems in the real estate markets, there have been widespread efforts to review appraisal procedures and policies with the objectives of promoting more accurate valuation and more effective lending standards. The federal banking regulators have an important role to play in these efforts. Assessing loan quality is, as you know, a critical component of the examination process. As regulators, we understand the necessity of accurate valuations of underlying collateral, and have emphasized to banking organizations and to our examiners the need for effective appraisal policies and practices.

Over the past two years, the banking regulators have undertaken a thorough review of their policies governing the supervision of real estate lending procedures. As a result of this review, the banking agencies have issued uniform guidelines for the examiners and the institutions they supervise.

In 1986, the Federal Reserve issued guidelines for its bank examiners that reiterate and emphasize important steps that should be followed in reviewing and classifying troubled real estate loans. The guidelines set down a list of warning signs to help examiners to identify problems in the real estate loan portfolios of banks. The guidelines also stressed that examiners should pay particular attention to assumptions and projections that underlie an appraisal's estimation of property value to make sure that they are consistent with current market conditions.

Last December, the banking agencies jointly issued guidelines on real estate appraisal policies and review procedures for the boards of directors of banks that they supervise. A major objective of these guidelines is to emphasize the fundamental responsibility of boards of directors both to establish a well-defined and effective real estate appraisal policy consistent with industry standards and to put into place procedures to assure adherence to that policy. By way of direction to assist in carrying out those responsibilities, the guidelines stress that such policies should require that appraisals be prepared in accordance with recognized industry standards by qualified persons that are independent of—that is have no financial or other relevant interest in—the property they are appraising. The guidelines also specify the important need to have procedures in place that will assure a routine review of appraisals when economic conditions are deteriorating.

As I have indicated, many other entities have also taken action over the recent past for the purpose of strengthening policies and procedures pertaining to real estate appraisals. The Federal Home Loan Bank System, for example, after a long period of extensive review and evaluation of its policies and procedures, recently adopted a new regulation and a supplementary policy statement pertaining to real estate appraisals that are consistent with those of the banking agencies. Also deserving of mention are actions that financial institutions have initiated to strengthen their own policies and procedures, actions that are best understood as being a reaction to the discipline that market forces have been imposing in recent years on lenders that failed to follow sound policies and practices.

And last, but not least, one should mention the important progress that the appraisal industry has made to upgrade real estate appraisal practices. The eight major appraisal societies have recently formed a foundation to establish commonly accepted standards for real estate appraisals and qualifications for real estate appraisers. The foundation, moreover, has already successfully promulgated standards for real estate appraisals and, I understand, is well on the way toward specifying qualifications that persons should meet to become certified appraisers. The Appraisal Foundation also has developed model legislation for the consideration by the states, and a number of states have such legislation under active consideration. The suggested legislation places the function of certification of appraisers with the states and provides for the state to enforce adherence to sound appraisal policies.

There would seem to be clear benefits to be gained if appraisers in each state in the nation were required to meet the high qualification standards that recent experience has demonstrated is needed. There also appear to be clear advantages in having the states play a more active role in on-the-scene administering and enforcing of appraisal standards and appraiser certification. Each of those very desirable objectives, of course, would be fostered with the enactment of H.R. 3675. And so, the bill has a very obvious appeal. At the same time, however, the bill would establish yet another federal agency. And, moreover, the agency would be composed of many existing federal agencies, each with disparate missions and procedures. Thus, it would appear that the decision process of the council might prove cumbersome and time-consuming and result in the issuance of rules and regulations not sufficiently flexible to be readily adoptable to practices and procedures particular to local real estate markets.

SUMMARY

And so, in summary, it is clear from the work of this subcommittee and from our own experience that there have been abuses in the appraisal industry—some abuses of judgment and some abuses of character. Thus the need for actions to strengthen the appraisal process has been clearly demonstrated. Moreover, I might note that the growing trend toward securitization of real estate loans places an added emphasis on the need to strengthen standards because the success of this process relies so heavily on objective and professional assessments of collateral values.

Much has been done to respond to the need for improved appraisal practices and procedures. We at the federal banking agencies, with this subcommittee's urging, have reviewed, updated, and standardized our policy on real estate appraisals. Other federal agencies and private lenders have also taken important steps to encourage more effective appraisal practices and procedures. And, the various associations of professional appraisers have banded together to upgrade the product and reputation of their profession through the formation of the Appraisal Foundation. The foundation has already issued uniform appraisal standards, is now developing certification criteria for appraisers, and has drafted model implementation legislation for enactment by state legislatures. All of these efforts are positive and responsive to the problems that have been identified in real estate appraisal activities over the decade. Thus, while we support the basic objectives embodied in H.R. 3675—the establishment of high appraisal standards and certification criteria for appraisers—it seems preferable to encourage the continued development of private-sector solutions as put forth by the Appraisal Foundation rather than by the formation of a new federal agency. □

Statement by Martha R. Seger, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 23, 1988.

I am pleased to be here today to discuss the Community Reinvestment Act (CRA) and the role that the Federal Reserve has played in administering it. A good deal of time, thought, and effort has been invested by both the Board and the Reserve Banks in trying to carry out our CRA responsibilities effectively and fairly. As the Board member responsible for our program of compliance with the CRA and the other consumer protection laws, these issues have received a great deal of my own thought and attention. I believe that it is appropriate, even essential, that we periodically stop and reflect on what we have been doing with respect to this law, as well as the other laws for which we are responsible. Consequently, I am very interested in learning what we might do to improve in the future. I compliment the committee for holding these hearings. I believe that they are timely and will help us all do a better job of administering this important law.

As stated in the statute, the CRA was enacted in the belief that financial institutions have a responsibility to meet the credit needs of their *entire* local communities, including the low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. The act's mandates are, however, directed in the first instance at the federal financial supervisory agencies. In their most basic terms they are the following:

- That the agencies *encourage* the financial institutions they supervise to meet the credit needs of the communities they serve, including the low-and moderate-income neighborhoods in those communities.
- That the agencies *assess* the community lending records of the institutions they supervise as part of their *examinations*.
- That the agencies *take the institution's record into account* when considering certain *applications*.

The Federal Reserve thus has a three-part program in place to address these mandates. I propose to discuss the various elements of our program in my testimony today, as well as to discuss some of the issues that we have confronted over the years in dealing with CRA. In doing so, I may touch upon the questions you raised in your letters of October 22, 1987, and December 23, 1987. In the interest of time, I do not propose to respond in detail to those questions in my statement since that was done in Chairman Greenspan's letter of January 27 to you. I will, however, be pleased to take any questions you may have regarding either my testimony or the material that was submitted in response to your letters.

The Federal Reserve's Overall Program

The Federal Reserve's overall program for dealing with its CRA responsibilities consists of a compliance examination program, a community affairs program, and a program for dealing with applications by banks and holding companies when CRA issues arise. In 1978 the Board and the other agencies published Regulation BB to implement the statute. The regulation sets out several specific requirements that financial institutions must address, such as the requirement that the institution delineate its community, develop a CRA statement that indicates the types of lending the institution is prepared to extend in its community, provide a CRA public notice, and maintain a public comment file. It also sets out the criteria that the agencies will use in reviewing

CRA performance, including evidence of the institution's efforts to assess its community's needs, its marketing of credit services to the entire community, and its efforts to ensure that lending programs do not improperly exclude any geographic areas or illegally discriminate. The assessment factors also include a bank's record of opening and closing offices, its participation in community development projects and in government-guaranteed or sponsored loan programs, and the bank's residential, small business, and small farm lending programs. We also review the extent that the institution's board of directors participates in formulating its CRA policies and in overseeing their implementation. In fact, I believe that the overall intent of these assessment criteria is to make the CRA process an integral part of the institution's management and operational decisionmaking.

The criteria do not, however, set standards for the type and amount of lending that should be done, nor do they favor one form of lending over another. This is important to keep in mind since I am concerned that the CRA has become, over the years, synonymous with home lending in the minds of many. The regulation, however, does not reflect such a leaning. It reflects the very strong belief that a long list of other forms of lending are just as important to the communities of this nation. This is particularly critical to the Federal Reserve, since many banks, which are the institutions we supervise, have not chosen to specialize in home lending, preferring not to engage heavily in the long-term mortgage market. We believe, however, that these banks still play a valuable part in meeting other needs of their communities.

THE COMPLIANCE EXAMINATION PROGRAM

The Federal Reserve's compliance examination program was begun in 1977. I want to emphasize that, within the Federal Reserve System, this is a specialized program that is carried out by examiners who are specifically trained in consumer compliance and CRA issues and whose primary job is to conduct reviews and to produce reports that deal exclusively with consumer compliance and with the CRA. We believe that the importance of this program warrants this kind of specialization and that the knowledge and expertise necessary to deal effectively with these laws require it.

Our examiners are hired and managed by each Reserve Bank and participate in the examinations of state member banks in their own Districts. The Board here in Washington sets policy for the program and also provides oversight and support for the Reserve Banks. The Board also organizes the uniform training program for the examiners, although most of the Reserve Banks also provide more individualized and localized training, as well.

When the program was begun, we examined each state member bank at least once a year. Over the years we have increased the interval between examinations so that at present banks with a rating that is better than satisfactory are generally examined every 18 months. Some of the best-performing banks may have as many as 24 months between examinations. Banks with less satisfactory records are examined at a one-year interval or more frequently, however.

These changes in the frequency of examination were prompted by two primary factors. First, we found that after some years at the shorter interval, a longer period between examinations proved sufficient to assure an adequate level of oversight. After several examinations, an 18-month interval between examinations enabled us to see and measure progress or change within a particular bank in the great majority of cases. Second, the Board committed to observe the "spirit" of Gramm-Rudman-Hollings, and the compliance program, like virtually all of the System's programs, had to share in the resulting cuts.

Despite fine-tuning such as this over the years, our compliance examination program has retained its essentially specialized character, and our goal has been to maintain a solid and professional program. We try to produce an examination report that is useful to the bank's management by pointing out both its strengths and weaknesses and by suggesting how to enhance the former and to minimize the latter. Our examiners have contacted thousands of members of the communities in which they have conducted examinations—everyone from local government agencies to small businesses to grassroots community organizations—in an attempt to understand the needs of the community that the bank serves. With this information, we try to encourage the bank to meet those needs. We believe that our examiners' efforts have been significant, evenhanded, and useful to the banks and their local communities.

THE COMMUNITY AFFAIRS PROGRAM

As an outgrowth of our experience in dealing with the CRA, we have developed one particularly noteworthy area of special expertise to work with and encourage the banks. That is, in 1980 the Board began its formal community affairs program. We have learned that community development lending, when done properly, can benefit both the bank and the community. However, many banks have been hesitant about involving themselves in the more complicated programs and techniques demanded by economic development lending. This hesitancy has been caused primarily, we believe, by a lack of education. We have also found that many members of the communities that the banks served, including many of the local governmental lenders, were unaware of the productive ways that a bank could leverage its resources in a public–private partnership to benefit all parties concerned. The main purpose of the Community Affairs program, therefore, is to develop our own expertise in the methods and techniques of sound community development lending to be able to serve as a resource for banks and members of the communities in the various Federal Reserve Districts in matters pertaining to safe, sound, productive, and thoughtful community development lending.

It is the goal of the System's community affairs program to become familiar with the credit needs of the cities, towns, and rural areas in the Federal Reserve Districts through outreach to those areas. Once having identified these needs, our community affairs officers try in a variety of ways to work with interested parties to address them. For example, over the past three years alone the program has sponsored 89 conferences and seminars on opportunities and techniques for community development lending and other related subjects. On numerous occasions, the Community Affairs staff has also served as speakers at conferences sponsored by others. The Reserve Banks have undertaken additional initiatives, such as publishing periodicals that deal with community lending subject matter; producing resource books on the programs for community development lending in which a bank might wish to participate; forming community lender forums in communities in their Districts to provide mutual education about community development opportunities and techniques; and producing community profiles designed to help lenders and others in the community know what the needs are, what resources are available, and what contribution the various interests might make. All of these efforts are, we believe, consistent with the act's mandate that we "encourage" financial institutions to meet the credit needs of their communities. The attachments to my testimony provide more specific information about these and other activities of our community affairs program.[1] I have also brought some other materials that represent these activities that I would like to have included in the record of these hearings.

I would like to take just a moment to speak about three areas of endeavor by the Federal Reserve and the other agencies in which I am particularly interested. First, for about a year now it has been my privilege to chair the Board of Directors of the Neighborhood Reinvestment Corporation. As you are no doubt aware, this organization helps to set up and support the many Neighborhood Housing Services (NHS) corporations around the country. Many members of the Federal Reserve's community affairs programs in the Reserve Banks have also participated heavily in this program.

The second activity that I would like to mention is our work with community development corporations. Since well before the advent of the CRA, the Federal Reserve and the Comptroller of the Currency have allowed and encouraged the creation of bank holding company and national bank community development corporation subsidiaries. Community development corporations—or "CDCs" as they are called—are corporations chartered to bring the lending, financial packaging, and other special talents of the banker

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

to bear on specific community projects. CDCs may focus, for example, on special community needs such as low-income housing or small business revitalization. These corporations have the potential for making important contributions to community revitalization in part because they are given unusual authority, for example, to take equity positions or own real estate. The Federal Reserve and the Comptroller's office cosponsored a conference in August 1987 dealing with CDCs. The conference was attended by about 200 bankers, and the program has elicited a good deal of interest among the participants.

I believe that CDCs and the NHS programs are two examples of the kind of activity in which financial institutions can usefully and safely engage as part of an overall CRA-related effort. They are also the kind of thing that we, as regulators, can responsibly encourage financial institutions to explore. They represent vehicles, already in place, that financial institutions can use to engage in public–private partnerships to leverage their resources, both financial and managerial, to the greatest benefit in pursuit of the goals of the CRA. I believe that we, as regulators, can best use our resources by encouraging the institutions that we supervise to explore these and other similar avenues of potential community involvement. If we are successful in encouraging this type of long-range activity, we stand a much better chance of getting ongoing lending for high quality community development rather than instant, and perhaps short-lived, programs calculated to win approval of a particular application.

The final special project that I would like to mention is our work to advise women and minorities regarding their rights and responsibilities under the Equal Credit Opportunity Act when applying for business credit. I believe that women and minorities are important actors in the business life of our nation's communities, and I am particularly proud of the work that we have done to help educate them on this important subject. In particular, I am proud of the brochure entitled *A Guide to Business Credit and the Equal Credit Opportunity Act* that we produced in conjunction with several other public and private organizations and agencies.

The Applications Process

The third part of the Federal Reserve's program for responding to the CRA's mandates that I would like to discuss is our process for taking the CRA record of banks and holding companies into account when considering certain applications. When reviewing an application, for example, by a holding company to acquire a bank, it is the Board's responsibility to see that the applicant meets numerous criteria. The Board must see to it that all relevant financial and other safety and soundness requirements are met, that the necessary managerial ability will be brought to bear, that no competitive problems would bar approval, and that the convenience and needs of the institution's community will be served. The requirement to serve the community's convenience and needs predates the CRA. Therefore, when the CRA was enacted, the analysis it required was logically made a part of the convenience and needs assessment already required by statute. The CRA analysis thereby became part of the normal applications processing procedures of the Federal Reserve System.

Dealing with the CRA in the context of the applications process has been the part of the program that has raised the most serious concerns for the Federal Reserve, the financial institutions, and the community groups who have claimed a large stake in the process. Frankly, it has often been a contentious process and has been of great concern to me personally. One reason for this is simply the sheer numbers of protests in the past few years. In the CRA's early days, the protests were a small part of our work; usually only a handful of cases were handled each year. However, in recent years the number of protested applications has increased markedly. In 1987, for example, there were thirty-five, when just three years previously, in 1984, there were three.

In addition, the cases have become more complex. For example, more applications now involve interstate acquisitions. The applications have more frequently involved multiple protests in several cities, often crossing our Federal Reserve District lines. Obviously, that is of little intrinsic interest to the applicant and the protestant, but it does increase the logistical difficulties of gathering the necessary facts and otherwise coordinating the case, especially when significant issues surface.

To try to expedite the process and minimize these difficulties, in 1981 the Board published an information statement explaining how it would deal with CRA issues that were likely to surface in the applications process. It has published jointly with the other agencies a *Citizens Guide to CRA* to help interested members of the public know how to involve themselves in the applications process. The Board has also made adjustments to its notice, comment, and public meeting rules to try to assure that interested parties who wish to participate in the applications process can do so. These rules, however, are not rules relating only to the CRA. They are rules that apply to applications generally and to any comments by the public they might elicit, no matter what their subject might be.

Obviously, the ultimate resolution of cases that raise CRA issues has required the Board to exercise a great deal of judgment because no two cases present identical facts or issues of policy. The Board chose in the early years of the law's existence to emphasize obtaining commitments for future improvements when presented with a record that had specific areas of weakness. Of the 112 cases involving CRA protests that the Board reviewed between 1978 and 1987, 28 have resulted in the applicant committing to the Board to take specific future actions to correct problems with its record. It has been the Board's belief that, as a general matter, working in a positive vein with these institutions, rather than simply turning down the application, was consistent with the law's mandate that we encourage these institutions to meet the credit needs of their communities. Moreover, it was not always clear in these cases that the applicant's CRA record was poor enough to deny the application.

Of course, we have not always waited for a protest to prompt a close review of an applicant's record. When we have found problems in an applicant's CRA examination record, either through our own examiners or those of another agency, we have conducted the same kind of review that we conduct in a protested case.

The type of review conducted in these cases varies with the circumstances and the issues raised. Typically, it will involve a review of the Home Mortgage Disclosure Act data, any data available in Reserve Bank examination files, information supplied by other examining agencies (including, on occasion, state agencies), any data supplied by the protestant, and information supplied by the financial institution in response to the protest or in response to a request for information from us. The Board considers the types of lending being done in the context of the community's needs. Consequently, although we believe home mortgage lending is important, small business, agricultural, and other types of lending are also ways of meeting important community needs, as well.

Our purpose in each case, however, is to consider all of the facts and exercise our own judgment about the merits of the matter. This has led us to approve applications over the objection of protestants when we believed that the applicant's record was already consistent with approval. It has also led us to obtain commitments for improvement when no member of the public objected to the application. I believe that that is the essence of what the law tells us we should do—that is to conduct our own review and reach our own conclusion about the merits of the matter.

All of this takes time, and time is often the point of contention between the applicant, the protesting group, and the Federal Reserve. Many of these applications are very time sensitive, and delay can increase the applicant's costs substantially or may cause the deal to fall through. We feel that we have to be fair to the applicant and to the protestant. To the extent possible, we try to meet our own processing goals, which have long been public and which are designed to address other goals of the Board, including timely processing of all applications, whether or not the CRA is involved. By the same token, we believe that we must give thorough consideration to the protestant's substantive concerns, and, if we find problems, that we must take the action we believe is appropriate.

We believe that our processing period is long enough for all parties to get a fair review of their views. To help speed this process we urge groups to communicate concerns to the applicants and to the Federal Reserve on an ongoing basis, *not* just when an application is filed.

One procedure that has been used to deal with the CRA issues that arise in the context of applications has been to provide a forum for protestants and applicants to sit down together in private meetings and to discuss the issues between themselves. Sometimes these meetings have resulted in agreements between the parties. These agreements are essentially private matters. We do not believe that the law authorizes us to direct banks to make loans of certain types, with specific terms, in particular amounts, or to specified locations. We believe that lending decisions are best left to the informed judgment of the lender, taking into account the market situation, the lenders' own business plans and strengths, and all of the credit demands of its community, which is consistent with the Community Reinvestment Act.

Obviously, a good deal has changed in the financial world since the CRA was enacted. Influences such as interstate compacts, changes in technology, and the Monetary Control Act have significantly affected the way business is done. To be sure that we are as responsible as we can be in supplying guidance on our expectations in today's environment, I have asked our staff to review our programs, policies, and procedures, and in particular the 1981 information statement to see where we can improve our program, provide the necessary guidance, and make sure that it is up to date.

Nonetheless, I think that we have had, and will continue to have, a solid, professional, and responsible program in place to deal with the CRA. Obviously, we can all improve at what we do. But I believe that our program of education and review of applicants' CRA records and examinations has been totally consistent with what the law told us we should be doing. I expect to go on trying to improve that program and believe we will thereby help achieve what we all seek—and that is responsible, safe, and sound involvement by financial institutions in their communities on a day-to-day basis.

I appreciate the opportunity to appear before this committee today to discuss this important subject. I will be pleased to take any questions that the committee might have. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 31, 1988.

I appreciate the opportunity to appear once again before the Banking Committee today to discuss initiatives to strengthen financial markets in response to the events of last October. I know that there is some developing impatience in the Congress with respect to the speed with which progress has been made in formulating proposals to deal with the questions raised by the October market crash. Let me say initially, though, that while the various reports that have analyzed the crash are extremely helpful, they are limited in addressing some very complex matters. We are caught in the dilemma of concern that latent structural defects will not be quickly addressed and hence, under a repeat of circumstances of last October, similar outcomes would obtain. Yet there is a pervasive and legitimate sense that acting hastily could inadvertently destabilize the markets, creating the very type of episode that we are endeavoring to avoid.

Before taking actions, it is essential that we have as clear an understanding as possible of what happened last October and why. Only when we have identified the structural problems that contributed to the severity and rapidity of the market break can we judge whether or not various proposed actions in fact address those problems. We must carefully distinguish those problems that are self-correcting, or can be addressed within existing regulatory frameworks, from those that will require more fundamental, perhaps legislative, solutions.

As I indicated in my testimony before this committee on February 2, I believe that the severity and rapidity of the plunge on October 19th were, in a sense, the outcome of a confrontation between dramatically changing computer and telecommunications technology and unchanging human nature. The new technology has enabled market participants around the world to respond almost instantaneously both to changing external events and to the internal price dynamics of stock and derivative-products markets. In a market of rapid and large price movements, heightened uncertainty and fear lead people to pull back—to disengage, to withdraw from, or to avoid commitments. When the consolidated positions of all market participants are net long, such as in equities, disengagement means net sales, and hence lower prices.

On October 19th and immediately thereafter, one could observe the interaction between technology and human nature quite clearly: the news of sharply falling stock prices, communicated instantly to a sensitive investment community, triggered an avalanche of sell orders on both futures and stock exchanges. The overloading of the execution systems then induced breakdowns that dramatically further increased uncertainty among investors, which in turn accelerated the bunching of sell orders.

Before the availability of sophisticated telecommunications, it took hours, sometimes days, for the news of a price decline to be transmitted to all market participants. This allowed the self-feeding dynamics of falling prices to be stretched out over a longer time period, reducing the shock effect of an unexpected price decline and softening some of its secondary consequences.

To a significant degree, the uncertainties after the crash of last October reflected increasing concerns about the solvency of the participants in the markets, including, in particular, the various clearinghouses. The extraordinary discount of prices of stock-index futures relative to prices of stocks indicates an unwillingness on the part of arbitrageurs to buy futures and to sell stocks. Doubts about the ability to execute trades at reported prices may have contributed to this unwillingness. In addition, however, many arbitrageurs evidently feared that potential profits would not be realized because of defaults by one or more participants in the complex clearing and settlement systems for stocks and stock-index futures.

This points clearly to the need to create real-time information systems for monitoring credit exposures that arise from stock trading and, most importantly, to strengthen the financial position of participants in the clearing and settlement process so that arbitrage will not be inhibited. Specifically, there is no substitute for ample capital to allay fears of potential insolvency of the principals on the other side of a contemplated trade.

Financial Developments Since Last October

The immediate uncertainty and fear that surrounded us in mid-October have eased. The passage of time has provided us the opportunity to assess developments in securities markets and the reactions of the private sector to the lessons of "Black Monday." As a result, it is becoming possible to distinguish better the self-correcting problems from those that will require more fundamental changes in financial markets.

Our economy has not fallen into recession, as some had predicted; indeed, it has shown considerable resilience. This, of course, has had a positive effect on attitudes of investors in private securities. The volatility in securities prices has moderated, and the premia that investors require in yields on private sector debt above yields on Treasury debt have narrowed from the wide levels that developed immediately following the stock market plunge. This improvement has been most noticeable in the short-term markets for bank certificates of deposit (CDs) and commercial paper, but it also has been apparent in longer-term corporate markets.

Even the market for low-rated corporate debt has rebounded. Current risk premia on such bonds average roughly 4½ percentage points above Treasuries, a range that is well below the 6 to 7 points observed in the weeks immediately after the crash. As these interest rate spreads have narrowed, new issues of low-rated companies have reappeared in the public bond market, along with those of higher-rated firms.

Although investor fears have receded, securities markets—especially equity-related markets—still retain the imprints of the October shock. Corporations have not returned to equity markets to raise capital, despite the reduction in stock price volatility. The volume of new stock issued by nonfinancial firms in January and February was the lowest total for these two months in almost a decade.

Activity in stock-index futures and options markets also has been reduced. Trading in the Standard and Poor's futures contract recently has been 30 percent or more below average daily volumes in precrash months. Although the financial integrity of these markets was maintained during the crisis, many participants sustained large losses or experienced close calls. Investors who were engaged in trading stock-index products appear to have adopted a more cautious attitude since the crash.

One area in which greater caution has been especially evident is in sharply reduced reliance on portfolio insurance strategies. The use of portfolio insurance by large institutional investors is thought by many to have contributed both to the high level of share prices reached in late summer and to the heavy selling pressures in mid-October. These strategies presume a high degree of market liquidity and quick execution of purchase or sale orders near prevailing prices. October demonstrated clearly that such liquidity will not be there in extreme situations. As a result, the use of portfolio insurance reportedly has been scaled back dramatically. Unless memories prove exceptionally short, this is one problem, if it is one, that should be self-correcting. I suspect—though I cannot prove—that the October experience has had similar effects on the attitudes of investors about the degree to which they can lock in gains by using stop loss or limit orders, whose execution can have the same effects on the markets.

Meanwhile, the futures and options exchanges have acted to reduce their risk exposure in the event of large price moves. Several exchanges have expanded their use of intraday margin calls, and the major exchanges now have in place procedures to pay out intraday margins, thereby limiting one source of liquidity pressures that was evident last fall. Most importantly, virtually all the exchanges have raised the margin levels applicable to stock-index futures and options. Although margin levels for these derivative products remain significantly below margin levels in the cash markets for equities, they may now generally provide clearinghouses and other lenders with roughly comparable protection against credit losses stemming from adverse price movements. Lower margins on futures can provide equal protection because margin payments are required much more frequently than in the cash markets and because stock index prices tend to be less volatile than prices of individual stocks.

The regulation of margins clearly is a controversial issue. Some industry experts, federal regulators, and members of the Congress have, of course, made quite different recommendations for reform. This lack of consensus appears primarily to reflect differences in objectives. Most people agree that margins should be, at a minimum, sufficient to ensure the integrity of the markets by limiting credit exposures of clearinghouses and of brokers, banks, and other lenders to whom the clearinghouses are directly or indirectly exposed. But there is much disagreement about the need for, or effectiveness of, higher margins to control speculation and limit stock price volatility. If margins are deemed important to control leveraged speculation, this implies a much different structure for the levels and consistency of margin requirements across markets than if the objective is simply protection of the market. The appropriate objective of margin regulation is an issue that needs to be considered carefully before any regulatory reforms are implemented.

The steps taken to strengthen margins, as well as other steps under active consideration, are indications of the serious and widespread effort by the private sector to identify and correct weaknesses. As a general principle, it is in the self-interest of the exchanges and associations of market makers to protect and enhance the integrity of their markets. They also have superior knowledge of their own markets. Thus, we should rely when possible on the private organizations to correct the problems that were evident last October.

However, there are some areas in which independent actions by private organizations may be counterproductive and in which vehicles for desired joint action do not exist. In this regard, I would suggest that the unilateral efforts that we have seen to impose circuit breakers, for example, pose potential problems. The recent studies underscore that stocks and stock-index futures and options products are all components of what is effectively one market valuation system. Such linkage implies the need for a regulatory approach on intermarket issues that is coordinated across markets. Price limits in futures markets, if they become binding, will tend to push traders and investors to the cash market unless similar restraints are in force there. Likewise, trading halts in the cash markets may impair the ability to carry on hedging strategies in derivative markets and derail arbitrage activities.

In a similar manner, markets for equity-related products are linked across countries. Many large financial intermediaries operate across several national markets, and in some instances, their ownership is international. Shares of large American firms often are listed on foreign exchanges, and foreign firms are listed on ours. Indeed many of the world's larger companies trade on a near-24-hour basis on exchanges around the world. Trading hours on domestic markets have been extended to overlap with activity in other time zones, and some exchanges have established formal trading links. At every step, communications systems have facilitated these developments. The forces moving us in the direction of further domestic and international market integration are irresistible. Coping with such change may be challenging, but we should view the process as offering the opportunity for better economic performance here and abroad.

Proposals for Restructuring Securities Industry Regulation

Many people have already concluded that the events of last October reveal a need for fundamental restructuring of federal regulation of the securities industry. I believe that we need to proceed cautiously in this area. There are two criteria that any such restructuring should satisfy. First, restructuring should allow for the continued evolution of financial markets. The regulatory structure should be appropriate not only to the world as we know it today, but, if possible, to that world likely to exist in, say, 1995 and beyond. In particular, the structure must be appropriate in an environment in which cross-border financial activity is even more important than it is today. We also need to frame our regulatory system to deal with the structure of financial organizations—a particularly important issue today, with repeal of the Glass–Steagall Act on the table. And we need to address the issues of the comparative virtues of, and the possible melding of, functional regulation and oversight of consolidated entities. The Congress may decide that partial adjustments may nonetheless be appropriate. But it should do so with the understanding that further restructuring requirements remain on the table.

Second, restructuring should be carefully designed to avoid adversely affecting the efficiency of existing agencies. I am concerned that some existing proposals for restructuring may not satisfy this criterion. For example, the proposed Intermarket Coordination Act of 1988 seeks to address intermarket issues by forming a committee composed of the Chairmen of the Commodity Futures Trading Commission, the Securities and Exchange Commission, and the Federal Reserve Board. This committee is intended to serve as a forum for regulatory cooperation on circuit breakers, margins, contingency planning, information collection, clearance and settlement, and so forth. However, the prospect of such a committee raises several questions that need to be considered carefully. A particularly thorny issue concerns the role of the board members and commissioners, other than the chairmen, of the constitutent agencies. It is not hard to imagine a situation in which these individuals have differing positions from their chairman. Their ability to affect decisions of the Intermarket Committee might be limited; yet they could be asked to implement these decisions and perhaps be placed in ambiguous legal positions. Another question to be resolved concerns the scope of authority of the Intermarket Committee. By nature, intermarket issues cut across the interests and policies of existing regulatory bodies. Some mechanism will have to be devised for appropriately delimiting the Intermarket Committee's powers, lest the burden of the committee becomes too great or the existing regulatory bodies become redundant.

Answers to many of the questions that I have posed may be suggested by our experience with the Presidential Working Group on Financial

Markets. This group should provide a forum for addressing concerns outlined in the proposed Intermarket Coordination Act, and it should indicate the feasibility of such an approach to regulatory issues that cut across markets. I am optimistic that members of the group will work closely with each other and with the private sector to achieve the goals stated by the President. It would seem appropriate to attempt first to solve our problems in the context of the existing regulatory framework. Nonetheless, it is quite possible that efforts of the group will reveal a need for some legislative changes. In the Board's view, however, specific legislative proposals mandating a new regulatory structure appear premature.

Once again, let me stress that I sympathize with the concerns of the Congress at the slow pace at which a clear legislative agenda is developing. As I have pointed out, however, market participants have already taken some useful steps. At the same time, the Working Group has begun the task of producing a report, including any necessary recommendations for legislation, within the 60-day deadline imposed by the President. □

Announcements

STAFF COMMENTARIES ISSUED FOR REGULATIONS B, E, AND Z

The Federal Reserve Board published on April 1, 1988, official staff commentaries for three of its consumer credit protection regulations—Regulation B (Equal Credit Opportunity), Regulation E (Electronic Fund Transfers), and Regulation Z (Truth in Lending).

The final revisions to the staff commentary for Regulation B address issues concerning consideration of age in evaluating creditworthiness, signature requirements, record retention, and collection of monitoring information.

The final revisions to the staff commentary for Regulation E clarify the amendments adopted by the Board in August 1987 concerning point-of-sale/automated clearinghouse services. The revisions deal with issues such as institutions' responsibilities concerning periodic statements, card issuance, and error resolution.

Revisions to the staff commentary for Regulation Z address disclosure questions raised by the emergence of conversion features in adjustable-rate mortgages and the imposition of fees that are considered finance charges at the same time a credit card plan is renewed. Commentary is also included that interprets the Board's rule implementing the requirement of the Competitive Equality Banking Act that adjustable-rate mortgages contain a maximum interest rate.

The Board also issued an official staff commentary to Regulation Z that interprets an amendment, issued December 22, 1987, requiring creditors to provide consumers with more information regarding closed-end, variable-rate mortgage loans secured by the consumer's principal dwelling.

PROPOSED ACTION

The Federal Reserve Board requested comment on a revised risk-based capital guidelines proposal for U.S. banking organizations. The proposal is based on a framework developed by the Basle Committee on Banking Regulations and Supervisory Practices. The Basle Committee includes supervisory authorities from 12 major industrial countries.

The revised proposal for U.S. banking organizations was developed in conjunction with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Comments should be received by the Board on this matter by May 13, 1988.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following state bank was admitted to membership in the Federal Reserve System during the period March 1 through March 31, 1988.

Illinois

Oakbrook. . . . . Exchange Bank of Dupage

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON FEBRUARY 9–10, 1988

Domestic Policy Directive

The information reviewed at this meeting indicated that economic activity continued to expand rapidly in the fourth quarter, although gains in output appeared to have moderated around year-end. Over the quarter as a whole, manufacturing output recorded a sizable further increase, supported by continued strong demands for exports. Domestic final sales weakened, however, with consumption outlays and business fixed investment declining, and much of the rise in production apparently went into inventories. The rate of inflation was held down late in the year by declines in energy prices, while wage trends showed little change.

Industrial production rose considerably over the fourth quarter, but the increase slowed in November and moderated further in December. Output of consumer goods, which changed little in both months, was held down by reductions in automobile assemblies. Also, output of business equipment edged lower after substantial growth over the summer and early autumn. Nonfarm payroll employment grew at a brisk pace in the fourth quarter, but slowed substantially in January. In manufacturing, employment gains moderated in January as sizable increases in a few industries were partly offset by layoffs elsewhere. In contrast to the payroll survey, total employment as measured by the household survey was up sharply in January, bringing the rise over the past four months into line with the advance in payroll employment. The growth in the labor force about matched the rise in household employment in January, and the civilian unemployment rate was unchanged at 5.8 percent.

Consumer spending remained sluggish in recent months. Excluding motor vehicles, real outlays on goods and services were essentially unchanged during the last three months of 1987. Sales of new automobiles improved after incentives were reintroduced in mid-November, but dealer inventories remained high. With consumer spending weak and growth in disposable income stronger in the fourth quarter, the saving rate rose considerably to 4.9 percent.

Housing starts fell to an annual rate of 1.37 million units in December, reflecting a sharp drop in the multifamily sector after a surge in November and some decline in the single-family area. Sales of new and existing homes also decreased in late 1987. For the fourth quarter as a whole, total starts were down appreciably from their averages in the previous two quarters.

Business fixed investment fell somewhat in the fourth quarter, after an exceptionally large rise in the previous quarter. Spending on information-processing equipment, which earlier had grown rapidly, appeared to slow, and business purchases of motor vehicles declined. At the same time, expenditures for industrial equipment continued to expand as did spending for nonresidential construction, including sizable increases in outlays for office structures and other commercial buildings. New orders for nondefense capital goods, excluding aircraft, were little changed in the fourth quarter, after appreciable gains earlier in the year, while new building commitments continued to increase.

Inventory investment rose strongly in October and November. The increase was concentrated in the trade sector, particularly at automobile dealers and merchant wholesalers. Stocks at nonauto retailers also continued to expand at a faster rate than sales, especially at general merchandise, apparel, and furniture stores. In contrast, manufacturers' inventories remained low relative to shipments.

Increases in consumer prices moderated in late 1987, reflecting a decline in retail energy prices in response to earlier decreases in crude oil prices. The consumer price index was up only slightly in December, when prices of consumer goods also were held down by extensive markdowns on holiday merchandise and by the latest round of incentives for automobile sales. At the producer level, prices of finished goods fell somewhat in late 1987. Hourly compensation in the private nonfarm sector increased at a moderate pace over recent months, little changed from earlier trends.

The nominal deficit in U.S. merchandise trade was estimated to have increased slightly over October and November from the average rate in the third quarter, but in real terms the trade deficit as measured in the GNP accounts appeared to have narrowed further. Nonagricultural exports rose somewhat over the first two months of the quarter, but agricultural exports fell slightly. Non-oil imports rose considerably in the October–November period from the third-quarter pace, with the increases widespread. Oil imports, however, fell somewhat as both price and volume declined. The increases in prices of exports and of non-oil imports accelerated in the fourth quarter to rates experienced in the first two quarters of 1987, reversing the slower increases in the third quarter. Recent indicators of economic performance in major foreign industrial nations were mixed, after strong growth of real GNP in most of those countries in the third quarter of 1987. Data continued to suggest relatively vigorous growth in Japan, the United Kingdom, and Canada. In contrast, expansion appeared to have slowed during the fourth quarter in Germany, France, and Italy.

The weighted-average foreign exchange value of the dollar in terms of the other G-10 currencies increased about 3 percent over the period since the December meeting. The dollar rose about 1½ percent in terms of the yen and about 4 percent in terms of the mark during the intermeeting period. Early in the period, the dollar fell sharply owing to heightened concerns about prospects for adjustment of U.S. external imbalances and reports that G-7 authorities no longer supported the Louvre accord. The G-7 authorities released a statement in late December reaffirming the objectives and economic policy commitments of the Louvre accord, and the dollar retraced its decline in early January when heavy intervention by central banks associated with the G-7 statement became particularly visible. The dollar strengthened further in mid-January following the release of better-than-expected data for the U.S. trade balance in November.

At its meetings on December 15–16, 1987, and January 5, 1988,[1] the Committee adopted directives that called for maintaining the existing degree of pressure on reserve positions. In December, the Committee recognized that still sensitive conditions in financial markets and uncertainties in the economic outlook might continue to require a special degree of flexibility in the conduct of open market operations. In early January, the Committee agreed that the passing of time and of year-end pressures in the money market should permit further progress toward restoring a normal approach to open market operations. At the same time the members recognized that some flexibility might continue to be needed in the conduct of operations. At both meetings, the Committee decided that, taking account of conditions in financial markets, somewhat lesser or somewhat greater reserve restraint would be acceptable, depending on the strength of the business expansion, indications of inflationary pressures, developments in the foreign exchange markets, as well as the behavior of the monetary aggregates. The intermeeting range for the federal funds rate was left unchanged at 4 to 8 percent.

Over the course of the intermeeting period and especially after early January, the conduct of open market operations involved placing more emphasis on reserve positions and correspondingly less on influencing money market conditions on a day-to-day basis. Even so, adjustments in the provision of reserves were made on a number of occasions during the intermeeting period in light of unusual developments affecting reserve and money market conditions. Those developments included heavy borrowing over

1. Meeting via telephone conference.

the four-day New Year's weekend and sizable borrowing subsequently stemming from a data processing problem at a large bank. In the ensuing reserve maintenance period, demands for discount credit were very limited. In late January and early February, with incoming data suggesting some weakening in the economic expansion and in the context of a more stable dollar in foreign exchange markets, some easing was sought in the degree of pressure on reserve positions. Thus far in the current maintenance period, borrowing had remained relatively low. Total reserves contracted in December, reflecting continued weakness in transactions deposits, but rebounded strongly in January as most categories of reservable deposits grew rapidly and excess reserves also increased.

The federal funds rate averaged 6.82 percent over the three complete reserve maintenance periods since the December meeting; in recent days, the rate moved down toward 6½ percent. Year-end pressures in the money market were much milder than most market participants had expected, partly because of a greatly reduced need for funds compared with that a year earlier, more planning in advance by banks and others, and a relatively generous provision of reserves. With the easing of concerns about year-end pressures, rates on private money market instruments fell sharply in late December. Yields on Treasury securities of all maturities and on longer-term debt of private borrowers changed little on balance over the first several weeks of the intermeeting period. More recently, such rates declined as the dollar tended to stabilize and economic data were viewed as pointing to a softer economy, more subdued inflation, and easier monetary policy. Early in February, banks lowered their prime rate. Broad indexes of stock prices increased somewhat on balance since mid-December, though price fluctuations were relatively large on occasion.

Preliminary data showed that money growth rebounded strongly in January after the marked weakening in November and December. For 1987 as a whole, M2 expanded at a rate well below the 5½ percent lower boundary of the target range that the Committee had established for the year. M3 growth was at the lower end of its range. M1 grew sharply in January, after declining in late 1987. Demand deposits were particularly weak in late 1987, possibly reflecting in part incentives to adjust compensating balances downward before year-end, but other checkable deposits also fell in November and December without a corresponding increase in other M2 deposits. The strengthening of money growth in January was spread widely over various components of the monetary aggregates and appeared to be related in part to the general decline in interest rates since mid-October.

The staff projection for economic activity continued to suggest relatively sluggish growth in output in the first half of 1988 and a pickup later in the year. This pattern primarily reflected variations in the growth of inventories. A sharp slowing in the pace of investment in nonfarm inventories, notably automobile inventories, was expected early in the year following the buildup in the fourth quarter. Final domestic demand was projected to expand sluggishly in 1988, given an erosion in the growth of real income associated in part with higher import prices and a moderately restrained fiscal policy. Over 1988 as a whole, the primary impetus to growth was anticipated to come from further strong demand for U.S. exports. Prices were projected to rise at a moderate rate during the year. Prices of nonpetroleum imports were believed likely to increase substantially, but the price of imported petroleum was assumed to rise only slowly. Nominal gains in compensation were expected to pick up, as wage demands responded to increases in consumer prices. With unemployment rates remaining near current levels, however, labor market conditions were not expected to put much additional pressure on wage rates, especially in light of uncertainties about the economic outlook and continuing efforts by businesses to improve competitiveness.

In the Committee's discussion, members emphasized that the economic outlook was subject to a great deal of uncertainty under prevailing circumstances. They noted that it was especially difficult to evaluate the outlook for an economy that appeared to be in transition from a consumer-driven to an export-driven expansion. Another area of uncertainty related to the decline in equity prices. The latter did not appear to have had a substantial impact on consumer or business spending to date, judging from currently available data, but more repercussions might be felt later. In addition, financial markets, including the foreign exchanges, were still relatively sensitive, and many financial institutions had been weakened by serious debt repayment difficulties among their domestic and foreign borrowers. Several members commented that the staff projection remained a reasonable expectation but that the risks of a different outcome were substantial. Others saw somewhat greater or somewhat lesser economic growth as more likely for the year ahead. The members generally agreed, however, that the major risks to the economy over the longer run appeared to be in the direction of more inflation.

In conformance with the usual practice at meetings when the Committee considers its long-run objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had prepared specific projections of economic activity, the rate of unemployment, and the overall level of prices. For the period from the fourth quarter of 1987 to the fourth quarter of 1988, the forecasts for growth of real GNP had a central tendency of 2 to 2½ percent and a full range of ½ to 3 percent. Forecasts of nominal GNP centered on growth rates of 5¼ to 6 percent and ranged from 4 to 6½ percent. Estimates of the civilian rate of unemployment in the fourth quarter of 1988 were concentrated in a range of 5¾ to 6 percent with a full range of 5½ to 6¾ percent. With regard to the rate of inflation, as indexed by the GNP deflator, the projections centered on rates of 3¼ to 3¾ percent and had an overall range of 2½ to 4 percent for the year. In making these forecasts, the members took account of the Committee's objectives for monetary growth in 1988. They also assumed that future fluctuations in the foreign exchange value of the dollar would not be of sufficient magnitude to have any significant effect on the projections.

In their assessment of specific developments bearing on the economic outlook, members gave considerable attention to the recent buildup of inventories and the related possibility of some correction that would tend to depress overall growth in business activity during the first half of the year. Several believed that the adjustment in inventories might be relatively limited and economic growth in the first half somewhat stronger than projected by the staff, especially in light of the strength of orders for capital goods on the books of manufacturing firms. Others anticipated a sharper inventory correction but one that would probably be over by midyear. The outlook for the second half was particularly uncertain, and views differed regarding the likelihood and potential strength of a rebound. Conditions in financial markets would have an important influence on business conditions, and any major new disturbances in those markets could have a negative effect on both consumer and business spending. Some members could see few signs in the domestic economy that pointed to a resurgence in business activity later in the year. Other members viewed the prospects as more promising, and some did not rule out the possibility that the expansion might in fact tend to be more vigorous than was desirable in a period when increasing domestic production needed to be diverted to export markets. All of the members agreed that the rate of economic expansion over the next several quarters would depend to a substantial extent on the rate of improvement in the nation's balance of trade.

In the discussion of the outlook for trade, a number of members observed that sizable further gains in exports were a reasonable expectation, but the rate of increase would probably diminish from the very rapid pace in recent quarters. Among the factors tending to inhibit export growth, they cited the possibility that expansion in major industrial nations, as a group, might be relatively limited. On balance, while the extent of the improvement in trade was uncertain and might well prove to be relatively slow and uneven, most members saw favorable prospects for continuing gains of appreciable magnitude over the year ahead.

Turning to the outlook for inflation, the members generally agreed that the risks over time were in the direction of greater inflation. They emphasized that relatively rapid growth in overall demands, including that for exports, could trigger inflationary pressures in a period when the utilization of productive resources was already relatively high and comparatively little leeway appeared to exist for growth in excess of the moderate pace projected by most members. The recent behavior of broad price indexes did not suggest any acceleration in the overall rate of inflation, but several members saw evidence in local economies that price pressures might be intensifying. Business contacts were reporting that some firms were successful in selective efforts to pass through rising costs by raising product prices. And, in one view, the behavior of key commodity prices raised concern about more inflation. Some members also indicated that rising import prices were tending to put upward pressure on competing products that were manufactured domestically. In general, increases in wages remained moderate, but members expressed concern that, given the reduced level of unemployment, rising prices would tend to be translated into higher wages at some point. It was noted that the key to avoiding both more inflation or a recession in a period of major adjustments in the trade balance would be the difficult task of maintaining restrained growth in domestic demands over an extended period.

Against that background the Committee at this meeting completed the review, begun at the meeting in December, of the ranges for growth in the monetary and debt aggregates in 1988; those ranges had been established on a tentative basis in July 1987 in keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey-Hawkins Act). The tentative ranges included growth of 5 to 8 percent for both M2 and M3 for the period from the fourth quarter of 1987 to the fourth quarter of 1988. A monitoring range of 8 to 11 percent had been set on a provisional basis for growth of total domestic nonfinancial debt in 1988. With regard to M1, the Committee had decided in July not to set a tentative range for 1988 but to reappraise at this meeting the issues relating to the establishment and use of such a target.

All of the members favored some reduction in the ranges for growth of M2 and M3 in 1988. Such a reduction would help to focus attention on the need for relatively restrained expansion in domestic demand to accommodate the adjustment in the nation's external accounts and would underscore the Committee's commitment to achieving reasonable price stability over time. However, given their differing assessments of the risks to the business expansion and of the prospective relationship of monetary growth to satisfactory economic performance, members expressed some divergence of views with regard to how much the ranges should be reduced. Several indicated a preference for confirming the ranges for 1988 that the Committee had established on a tentative basis in July. Those ranges involved reductions of ½ percentage point from 1987. Others favored lower ranges with midpoints that were reduced by a full percentage point. The latter included a proposal, which received considerable support, for wider ranges of 4 to 8 percent for both M2 and M3. The members noted that monetary expansion in 1988 at rates around the midpoints of the ranges under consideration, which they generally viewed as a reasonable expectation, would represent some acceleration from the relatively modest expansion in 1987, especially in the case of M2.

Further discussion focused on the desirability of widening the ranges for growth of the broader aggregates to 4 to 8 percent. Such a range was deemed to be warranted by the experience of recent years when more marked variability had emerged in the relationship between monetary expansion and ultimate policy objectives such as prices and output. That variability stemmed from a number of sources, but prominent among them was the course of interest rates; a level of rates consistent with satisfactory economic performance would depend on the underlying strength of demands in the economy and on emerging price pressures. In that context, an uncertain outlook for the economy and inflation suggested to several members the need for somewhat wider ranges than had been used in the past. A range of 4 percentage points would provide more room for appropriate policy responses to unanticipated economic and financial developments and would encompass more fully the possible outcomes for monetary growth that might prove consistent with acceptable economic performance in 1988. Some members expressed reservations about the desirability of wider ranges. They acknowledged that ranges of 4 percentage points might reflect more adequately the various uncertainties that were involved, but they were concerned that widening the ranges could be viewed as a further retreat from effective monetary targeting. Moreover, the narrower ranges imposed a desirable discipline by requiring a more prompt reappraisal of policy as their limits were approached or exceeded.

The members also considered proposals for using a different base than the actual fourth-quarter level of the aggregates as the starting point for the 1988 ranges. In support of this view, some members argued that the depressed levels of the aggregates in late 1987, which may have reflected in part some special factors, together with the reduced ranges under consideration implied a quite substantial lowering of the Committee's objectives for monetary growth. Several members were opposed to a change in the Committee's procedures, especially on an *ad hoc* basis. A number expressed their willingness to consider at a later time proposals for a regularized procedure that would take account of overshoots or of shortfalls in the previous year. Others believed that it would be preferable to adjust the new ranges themselves each year, rather than the base, if the Committee concluded that it was desirable to compensate for excessive or inadequate monetary growth in the previous year.

No member supported the reestablishment of a target range for M1 in 1988, but a few favored the use of a monitoring range for this aggregate. The behavior of M1 had become highly sensitive to changes in interest rates, among other factors, in recent years, as reflected in sharp swings in its velocity. It remained particularly difficult to interpret the relationship between growth in M1 and the performance of the economy. In light of its unpredictable behavior, a narrow range for M1 could easily trigger an inappropriate response of monetary policy to unexpected developments in the economy. On the other hand, a range wide enough to reasonably encompass possible acceptable growth in M1 over the year would be of little use in guiding the conduct of monetary policy or in communicating the Committee's policy intentions to the public.

The members anticipated some further slowing in the growth of nonfinancial debt in 1988, following a marked slowdown in 1987, but the rate of growth this year appeared likely to remain well above that of nominal GNP. A key factor bearing on the outlook for debt expansion was the expectation of some reduction in government borrowing. However, as in the case of the monetary aggregates, considerable uncertainty surrounded the prospects for debt growth in 1988, and Committee members endorsed a proposal to widen the monitoring range for total domestic nonfinancial debt to 7 to 11 percent, a reduction of 1 percentage point from the lower limit of the 1987 range.

At the conclusion of the Committee's consideration of the ranges for 1988, all of the members indicated that they could support ranges of 4 to 8 percent for growth in both M2 and M3 for the year. No range was established for M1 for the year, while the monitoring range for growth in total domestic nonfinancial debt was set at 7 to 11 percent. In keeping with the Committee's usual procedures under the Humphrey–Hawkins Act, the ranges would be reviewed at midyear, or sooner if deemed necessary. It was understood that in carrying out policy the Committee would continue to judge the behavior of the monetary aggregates against the background of developments in the economy and financial markets, including attention to the sources and extent of price pressures in the economy, the performance of the dollar in foreign exchange markets, and other indicators of the impact of monetary policy.

The following paragraphs relating to the 1988 ranges were approved for the domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at this meeting established growth ranges of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was set at 7 to 11 percent for the year.
>
> With respect to M1, the Committee again decided not to establish a specific target for 1988. The behavior of this aggregate in relation to economic activity and prices has become very sensitive to changes in interest rates, among other factors, as evidenced by sharp swings in its velocity in recent years. Consequently, the appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

In the Committee's discussion of policy implementation for the period immediately ahead, all of the members indicated that they favored or could accept a directive that called for maintaining the slightly reduced degree of pressure on reserve positions that had been sought recently. While some members expressed reservations about that easing, a few indicated a preference for easing marginally further. Members commented during the discussion that policy implementation faced the special challenge of balancing the risks of a potentially softer economy over the nearer term while also remaining positioned to achieve the Committee's anti-inflationary objectives over the longer run. Accordingly, despite shadings of opinion, the members were in broad agreement that any substantial change in policy, in either direction, was not warranted under prevailing economic and financial conditions. A tightening move would not be appropriate at a time when the expansion was showing some signs of slackening, and against this background such a policy course might well have a disruptive impact on financial markets, which remained somewhat fragile. On the other side, policy should not overreact to recent indications of a more sluggish business expansion because any policy easing now would tend to have its major impact later in the year when, in the view of many members, a stronger economic expansion was likely to emerge. Moreover, while the dollar had tended to stabilize recently in the foreign exchange markets, members were concerned that appreciable further easing, especially if it was seen as leading to a lower discount rate, could have highly adverse repercussions on the dollar. It might also have unsettling effects on financial markets more generally if it was not viewed by market participants as warranted by substantial new evidence of a weaker economy. The slight easing that had already been undertaken did not appear to put significant downward pressure on the dollar, and it provided greater assurance that the expected strengthening of the business expansion would in fact materialize later in the year.

In the course of the Committee's discussion, members referred to the rebound in the growth of M2 and M3 in January, but they noted that the stronger growth needed to be viewed in relation to the weakness in late 1987. According to a staff analysis prepared for this meeting, expansion in M2 and M3 could be expected to strengthen a little over the balance of the first quarter from the average pace in December and January, assuming unchanged conditions of reserve availability. More generally, somewhat faster growth was projected in the current quarter than had occurred in the second half of 1987, as increased demands for money balances in response to the decline in interest rates since mid-October more than offset the expected effects of slower income growth. The growth in M1 might also strengthen over the first quarter, but the near-term behavior of this aggregate remained subject to a high degree of uncertainty.

During this meeting further consideration was given to the Committee's operating procedures. In keeping with the Committee's decision in early January, continuing progress had been made toward restoring the Committee's previous focus on reserve positions in the day-to-day implementation of policy. At this meeting the members expressed differing views about whether that process should now be completed. Several felt that the approach originally adopted at a time of crisis in financial markets was no longer warranted, even in attenuated form, and that the previous approach to reserve management provided a better basis for guiding the conduct of monetary policy because it allowed greater scope for changes in supply and demand forces to be reflected in the money market. On the other hand, a majority of the members preferred to retain for now a directive that called for some flexibility in the approach to open market operations. These members emphasized that financial market conditions still exhibited some degree of fragility and, against the background of substantial uncertainty in the economic outlook, unanticipated developments might well continue to warrant occasional departures from the focus on reserve objectives for the purpose of moderating temporary fluctuations in money market conditions. A number of these members also commented on the need for flexibility because a relatively normal or predictable relationship between the provision of reserves and money market conditions had not yet emerged.

The members expressed some shadings of opinion with regard to possible adjustments in policy during the intermeeting period. A majority felt that there should be no presumptions about the likely direction of any such adjustments, especially in light of the consensus at this meeting for maintaining reserve conditions that were consistent with the slight easing that had been sought since late January. Some members believed, however, that policy implementation should be especially alert to developments that might point to somewhat easier reserve conditions, particularly because of the risks that they saw of a weaker economy than was currently projected. In the view of some members, further easing might also be appropriate if monetary growth fell appreciably short of current expectations. Several members cautioned that any decision to ease should take careful account of the potential impact on the dollar in foreign exchange markets. While the dollar had tended to stabilize recently, it could be vulnerable to a further decline.

At the conclusion of the Committee's discussion, all of the members indicated their acceptance of a directive that called for maintaining the slightly easier degree of reserve pressure that had been sought recently. With regard to the Committee's operating procedures, a majority endorsed the view that some flexibility might continue to be needed in the conduct of open market operations in light of the still somewhat unsettled conditions in financial markets, the uncertainties in the relationship between reserve and money market conditions, and the substantial risks of unanticipated economic and financial developments. Taking account of conditions in financial markets, the members indicated that somewhat less or somewhat more reserve restraint would be acceptable, depending on the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, with consideration also given to the behavior of the monetary aggregates. The reserve conditions contemplated by the Committee were expected to be consistent with growth in both M2 and M3 over the four-month period from November through March at annual rates of about 6 to 7 percent. Because of the unusual uncertainty relating to the behavior of M1 and in keeping with the decision not to set a longer-run target for this aggregate, the Committee decided not to indicate any expectation regarding its growth over the months ahead. The members agreed that the intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting indicated that economic activity continued to expand rapidly in the fourth quarter but that the advance reflected a build-up in inventories as domestic final demands weakened. The growth in output appeared to have slowed around year-end. Total nonfarm payroll employment rose much less in January than on average over the previous three months; the manufacturing sector also recorded reduced employment growth in January. The civilian unemployment rate, at 5.8 percent in January, was unchanged from December. Growth in industrial production moderated further in December. Retail sales picked up in December, buoyed by improved auto sales, but remained below levels reached during the summer. Indicators of business capital spending were mixed late in the year. Housing starts fell markedly in December, and were down somewhat on balance in the fourth quarter from the average pace in the second and third quarters. The nominal U.S. merchandise trade deficit declined substantially in November. For October and November combined, the deficit rose slightly from the average rate in the third quarter, but in real terms the deficit was estimated to have narrowed further. The rise in consumer prices slowed and producer prices fell in late 1987, reflecting declines in energy prices; wage trends have shown little change in recent months.

Most interest rates were down substantially on balance since the Committee's meeting in mid-December. In the Treasury securities market, long-term yields fell considerably more than short-term rates. Broad indexes of stock prices rose somewhat on balance over the intermeeting period in still relatively volatile trading. The trade-weighted foreign exchange value of the dollar in terms of the other G-10 currencies declined further in the second half of December but recovered after the turn of the year and has increased moderately on balance since the December meeting.

Growth of M2 and M3 strengthened substantially in January after slowing over November and December. For 1987 as a whole, expansion of M2 fell considerably below the lower end of the range established by the Committee for the year, while growth of M3 was at the lower end of its range. Growth of M1 surged in January following two months of declines. For the year 1987, M1 growth was marginally below that of nominal GNP, and expansion in total domestic nonfinancial debt was at the midpoint of the Committee's monitoring range for the year.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at this meeting established growth ranges of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was set at 7 to 11 percent for the year.

With respect to M1, the Committee again decided not to establish a specific target for 1988. The behavior of this aggregate in relation to economic activity and prices has become very sensitive to changes in interest rates, among other factors, as evidenced by sharp swings in its velocity in recent years. Consequently, the appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In the implementation of policy for the immediate future, the Committee seeks to maintain the slightly reduced degree of pressure on reserve positions sought in recent days. The Committee agrees that the current more normal approach to open market operations remains appropriate; still sensitive conditions in financial markets and uncertainties in the economic outlook may continue to call for some flexibility in operations. Taking account of conditions in financial markets, somewhat lesser reserve restraint or somewhat greater reserve restraint would be acceptable depending on the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, as well as the behavior of the monetary aggregates. The contemplated reserve conditions are expected to be consistent with growth in both M2 and M3 over the period from November through March at annual rates of about 6 to 7 percent. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

Legal Developments

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the General Counsel (with the concurrence of the Staff Director of the Division of Banking Supervision and Regulation) the authority, in connection with any proceeding under section 8 of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1818), any examination or investigation under section 10(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1820(c)), or any application, examination, investigation or other proceeding under the provisions of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*), to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpoenas and subpoenas duces tecum and to exercise such other powers as are permitted by law in matters involving the conduct of the affairs of State member banks, bank holding companies and persons associated with them and to designate representatives to undertake such actions pursuant to 12 U.S.C. 1818(n), 1820(c) and 1844(f). It is expected that this delegation of authority will relieve the Board from having to act on matters that are more efficiently and effectively handled by Board staff.

Effective April 7, 1988, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

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

Authority: Sec. 11(k), 38 Stat. 261 and 80 Stat. 1314 (12 U.S.C. 248(k).

2. Section 265.2(b) is amended by adding new subparagraph (12) to read as follows:

Section 265.2—Specific functions delegated to Board employees and to Federal Reserve Banks.

* * * * *

(b)***

(12) With the concurrence of the Staff Director of the Division of Banking Supervision and Regulation to take, or to authorize other designated persons to take, such actions as are permitted pursuant to sections 8(n) and 10(c) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1818(n) and 1820(c)), and section 5(f) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1844(f)), including administering oaths and affirmations, taking depositions, and issuing, revoking, quashing or modifying subpoenas and subpoenas duces tecum.

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to delegate to the Federal Reserve Banks the authority to stay, modify, terminate or suspend final cease-and-desist orders issued by the Board upon the prior approval of the Staff Director of the Board's Division of Banking Supervision and Regulation and the General Counsel of the Board. It is expected that this amendment will relieve the Board from having to act on routine matters that are more efficiently and effectively handled by the Federal Reserve Banks.

Effective February 19, 1988, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

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

Authority: Sec. 11(k), 38 Stat. 261 and 80 Stat. 1314 (12 U.S.C. 248(k).

2. Section 265.2(f)(26) is amended by removing "and" after the semicolon in (a), removing the period after (b)

and inserting; "and" after (b) and adding new subdivision (iii) read as follows:

Section 265.2—Specific functions delegated to Board employees and the Federal Reserve Banks.

* * * * *

(f)***

(26)(iii) To stay, modify, terminate or suspend an outstanding cease-and-desist order that has become final pursuant to 12 U.S.C. 1818(b) and (k).

* * * * *

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Union State Bancshares, Inc. Clinton, Missouri

Order Approving Acquisition of a Bank

Union State Bancshares, Inc., Clinton, Missouri ("Union"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 3 of the Act to acquire 100 percent of the voting shares of Boatmen's Bank of Clinton, Clinton, Missouri ("Boatmen's Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been duly published (52 *Federal Register* 46,004 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Union is a one-bank holding company by virtue of its control of Union State Bank of Clinton, Clinton, Missouri. Union is the 99th largest commercial banking organization in Missouri, controlling deposits of $46.7 million, representing less than 1.0 percent of total deposits in commercial banking organizations in the state.[1] Boatmen's Bank is among the smaller commercial banking organizations in the state, controlling deposits of $38.4 million, representing less than 1.0 percent of the total deposits in commercial banking organizations (hereinafter "deposits") in the state. Upon consummation of this proposal, Union would become the 54th largest commercial banking organization in Missouri, controlling deposits of $85.0 million, representing less than 1.0 percent of the total deposits in the state. Accordingly, consummation of this proposal would not have any significant adverse effect on the concentration of banking resources in the state.

Union competes directly with Boatmen's Bank in the Clinton banking market.[2] Union is the largest of 11 commercial banking organizations, controlling deposits of $46.7 million, representing 21.9 percent of the total deposits in the market. Boatmen's Bank is the second largest commercial banking organization in the market, controlling deposits of $38.4 million, representing 18.0 percent of the total deposits in the market. Upon consummation of this proposal, Union would control deposits of $85.0 million, representing 39.9 percent of the total deposits in the market. The four-firm concentration ratio would increase by 11.2 percentage points to 80.8 percent, and the Herfindahl–Hirschman Index ("HHI") would increase by 789 points to 2252.[3]

Although consummation of this proposal would eliminate some existing competition in the Clinton banking market, numerous other commercial banks would continue to operate in the market after consummation of this proposal. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal.[4] Two thrift institutions operate in the market, controlling deposits of $134.3 million, representing 38.7 percent of the total deposits among banks and thrifts in the market. One of the thrifts is the largest depository institution in the market and would remain the largest depository organization upon consummation of this proposal. Based upon the size and market share of

1. All banking data are as of December 31, 1986.

2. The Clinton banking market is approximated by Henry County and St. Clair County, Missouri, except the town of Appleton City.

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

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

thrift institutions in the market, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Clinton banking market.[5]

On the basis of the foregoing and other facts of record, the Board concludes that consummation of the proposal would not have a substantial adverse effect on existing competition in the Clinton banking market.[6]

The financial and managerial resources of Union, its subsidiaries and Boatmen's Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

By order of the Board of Governors, effective March 7, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Bryn Mawr Bank Corporation
Bryn Mawr, Pennsylvania

Order Approving Application to Engage in Loan Marketing and Advisory Services

Bryn Mawr Bank Corporation, Bryn Mawr, Pennsylvania ("Bryn Mawr"), a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied pursuant to section 4(c)(8) of the Act and section 225.23(a) of the Board's Regulation Y, 12 C.F.R. § 225.23(a), to engage *de novo* through its subsidiary, Havens & Company, Inc., Radnor, Pennsylvania ("Havens"), in loan marketing and advisory services.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 1,063 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Bryn Mawr, a one-bank holding company by virtue of its control of The Bryn Mawr Trust Company, controls total deposits of $235.8 million, representing less than 1.0 percent of the total deposits in commercial banking organizations in Pennsylvania.[1]

Bryn Mawr proposes to establish Havens as a *de novo* subsidiary that will engage in providing:

(1) advice concerning marketing of loans and other extensions of credit, including, but not limited to, permanent residential mortgage loans, real estate construction loans, secured and unsecured consumer paper, consisting of both two party consumer loans and three party consumer paper contracts, and participations; and

(2) assistance to any person in selling and purchasing such loans and other extensions of credit (collectively "loan marketing and advisory services").

Havens will provide these loan marketing and advisory services to Bryn Mawr's subsidiary, The Bryn Mawr Trust Company, and to other institutions and business entities. Havens will not purchase, underwrite, guarantee or take any position in connection with the loans it markets.

Bryn Mawr's proposed activities are encompassed within the authorization in the Board's Regulation Y for bank holding companies to make, acquire or service loans, 12 C.F.R. § 225.25(b)(1). The Board has previously approved applications by bank holding companies to act as an agent, broker or advisor with respect to commercial loans and other extensions of credit, an activity essentially identical to Bryn Mawr's proposed activity.[2] Accordingly, Bryn Mawr's activities are closely related to banking and permissible for bank holding companies.

5. If 50 percent of deposits held by thrift institutions in the Clinton banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 71.9 percent. Union would control 16.6 percent of the market's deposits and Boatmen's Bank would control 13.7 percent of the market's deposits. The HHI would increase by 456 points to 1687.

6. The Board has received comments from two individuals and one banking organization asserting that consummation of the proposal would substantially lessen competition in the Clinton banking market. For the reasons discussed above, the Board has determined that the comments do not warrant denial of the application.

1. Banking data are as of December 31, 1987.

2. *Sovran Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 939 (1987); *Post-och Kreditbanken, PKbanken*, 68 FEDERAL RESERVE BULLETIN 787 (1982); and *Societe Generale*, 67 FEDERAL RESERVE BULLETIN 453 (1981).

In order to approve this application, the Board also must find that the performance of the proposed activity can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.

Although Bryn Mawr proposes to engage in loan marketing and advisory services primarily in the Philadelphia area, the market for such services is national in scope. In addition, the Board expects that the *de novo* entry of Bryn Mawr into the market for these services will increase the level of competition among providers of these services. Bryn Mawr's provision of loan marketing and advisory services will enhance the liquidity of the loan market and facilitate the entry of small institutions into the secondary loan market. Accordingly, the Board concludes that this proposal would have no adverse effect on competition.

There is no evidence in the record to indicate that Bryn Mawr's proposed activity would lead to any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects. Public benefit factors, therefore, favor approval of the proposal. In addition, the financial and managerial resources of Bryn Mawr are also consistent with approval.

Based upon the foregoing and all the facts of record, the Board has determined that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, the application is hereby approved. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) of the Board's Regulation Y, 12 C.F.R. §§ 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective March 22, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

The Citizens and Southern Corporation Atlanta, Georgia

Citizens and Southern Georgia Corporation Atlanta, Georgia

Order Approving the Acquisition of Factoring Assets

The Citizens and Southern Corporation ("C&S"), and its wholly owned subsidiary Citizens and Southern Georgia Corporation ("C&S Georgia"), both of Atlanta, Georgia (collectively "Applicant"), bank holding companies within the meaning of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841 *et seq.*), have applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2)) to acquire all the factoring assets of Chemical Bank and Chemical Business Credit Corporation, both of New York, New York (collectively "Chemical Factoring"). Applicant will effect the acquisition through its subsidiary, C&S Business Credit, Inc., Tucker, Georgia ("C&S Credit"). Chemical Factoring provides financial services for factoring activities primarily in the apparel and textile industries. These activities have been determined by the Board to be closely related to banking and permissible for bank holding companies or their subsidiaries (12 C.F.R. § 225.25(b)(1)).[1]

Notice of the application, affording interested persons an opportunity to submit comments and views, has been duly published (52 *Federal Register* 47,973 (1987)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors specified in section 4(c)(8) of the Act.

C&S, with consolidated assets of approximately \$20.5 billion,[2] operates three subsidiary banks in Georgia, Florida, and South Carolina, which together control \$14.8 billion in deposits. C&S also engages through its nonbank subsidiaries in various nonbanking activities, such as providing investment or financial advice, discount brokerage services, leasing, and data processing. These activities are conducted primarily in the states of Georgia, Florida, and South Carolina.

Applicant currently provides factoring services primarily for the carpeting and home furnishings industries through five offices located in California, Georgia,

1. C&S's indirect subsidiary, Citizens and Southern Commercial Corporation, acquired the factoring assets of Chemical Bank and Chemical Business Credit in December 1987, through a cash payment by the Citizens and Southern National Bank to Chemical Bank. This application represents a corporate reorganization whereby C&S Credit will acquire these factoring assets.

2. All banking data are as of December 31, 1987.

New York and North Carolina. Applicant is the ninth largest factor in the United States, with year-end receivables of $1.8 billion, and controls 4.6 percent of the market for factoring services in the United States. Prior to the acquisition by C&S, Chemical Factoring was the 11th largest factor in the United States, with year-end receivables of $1.7 billion, and controlled 4.2 percent of the market for factoring services. Chemical Factoring provided factoring services primarily in the apparel and textile industries and operated three offices located in California and New York. After the acquisition of Chemical Factoring, Applicant became the third largest factor in the United States, with an 8.8 percent market share.

The Board has previously stated that the market for factoring services is nationwide.[3] The market is considered unconcentrated, with a four-firm concentration ratio of 41.7 percent. The Herfindahl–Hirschman Index ("HHI") of the market is 773 and would increase by 39 points to 812 upon consummation of this proposal.[4] Although the acquisition of Chemical Factoring eliminated some existing competition between Applicant and Chemical Factoring, numerous other factors continue to operate in the market. Accordingly, consummation of this proposal would not have a significant adverse effect on competition in the factoring market.

The public will benefit from the proposal through maintenance of a source of funding for the apparel and textile industries. Chemical Factoring has indicated its desire to discontinue these services. Moreover, there is no evidence in the record that consummation of this proposal would result in adverse effects such as unsound banking practices, unfair competition, conflicts of interest, or an undue concentration of resources. In addition, financial and managerial resources are consistent with approval of this application.

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

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

By order of the Board of Governors, effective March 21, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

3. *See e.g., CoreStates Financial Corp.*, 72 FEDERAL RESERVE BULLETIN 143 (1986); *Manufacturers Hanover Corporation*, 70 FEDERAL RESERVE BULLETIN 452 (1984); *Security Pacific Corporation*, 70 FEDERAL RESERVE BULLETIN 370 (1984).

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is below 1000 is considered unconcentrated, and the Department will not challenge a merger with a post-merger HHI below 1000, except in extraordinary circumstances.

First Interstate Bancorp
Los Angeles, California

First Interstate Bancorp of Texas
Los Angeles, California

Order Affirming Earlier Approval of Acquisition of Insurance Agency

First Interstate Bancorp and First Interstate Bancorp of Texas, both of Los Angeles, California (together, "Applicants"), previously have applied[1] under section 4(c)(8)(D) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1843(c)(8)(D)) and section 225.25(b)(8)(iv) of Regulation Y (12 C.F.R. § 225.25(b)(8)(iv)), for permission to acquire Allied Agency, Inc., Houston, Texas ("Agency"), and thereby to engage in acting as managing general agent for the vendor single interest programs of the subsidiary banks of Allied Bancshares, Inc., Houston, Texas ("Allied"). On October 28, 1987, the Secretary of the Board, acting pursuant to authority delegated by the Board, approved the application.

Due to a procedural problem, however, the National Association of Life Underwriters, the National Association of Professional Insurance Agents, the Independent Insurance Agents of America, Inc., the National Association of Casualty and Surety Agents, and the National Association of Surety Bond Producers ("Petitioners"), did not receive a copy of the application in time to make timely comments, although they had requested a copy of the application within the relevant comment period. On this basis, Petitioners have re-

1. Applicants submitted their application on September 17, 1987.

quested that the Board reconsider and deny the application. Petitioners claim that Allied's grandfather rights to engage in insurance activities through Agency terminate upon Applicants' acquisition of Allied.

In view of the circumstances surrounding Petitioners' inability to obtain a copy of the application during the relevant comment period, the Board has decided to grant Petitioners' request for reconsideration. After considering the comments of the Petitioners, and for the reasons set forth below, however, the Board has decided to affirm the Secretary's earlier decision.

Title VI of the Garn–St Germain Act amended the nonbanking prohibitions in section 4 of the BHC Act to provide that insurance agency and underwriting activities are not permissible for bank holding companies. Title VI provided seven specific exceptions to this prohibition, however, including grandfather rights under one of the exemptions for "any insurance activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982" (hereinafter "exemption D"), 12 U.S.C. § 1843(c)(8)(D).[2]

The Board previously has determined that any company entitled to engage in insurance agency activities under exemption D does not lose those rights upon its acquisition by another non-grandfathered banking firm, provided that the grandfathered entity retains it separate corporate structure and its insurance activities are not conducted by other companies within the acquiring banking organization.[3] Applicants claim that Agency was engaged lawfully in general insurance activities on May 1, 1982, the grandfather date under exemption D, and that Agency therefore could retain its exemption D rights after its acquisition by Applicants. Petitioners argue that the Board should reverse its position that exemption D rights do not expire upon the acquisition of a grandfather company by another bank holding company.

Eligibility under Exemption D. The record demonstrates that Agency has lawfully engaged in acting as managing general agent for the vendor single interest programs of the subsidiary banks of Allied since July 1, 1979.[4] On this basis, the Board concludes that Agency qualifies for grandfather privileges under exemption D.

In keeping with its precedent, the Board observes that upon its recent acquisition by Applicants, Allied remains as a separate bank holding company and Agency will be retained as a separate nonbank subsidiary of Allied. As a consequence, Agency's grandfathered insurance activities will be wholly self-contained and isolated from the operations of other of Applicants' subsidiaries. The Board, therefore, concludes that Agency may retain its exemption D grandfather privileges even after its purchase by another non-grandfathered banking firm.

Geographic Scope of Activities. Under the terms of section 4(c)(8)(D), however, Agency may conduct grandfathered insurance activities only in Texas, states adjacent thereto, or states in which it lawfully engaged in insurance activities on May 1, 1982. 12 U.S.C. § 1843(c)(8)(D).

In considering any application under section 4(c)(8) of the BHC Act, the Board must determine whether the proposed activity is a proper incident to banking; that is, whether performance of the activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. As a result of Applicants' proposal, consumers in Texas and adjacent states would benefit from ongoing access to Agency as a source of insurance products and services. The continuation of grandfathered operations by Agency thus would serve to maintain existing business relationships and expectations, and also would preserve Agency as a viable competitor in the insurance agency industry. Conversely, there is no evidence to suggest that Applicants' proposal would result in undue concentration of resources, unfair or decreased competition, conflicts of interest or other adverse effects. The balance of public interest factors therefore weighs in favor of Applicants' ability to retain indirect control of a company such as Agency that engages in exemption D grandfathered insurance activities.

Based on the foregoing and other facts of record, the Board has determined that the application under section 4 should be, and hereby is, approved. This determination is subject to all of the conditions set forth in Regulation Y, and provided that the insurance activities are conducted solely by Agency, which must remain an independent subsidiary of Applicants. It is also subject to the Board's authority to require such modifications or termination of activities of the bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

2. On October 3, 1986, the Board amended Regulation Y to include the insurance agency activities delineated in the seven exemptions to the Garn–St Germain Act in the list of activities that the Board has found to be closely related to banking within the meaning of section 4(c)(8) of the Act and thus permissible for bank holding companies. 51 *Federal Register* 36,201 (1986), codified at 12 C.F.R. § 225.25(b)(8) (1987).

3. *See, e.g., Sovran Financial Corp.*, 73 FEDERAL RESERVE BULLETIN 672 (1987).

4. Agency received approval from the Federal Reserve Bank of Dallas, by letter dated March 9, 1979, to commence this activity on April 23, 1979. By letter dated March 14, 1979, the Texas Department of Banking also approved the activity.

By order of the Board of Governors, effective March 16, 1988.

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

WILLIAM W. WILES
Secretary of the Board

Northern Trust Corporation
Chicago, Illinois

Order Approving Application to Execute and Clear Futures Contracts on Stock Indexes and Futures Contracts on a Municipal Bond Index, and Options on such Futures Contracts

Northern Trust Corporation, Chicago, Illinois ("Northern Trust"), a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("Act"), has applied pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to engage *de novo* through its wholly owned subsidiary, Northern Futures Corporation, Chicago, Illinois ("NFC"), in the execution and clearance, on major commodity exchanges, of futures contracts on stock indexes, futures contracts on a municipal bond index, and options on such futures contracts.

NFC proposes to execute and clear:

(1) the Standard & Poor's 500 Stock Price Index futures contract ("S&P 500") and options on the S&P 500 futures contract, which are currently traded on the Index and Option Division of the Chicago Mercantile Exchange;

(2) the Bond Buyer Municipal Bond Index futures contract, the Major Market Index futures contract, and options on the Bond Buyer Municipal Bond Index futures contract, all of which are currently traded on the Chicago Board of Trade; and

(3) the New York Stock Exchange ("NYSE") Composite Index futures contract, and options on the NYSE Composite Index futures, both of which are currently traded on the New York Futures Exchange, a subsidiary of the New York Stock Exchange.

Northern Trust proposes to offer these services throughout the United States to major domestic and foreign financial institutions, pension funds, and other sophisticated customers.

Notice of the application, affording interested persons an opportunity to submit comments on the relation of the proposed activities to banking and on the balance of public interest factors, has been duly published (53 *Federal Register* 2,093 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the Act.

Northern Trust, with total consolidated assets of $8.1 billion, is the fourth largest banking organization in Illinois.[1] Northern Trust operates eight subsidiary banks and engages through certain of its subsidiaries in a variety of nonbanking activities. NFC is a futures commission merchant ("FCM") registered with the Commodity Futures Trading Commission ("CFTC") that engages in the execution and clearance of futures contracts and options on futures contracts for bullion, foreign exchange, government securities, certificates of deposit, and other money market instruments that a bank may buy or sell in the cash market for its own account, pursuant to section 225.25(b)(18) of the Board's Regulation Y, 12 C.F.R. § 225.25(b)(18). NFC also provides investment advice on financial futures and options on futures pursuant to section 225.25(b)(19) of Regulation Y, 12 C.F.R. § 225.25(b)(19).[2]

The Board has previously determined that the execution and clearance of futures contracts and options on futures contracts based on stock indexes, and of futures contracts on a municipal bond index are closely related to banking. (*J.P. Morgan & Co. Incorporated*, 71 FEDERAL RESERVE BULLETIN 251 (1985); *Bankers Trust New York Corporation*, 71 FEDERAL RESERVE BULLETIN 111 (1985)). The proposed activities of NFC are essentially identical to those activities previously approved by the Board.[3] Thus, the Board concludes that Northern Trust's proposal to execute and clear futures contracts on the proposed stock indexes and municipal bond index, and options thereon, is closely related to banking.

Under section 4 of the Act, the Board is also required to determine that the performance of the

1. As of June 30, 1987.

2. In November 1987, Northern Trust received permission from the Federal Reserve Bank of Chicago, acting pursuant to delegated authority under 12 C.F.R. § 225.23(a)(1), for NFC to engage in these activities.

3. The Board has previously approved the execution and clearance of futures contracts and options on those futures contracts on all of the indexes being applied for by Northern Trust with the exception of options on futures contracts on the Bond Buyer Municipal Bond Index. The options on futures contracts on the Bond Buyer Municipal Bond Index have essentially the same terms and serve the same functions as the options on futures contracts for other indexes for which execution and clearance has been approved by the Board. Therefore, the Board has determined that the execution and clearance of options on futures contracts on this additional index is closely related to banking.

proposed activities by applicant "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of Northern Trust's proposal would provide added convenience to its clients. The Board expects that the *de novo* entry of Northern Trust into the market for these services would increase the level of competition among providers of these services already in operation. Accordingly, the Board concludes that the performance of the proposed activities by Northern Trust can reasonably be expected to provide benefits to the public.

Moreover, there is no evidence in the record that consummation of the proposed FCM activities would result in any adverse effects such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. In addition, the Board has taken into account and has relied on the regulatory framework established pursuant to law by the CFTC for the trading of futures.

The financial and managerial resources and future prospects of Applicant are considered consistent with approval. Based upon a consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) is favorable. Accordingly, based on all the facts of record and the commitments made by Applicant, and subject to the conditions in this Order, the Board has determined that the proposed application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

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

By order of the Board of Governors, effective March 3, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

The Royal Bank of Canada
Montreal, Canada

Order Approving Application to Engage in Securities and Financial Advisory Activities

The Royal Bank of Canada, Montreal, Canada ("Applicant"), a foreign bank subject to the Bank Holding Company Act ("BHC Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to acquire Dominion Securities Corporation, New York, New York ("Company"), and thereby engage in:

(1) providing advice in connection with mergers and acquisitions, divestitures, loan syndications, interest rate swaps, interest rate caps and similar transactions to unaffiliated financial and nonfinancial institutions;

(2) providing securities brokerage and investment advisory services on a combined basis to institutional customers and affiliates; and

(3) providing financial advice to the Canadian federal, provincial and municipal governments, such as with respect to the issuance of their securities in the U.S.[1]

Company currently engages in a wide range of securities underwriting, dealing, brokerage and advisory activities.[2] Applicant has committed to limit Com

1. Applicant has also applied to engage in providing discount brokerage services to non-institutional customers as well as securities credit services pursuant to the Board's Regulation T (12 C.F.R. Part 220); furnishing general economic information and advice, general economic statistical forecasting services and industry studies to institutional customers and Company's affiliates; providing portfolio investment advice and research to institutional customers; and underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks are authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335. The Board has previously found these activities, as proposed here, to be closely related to banking and a proper incident thereto. 12 C.F.R. §§ 225.25(b)(15), (4)(iv), (4)(iii) and (16), respectively.

2. Company's current activities consist of providing brokerage and incidental services, including securities borrowing and lending to institutional customers; providing investment advice and research to institutional customers; underwriting and dealing in Canadian federal, provincial and municipal government securities; underwriting and dealing in U.S. government and agency securities, securities of states and their subdivisions, securities of certain supranational organizations (such as the World Bank), bankers acceptances and certificates of deposit, including related futures and options; underwriting and dealing in U.S. and Canadian corporate debt and equity securities; providing financial advice to the Canadian federal, provincial and municipal governments, such as with respect to the issuance of their securities in the U.S.; acting as agent in the private placement of corporate securities; and acting as a dealer in commercial paper.

pany to those activities for which it seeks approval here.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 7,574 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately $76.5 billion, is the 43rd largest banking organization in the world.[3] Applicant owns a bank subsidiary in San Juan, Puerto Rico, and maintains branches in New York, Portland and San Juan and an agency in Miami. Applicant also owns RBC Holdings (USA) Inc., New York, New York, and its bank subsidiary, The Royal Bank and Trust Company, New York, New York. Applicant engages in various activities in the United States under sections 4(c)(8) and 4(c)(9) of the BHC Act and the Board's Regulations Y and K (12 C.F.R. Parts 225 and 211, respectively).

I. Merger and Acquisition Advice to Unaffiliated Financial and Nonfinancial Institutions

Applicant has proposed that Company engage in certain financial advisory activities for unaffiliated financial and nonfinancial institutions. The Board previously has determined that, subject to certain limitations, these financial advisory activities are permissible nonbanking activities for bank holding companies. *Signet Banking Corporation*, 73 FEDERAL RESERVE BULLETIN 59 (1987). Applicant has committed to limit Company's financial advisory activities as set forth in that Order.

II. Providing Investment Advice and Securities Brokerage on a Combined Basis

The Board previously has determined that the combined offering of investment advice with securities brokerage services to institutional customers is a permissible nonbanking activity and does not violate the Glass–Steagall Act. *See, e.g., National Westminster Bank PLC*, 72 FEDERAL RESERVE BULLETIN 584 (1986) ("*NatWest*"); and *The Bank of Nova Scotia*, 74 FEDERAL RESERVE BULLETIN 249 (1988) ("*Bank of Nova Scotia*"). That position has been upheld by the U.S. Court of Appeals for the District of Columbia Circuit in its affirmance of the Board's *NatWest* Order.[4]

Applicant has proposed to conduct its brokerage activity in accordance with all of the limitations approved by the Board in *NatWest* and *Bank of Nova Scotia.*[5] As in *Bank of Nova Scotia*, Applicant proposes that Applicant, a foreign bank, be permitted to have management interlocks with Company. No officers of Applicant will serve as officers of Company and no directors of Applicant will serve as directors of Company. Applicant has further committed that Company will not have officer or director interlocks with its U.S. bank subsidiaries, branches or agencies.

III. Financial Advisory Services to Canadian Governmental Entities

In *Bank of Nova Scotia*, the Board approved the activity of providing financial advice to the Canadian federal and provincial governments, such as with respect to the issuance of their securities in the U.S. Applicant's proposal differs from this activity only in that Applicant proposes to provide financial advice to Canadian municipal governments in addition to Canadian federal and provincial governments.

Applicant contends that the skills and factors necessary to conduct the proposed activity are virtually indistinguishable from other activities that the Board has previously approved as appropriate for a bank holding company subsidiary. In addition, Applicant states that Company has a long-standing relationship with Canadian federal, provincial and municipal governments and has developed special expertise in advising such entities, particularly with respect to the issuance of their securities in the United States.

3. Asset data are as of January 31, 1987. Banking data are as of December 31, 1986.

4. *Securities Industry Ass'n v. Board of Governors*, 821 F.2d 810 (D.C. Cir. 1987), *cert. denied*, 56 U.S.L.W. 3451 (U.S. Jan. 11, 1988) (No. 87-562).

5. Under this proposal, Company will not act as principal or take a position (*i.e.*, bear the financial risk) in any securities it brokers or recommends except bank-eligible securities. Where Company provides investment advice on any bank-eligible securities that it is at the same time carrying for its own account, Company will disclose such fact to its customers in accordance with prior Board decisions. *See, Manufacturers Hanover Corporation*, 70 FEDERAL RESERVE BULLETIN 661, 662 (1984). As in *Bank of Nova Scotia*, Company will execute a transaction only at the direction of a customer and will not exercise discretion with respect to any customer account. Company will not execute any transaction where an affiliate exercises investment discretion without customer authorization. Company will offer investment advice, as well as provide securities execution services, to institutional customers on an integrated basis, *i.e.*, Company will not charge an explicit fee for the investment advice and will receive fees only for transactions executed for customers. If Company offers its advisory services for a separate fee, it will not require its advisory customers to use its brokerage services. In addition, as in *Bank of Nova Scotia*, Company will employ a $1 million threshold in determining institutional customers and will share customer lists with its affiliates, but not confidential information obtained from its customers.

The Board believes that the slight modification proposed by Applicant to the activity previously approved by the Board in *Bank of Nova Scotia* does not alter the activity to render it less closely related to banking. Moreover, Applicant's modification would not appear to alter the activity such that the public benefits stemming from this proposal, such as increased competition, customer convenience and efficiency, would be outweighed by adverse effects.

Applicant has also requested permission for Company to continue to engage in underwriting and dealing in Canadian government debt obligations. These are activities that are not permitted for U.S. bank holding companies and the Board does not propose to authorize such activities at this time. In light of the fact that the acquisition of Company is only a small part of a larger transaction in Canada, however, and in order to permit an orderly transition, the Board under section 4(c)(9) has determined that Company may continue to engage in such activities with respect to Canadian government debt obligations for six months, after which time the activities must be conformed to the requirements of the BHC Act.

Consummation of the proposal is not likely to result in decreased or unfair competition, conflicts of interest, unsound banking practices, concentration of resources, or other adverse effects. Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective March 28, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

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

First City Acquisition Corporation
Houston, Texas

Order Approving Formation of a Bank Holding Company

First City Acquisition Corporation, Houston, Texas, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring the assets and assuming the liabilities of First City Bancorporation of Texas, Inc., Houston, Texas ("FCB"), thereby acquiring all of FCB's subsidiary banks, which are listed in the Appendix to this Order.[1] Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire the nonbanking companies of FCB.[2] Applicant also has provided notice to the Board under section 25(a) of the Federal Reserve Act and 12 C.F.R. § 211.4(b)(3) of its intention to acquire indirectly control of First City International Corporation of Texas, an Edge Act corporation.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been duly published (53 *Federal Register* 3,454, 4,074 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Applicant is a nonoperating corporation formed for the purpose of acquiring the banking and nonbanking subsidiaries of FCB. Together, the banking subsidiaries to be acquired are the fourth largest commercial banking organizations in Texas, with deposits of approximately $10.6 billion, representing approximately 7.0 percent of the total deposits in commercial banks

1. After consummation of this proposal, Applicant will operate under the name of First City Bancorporation of Texas, Inc.

2. Applicant proposes to acquire: Central Texas Insurance Agency, Inc., Houston, Texas, and thereby engage in acting as a managing general agent with respect to insurance for Applicant's banking subsidiaries and credit-related life, health, property and casualty insurance; First City Life Insurance Company, Houston, Texas, and thereby engage in underwriting credit life and credit accident and health insurance directly related to extensions of credit by credit-granting subsidiaries of Applicant; First City Energy Finance Company, Houston, Texas, and thereby engage in making and acquiring loans and extensions of credit, both secured and unsecured, which relate to energy development, exploration and energy support projects; and First City Financial Corporation, Houston, Texas, and thereby engage in making and servicing loans, and leasing personal and real property. These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. §§ 225.25(b)(1), (5), (8)(i), (8)(iv), and (8)(v).

in Texas.[3] Accordingly, consummation of the proposal would not increase the concentration of banking resources in Texas.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving any application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[4] unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." One of the banks Applicant proposes to acquire is First City Bank, Sioux Falls, N.A., Sioux Falls, South Dakota ("Bank"). Effective February 17, 1988, South Dakota law permits an out-of-state banking organization to acquire a bank located in South Dakota if the acquisition is part of an FDIC-assisted transaction.[5] The South Dakota Banking Commission approved Applicant's acquisition of Bank on February 24, 1988. Based on the foregoing factors and its own review of the record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of South Dakota, and thus Board approval is not prohibited by the Douglas Amendment.

FCB's banks operate in 20 banking markets in Texas.[6] Principals of Applicant are not affiliated with any other depository institution in these markets. Accordingly, the Board has determined that the proposal would not have a significant adverse effect on competition in these markets.

In evaluating this application, the Board has considered the effect of the proposed acquisition on Applicant and FCB. This proposal is part of an FDIC-assisted reorganization designed to address the financial condition of FCB and its subsidiary banks. As part of this proposal, FCB will transfer approximately $1.8 billion in low-quality assets from its subsidiary banks to Collecting Bank, a national bank in liquidation. In exchange, the subsidiary banks will receive $764 million in notes of the Collecting Bank and $970 million in notes from the FDIC. The FDIC also has agreed to purchase approximately $43 million of Applicant's nonvoting junior convertible participating preferred stock. In addition, a group of new outside investors will provide approximately $500 million of new capital. This increase in primary capital is considered to be a significant factor weighing in favor of the proposal.

After a review of this proposal in light of the financial assistance by the FDIC, the substantial capital injection by outside investors, and other facts of record, the Board concludes that the financial resources of Applicant, FCB, and its subsidiary banks are consistent with approval of this application. Convenience and needs considerations also are consistent with approval.

As indicated earlier, Applicant also has applied, pursuant to section 4(c)(8), to acquire the leasing, lending, and insurance subsidiaries of FCB. Because Applicant is a nonoperating corporation formed for the purpose of acquiring the banking and nonbanking subsidiaries of FCB, Applicant does not operate any nonbanking subsidiaries that compete with these companies. Further, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the application to acquire the nonbanking subsidiaries and activities.

Applicant has requested the Board's authorization to retain the insurance agency activities of FCB's wholly owned subsidiary, Central Texas Insurance Agency, Inc. ("Agency"), which engages in acting as a managing general agent with respect to (i) insurance for FCB's banking subsidiaries, and (ii) credit-related life, health, property, and casualty insurance. The former of these activities is permissible pursuant to the Board's Regulation Y, 12 C.F.R. 225.25(b)(8)(V). The latter activity is permissible pursuant to exemption D of the Garn–St Germain Depository Institutions Act of 1982 (the "Garn Act").[7] Exemption D of the Garn Act permits a bank holding company to engage in "any insurance activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982."

On August 22, 1980, FCB obtained approval for Agency to act as managing general agent for the sale of credit-related life, health, property, and casualty in-

3. Banking data are as of June 30, 1987.

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

5. An Act to permit reciprocal interstate banking and to declare an emergency, S.D. House Bill No. 1314 (to be codified at S.D. Laws Ann. § 51–16–40 (1988)).

6. These markets are: Austin RMA, Beaumont/Port Arthur RMA, Dallas banking market, Ft. Worth banking market, Houston RMA, San Antonio RMA, Beaumont/Port Arthur MSA, Brazoria MSA, Bryan/College Station MSA, Corpus Christi MSA, El Paso MSA, McAllen/Edinburg/Mission MSA, Midland MSA, San Angelo MSA, Tyler MSA, Angelina County, Austin County, Jim Wells County, Madison County, and Young County.

7. 12 U.S.C. § 1843 (c)(8)(D). Such activities may be conducted in the grandfathered company's home state, states adjacent thereto or any state where the company was authorized to operate an insurance business before the grandfather date.

surance, and Agency was engaged in those activities on the grandfathered date. Accordingly, Agency is entitled to continue this activity under exemption D.

The Board has previously determined in *Sovran Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 672 (1987), that an insurance agency which is entitled to continue to sell insurance under exemption D does not lose its grandfathered rights if the agency is acquired by another bank holding company provided the agency maintains its separate corporate structure and its insurance activities are not extended to other subsidiaries within the acquiror's banking organization. Agency will remain a separate subsidiary of Applicant, and its insurance activities will not be conducted by any of Applicant's subsidiaries. Accordingly, the Board has determined to permit Agency to continue to engage in insurance activities following its acquisition by Applicant.[8]

The Board also has considered the notice of Applicant's acquisition of control of First City International Corporation of Texas under the Edge Act. Based on the facts of record, the Board has determined that disapproval of the proposed investment is not warranted.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The acquisition of the banks listed in the Appendix to this Order shall not be consummated before the fifth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Dallas, acting pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective March 3, 1988.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, and Heller. Abstaining from this action: Governor Kelley.

JAMES MCAFEE
Associate Secretary of the Board

8. Pursuant to exemption D, Agency may sell insurance only in the home state of FCB under the Douglas Amendment, and states adjacent to Texas.

APPENDIX

(Subsidiary Banks of FCB)

First City National Bank of Houston, Houston, Texas; First City Bank - Almeda Genoa, Houston, Texas; First City Bank - Bear Creek, Houston, Texas; First City Bank - Bellaire, N.A., Bellaire, Texas; First City Bank - Clear Lake, Houston, Texas; First City Bank - Fondren South, Houston, Texas; First City Bank - Gulfgate, Houston, Texas; First City Bank of Highland Village, Houston, Texas; First City Bank of Humble, Humble, Texas; First City Bank - Inwood Forest, N.A., Houston, Texas; First City Bank - Lake Jackson, Lake Jackson, Texas; First City Bank - Medical Center, N.A., Houston, Texas; First City Bank - North Belt, N.A., Houston, Texas; First City Bank - Northchase, N.A., Houston, Texas; First City Bank - Northeast, N.A., Houston, Texas; First City Bank - Northline, Houston, Texas; First City National Bank of Richmond, Richmond, Texas; First City Bank - Westwood, N.A., Houston, Texas; First City Bank - Westheimer, N.A., Houston, Texas; First City Bank - Westheimer Plaza, N.A., Houston, Texas; First City Bank of Dallas, Dallas, Texas; First City National Bank of Arlington, Arlington, Texas; First City Bank - Central Arlington, N.A., Arlington, Texas; First City National Bank of Colleyville, Colleyville, Texas; First City Bank - East Dallas, Dallas, Texas; First City Bank - Farmers Branch, Farmers Branch, Texas; First City Bank - Forest Hill, Fort Worth, Texas; First City National Bank of Fort Worth, Fort Worth, Texas; First City Bank of Garland, N.A., Garland, Texas; First City National Bank of Grand Prairie, Grand Prairie, Texas; First City Bank of Lancaster, Lancaster, Texas; First City Bank of Lewisville, Lewisville, Texas; First City Bank - Market Center, N.A., Dallas, Texas; First City Bank of Plano, N.A., Plano, Texas; First City Bank of Richardson, Richardson, Texas; First City Bank - Valley View, Dallas, Texas; First City National Bank of Bryan, Bryan, Texas; First City National Bank of El Paso, El Paso, Texas; First City National Bank of Midland, Midland, Texas; First City National Bank of Tyler, Tyler, Texas; First City National Bank of Austin, Austin, Texas; First City Bank - Northwest Hills, N.A., Austin, Texas; First City National Bank of Beaumont, Beaumont, Texas; First City Bank - Central, Beaumont, Texas; First City Bank - Gateway, N.A., Beaumont, Texas; Graham National Bank, Graham, Texas; First City Bank of Kountze, Kountze, Texas; First City National Bank of Lufkin, Lufkin, Texas; First City National Bank of Madisonville, Madisonville, Texas; First City National Bank of Orange, Orange, Texas; First City National Bank of San Angelo, San Angelo, Texas; First City Bank of Sour Lake, Sour Lake, Texas; First City Bank of Alice, Alice, Texas; First City Bank of Aransas Pass, Aransas Pass, Texas; First City Bank of Corpus Christi, Corpus Christi, Texas; First City Bank - Central Park, San Antonio, Texas; First City Bank - Forum, N.A., San Antonio, Texas; First City Bank - Windsor Park, San Antonio, Texas; McAllen State Bank, McAllen, Texas; Citizens State Bank, Sealy, Texas; and First City Bank, Sioux Falls, N.A., Sioux Falls, South Dakota.

Concurring Statement of Governor Angell

Although I join the majority in approving these applications, I would like to express my concern generally that the structure of the proposal makes it difficult for the Board to assess adequately the financial condition and future prospects of the resulting organization and its subsidiary banks. On balance, however, I would agree that the proposal represents the best available alternative under the circumstances.

March 3, 1988

Orders Approved Under Bank Holding Company Act

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Bank Maryland Corp., Towson, Maryland	Bank of Maryland-Harford County, Bel Air, Maryland	Richmond	March 24, 1988
B/W Bancshares, Inc., Lexington, Kentucky	Morehead National Bank, Morehead, Kentucky	Cleveland	March 8, 1988
Cadiz Bancorp, Inc., Cadiz, Kentucky	Bank of Cadiz and Trust Company, Cadiz, Kentucky	St. Louis	March 22, 1988
Capron Bancorp, Inc., Capron, Illinois	Capron State Bank, Capron, Illinois	Chicago	March 11, 1988
Cascade State Corp., Cascade, Iowa	Cascade State Bank, Cascade, Iowa	Chicago	February 26, 1988
CeeBee Corporation, Prattville, Alabama	The Citizens Bank, Prattville, Alabama	Atlanta	March 18, 1988
Commercial National Financial Corporation, Ithaca, Michigan	Commercial National Bank, Alma, Michigan	Chicago	March 18, 1988
Dominion Bankshares Corporation, Roanoke, Virginia	Greene County Bancshares, Inc., Greeneville, Tennessee	Richmond	February 25, 1988
Eastcorp, Inc., New York, New York	Eastbank, National Association, New York, New York	New York	March 30, 1988
Farmers Bancshares, Inc., Valmeyer, Illinois	State Bank of Breese, Breese, Illinois	St. Louis	March 4, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Fidelity Company, Dyersville, Iowa	Cascade State Corp., Cascade, Iowa	Chicago	February 26, 1988
Fifth Third Bancorp, Cincinnati, Ohio	C&H Bancorp, Piqua, Ohio	Cleveland	February 29, 1988
First of America Bank Corporation, Kalamazoo, Michigan First of America Bancorporation-Indiana, Kalamazoo, Michigan	Rensselaer Financial Corporation, Rensselaer, Indiana	Chicago	February 26, 1988
First Commercial Bancshares, Inc., Jasper, Alabama	The Bank of Tuscaloosa, Tuscaloosa, Alabama	Atlanta	March 3, 1988
First United Bancorp, Inc., Middletown, Indiana	First United Bank, Middletown, Indiana	Chicago	February 25, 1988
Fort Worth State Bancshares, Inc., Fort Worth, Texas	Fort Worth State Bank, Fort Worth, Texas	Dallas	March 10, 1988
Georgetown Bancorp, Inc., Georgetown, Kentucky	Georgetown Bank & Trust Company, Georgetown, Kentucky	Cleveland	March 17, 1988
Greater Pacific Bancshares, Whittier, California	Bank of Whittier, N.A., Whittier, California	San Francisco	February 26, 1988
Homestate Bancorp, Inc., Indianapolis, Indiana	Salem Bancorp, Inc., Salem, Indiana	St. Louis	March 11, 1988
Landmark Financial Corporation, Hartford, Connecticut	SBT Corp., Old Saybrook, Connecticut	Boston	February 29, 1988
Liberty National Bancorp, Inc., Louisville, Kentucky	Bank of Shelbyville, Shelbyville, Kentucky	St. Louis	March 18, 1988
Northern Missouri Bancshares, Inc., Unionville, Missouri	Farmers Bank of Unionville, Unionville, Missouri	Kansas City	March 18, 1988
Northern of Tennessee Corp., Clarksville, Tennessee	Stewart County Bancorp, Inc., Dover, Tennessee	Atlanta	February 26, 1988
Owenton Bancorp, Inc. Employee Stock Ownership Trust, Owenton, Kentucky	Owenton Bancorp, Inc., Owenton, Kentucky	St. Louis	March 9, 1988
Pioneer Bancorporation, Inc., Aurora, Colorado	City Center National Bank, Aurora, Colorado	Kansas City	March 10, 1988
Powell Valley Bankshares, Inc., Jonesville, Virginia	Powell Valley National Bank, Jonesville, Virginia	Richmond	February 29, 1988
Public National Bank Corporation, Key Largo, Florida	The First National Bank of Monroe County, Key Largo, Florida	Atlanta	March 18, 1988
Security Bank F. M. Bank Shares, Flower Mound, Texas	Security Bank, Flower Mound, Texas	Dallas	March 3, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Somers Bancorporation, Des Moines, Iowa	Somers Savings Bank, Somers, Iowa	Chicago	March 10, 1988
South Holland Bancorp, Inc., South Holland, Illinois	First Dolton Corp., Dolton, Illinois	Chicago	February 26, 1988
SouthTrust Corporation, Birmingham, Alabama	Melton's Bank, Liberty, Tennessee	Atlanta	February 25, 1988
State Bancshares, Inc., Haverford, Pennsylvania	Jefferson Bank of New Jersey, Mount Laurel, New Jersey	Philadelphia	March 18, 1988
Stockton Bancshares, Inc., Stockton, Kansas	Farmers and Merchants Bank of Hill City, Hill City, Kansas	Kansas City	February 23, 1988
Traer Shares, Inc., Traer, Iowa	Brenton Bank & Trust Company of Vinton, Vinton, Iowa	Chicago	February 25, 1988
Union Planters Corporation, Memphis, Tennessee Union Planters — CBC Bancorp Acquisition Company, Memphis, Tennessee	CBC Bancorp, Inc., Cookeville, Tennessee	St. Louis	March 18, 1988
United Bankshares, Inc., Charleston, West Virginia	Heritage Bancorp, Inc., Glenville, West Virginia	Richmond	March 23, 1988
United Bankshares, Inc., Charleston, West Virginia	Ohio Valley National Bank of Vienna, Vienna, West Virginia	Richmond	March 23, 1988
United Bankshares, Inc., Charleston, West Virginia	Webster County National Bank, Webster Springs, West Virginia	Richmond	March 23, 1988
USA Bancorp, Inc., Boston, Massachusetts	Olympic International Bank & Trust Company, Boston, Massachusetts	Boston	February 22, 1988
West Coast Bancorp, Inc., Cape Coral, Florida	First National Bank of Southwest Florida, Cape Coral, Florida	Atlanta	March 9, 1988

Section 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
AmeriTrust Corporation, Cleveland, Ohio	engage in the purchase and sale of gold and silver bullion and gold coins underwrite and deal in government obligations and money market instruments and provide financial and investment advice in relation thereto	Cleveland	March 22, 1988

Section 4—Continued

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
First American Bank Corporation, Elk Grove Village, Illinois	Midwest Data Pro, Inc., Kansas City, Missouri	Chicago	March 10, 1988
First Tennessee National Corporation, Memphis, Tennessee	GulfNet, Inc., New Orleans, Louisiana	St. Louis	March 4, 1988

Sections 3 and 4

Applicant	Banks(s)/ Nonbanking Company	Reserve Bank	Effective date
First Financial Services of Moose Lake, Inc., Moose Lake, Minnesota	First National Bank of Moose Lake, Moose Lake, Minnesota First National Agency of Moose Lake, Inc., Moose Lake, Minnesota	Minneapolis	March 4, 1988

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective date
Chemical Bank Bay Area, Bay City, Michigan	KawKawlin Michigan Branch of Chemical Bank and Trust Company, Midland, Michigan	Chicago	March 18, 1988
Citizens Bank and Trust Company, Baytown, Texas	First American Bank & Trust of Baytown, Baytown, Texas	Dallas	March 11, 1988
The Commercial Bank of Champaign, Champaign, Illinois	Marine American National Bank of Champaign, Champaign, Illinois	Chicago	March 18, 1988

Orders Approved Under Bank Service Corporation Act

By Federal Reserve Banks

Applicant	Corporation	Reserve Bank	Effective date
National Bank of Commerce of Mississippi, Starkville, Mississippi	NBC Service Corporation, Starkville, Mississippi	St. Louis	March 23, 1988

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.

Bonilla v. Board of Governors, No. 88–1464 (7th Cir., filed March 11, 1988).
Cohen v. Board of Governors, No. 88–1061 (D.N.J., filed March 7, 1988).
Irving Bank Corporation v. Board of Governors, No. 88–1176 (D.C. Cir., filed March 1, 1988).
Stoddard v. Board of Governors, No. 88–1148 (D.C. Cir., filed Feb. 25, 1988).
Securities Industry Association v. Board of Governors, No. 87–4161 (2d Cir., filed Dec. 15, 1987).
Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–1686 (D.C. Cir., filed Nov. 19, 1987).
National Association of Casualty and Surety Agents, et al., v. Board of Governors, Nos. 87–1644, 87–1801, 88–1001 88–1206, 88–1245 (D.C. Cir., filed Nov. 4, Dec. 21, 1987, Jan. 4, March 18, March 30, 1988).
Teichgraeber v. Board of Governors, No. 87–2505–0 (D. Kan., filed Oct. 16, 1987).
Securities Industry Association v. Board of Governors, No. 87–4135 (2d Cir., filed Oct. 8, 1987).
Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–4118 (2d Cir., filed Sept. 17, 1987).
Citicorp v. Board of Governors, No. 87–1475 (D.C. Cir., filed Sept. 9, 1987).
Securities Industry Association v. Board of Governors, No. 87–4115 (2d Cir., filed Sept. 9, 1987)
Barrett v. Volcker, No. 87–2280 (D.D.C., filed Aug. 17, 1987).
Northeast Bancorp v. Board of Governors, No. 87–1365 (D.C. Cir., filed July 31, 1987).
National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87–1354, 87–1355 (D.C. Cir., filed July 29, 1987).
The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir., filed July 20, 1987).
Securities Industry Association v. Board of Governors, Nos. 87–4091, 87–4093, 87–4095 (2d Cir., filed July 1 and July 15, 1987).
Lewis v. Board of Governors, Nos. 87–3455, 87–3545 (11th Cir., filed June 25, Aug. 3, 1987).
Securities Industry Association v. Board of Governors, et al., No. 87–4041 and consolidated cases (2d Cir., filed May 1, 1987).
Securities Industry Association v. Board of Governors, et al., No. 87–1169 (D.C. Cir., filed April 17, 1987).
Independent Insurance Agents of America, et al. v. Board of Governors, Nos. 86–1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).
Independent Community Bankers Association of South Dakota v. Board of Governors, No. 86–5373 (8th Cir., filed Oct. 3, 1986).
Jenkins v. Board of Governors, No. 86–1419 (D.C. Cir., filed July 18, 1986).
CBC, Inc. v. Board of Governors, No. 86–1001 (10th Cir., filed Jan. 2, 1986).
Melcher v. Federal Open Market Committee, No. 87–1546 (S.Ct., filed April 30, 1984).

Directors of Federal Reserve Banks and Branches

Regional decentralization and a combination of governmental and private characteristics are important hallmarks of the uniqueness of the Federal Reserve System. Under the Federal Reserve Act, decentralization was achieved by division of the country into 12 regions called Federal Reserve Districts and the establishment in each District of a separately incorporated Federal Reserve Bank with its own board of directors. The blending of private and governmental characteristics is provided through ownership of the stock of the Reserve Bank by member banks in its District, who also elect the majority of the board of directors, and by the general supervision of the Reserve Banks by the Board of Governors, an agency of the federal government. The Board also appoints a minority of each board of directors. Thus, there are essential elements of regional participation and counsel in the conduct of the System's affairs for which the Federal Reserve relies importantly on the contributions of the directors of the Federal Reserve Banks and Branches.

The following list of directors of Federal Reserve Banks and Branches shows for each director the class of directorship, the principal business affiliation, and the date the current term expires. Each Federal Reserve Bank has nine members on its board of directors: the member banks elect the three Class A and three Class B directors, and the Board of Governors appoints the three directors in Class C. Directors are chosen without discrimination as to race, creed, color, sex, or national origin.

Class A directors of each Reserve Bank represent the stockholding member banks of the Federal Reserve District. Class B and Class C directors represent the public and are chosen with due, but not exclusive, consideration to the interests of agriculture, commerce, industry, services, labor, and consumers; they may not be officers, directors, or employees of any bank. In addition, Class C directors may not be stockholders of any bank. The Board of Governors designates annually one Class C director as chairman of the board of directors of each District Bank and designates another Class C director as deputy chairman.

Each of the 25 Branches of Federal Reserve Banks has a board of either seven or five directors, a majority of whom are appointed by the parent Federal Reserve Bank; the others are appointed by the Board of Governors. One of the Board's appointees is designated annually as chairman of the board of that Branch in a manner prescribed by the parent Federal Reserve Bank.

The names of the chairman and deputy chairman of the board of directors of each Reserve Bank and of the chairman of each Branch are published monthly in the FEDERAL RESERVE BULLETIN.[1]

1. The current list appears on page A85 of this BULLETIN.

DISTRICT 1—BOSTON

Class A

William C. Bullock, Jr.	Chairman and President, Merrill Bankshares Company, Bangor, Maine	1988
John P. LaWare	Chairman and Chief Executive Officer, Shawmut Corporation, Boston, Massachusetts	1989
Richard D. Wardell	President and Chief Executive Officer, The National Iron Bank, Salisbury, Connecticut	1990

Class B

Matina S. Horner	President, Radcliffe College, Cambridge, Massachusetts	1988
Richard M. Oster	President and Chief Executive Officer, Cookson America, Inc., Providence, Rhode Island	1989
Stephen R. Levy	Chairman and Chief Executive Officer, Bolt Beranek and Newman, Inc., Cambridge, Massachusetts	1990

DISTRICT 1—Continued

Class C

		Term expires Dec. 31
George N. Hatsopoulos	Chairman of the Board and President, Thermo Electron Corporation, Waltham, Massachusetts	1988
Richard N. Cooper	Maurits C. Boas Professor of International Economics, Harvard University, Cambridge, Massachusetts	1989
Richard L. Taylor	President, Taylor Properties, Inc., Boston, Massachusetts	1990

DISTRICT 2—NEW YORK

Class A

John F. McGillicuddy	Chairman of the Board and Chief Executive Officer, Manufacturers Hanover Trust Company, New York, New York	1988
Alberto M. Paracchini	Chairman of the Board and President, Banco de Ponce, Ponce, Puerto Rico	1989
J. Kirby Fowler	President and Chief Executive Officer, The Flemington National Bank and Trust Company, Flemington, New Jersey	1990

Class B

Richard L. Gelb	Chairman and Chief Executive Officer, Bristol-Myers Company, New York, New York	1988
John A. Georges	Chairman and Chief Executive Officer, International Paper Company, New York, New York	1989
John F. Welch, Jr.	Chairman and Chief Executive Officer, General Electric Company, Fairfield, Connecticut	1990

Class C

John Brademas	President, New York University, New York, New York	1988
John R. Opel	Chairman of the Executive Committee, International Business Machines Corporation, Armonk, New York	1989
Ellen V. Futter	President, Barnard College, Columbia University, New York, New York	1990

—BUFFALO BRANCH

Appointed by the Federal Reserve Bank

R. Carlos Carballada	President and Chief Executive Officer, Central Trust Company, Rochester, New York	1988
Donald I. Wickham	President, Tri-Way Farms, Inc., Stanley, New York	1988
Harry J. Sullivan	President, Salamanca Trust Company, Salamanca, New York	1989
Norman W. Sinclair	President and Chief Executive Officer, Lockport Savings Bank, Lockport, New York	1990

Appointed by the Board of Governors

Mary Ann Lambertsen	Vice President, Human Resources, The Quaker Oats Company, Fisher-Price Division, East Aurora, New York	1988
Matthew Augustine	President and Chief Executive Officer, Eltrex Industries, Inc., Rochester, New York	1989
Paul E. McSweeney	Executive Vice President, United Food and Commercial Workers, District Union Local One, AFL–CIO, Buffalo, New York	1990

DISTRICT 3—PHILADELPHIA

Class A

		Term expires Dec. 31
Clarence D. McCormick	President, The Farmers and Merchants National Bank, Bridgeton, New Jersey	1988
George A. Butler	Chairman and Chief Executive Officer, First Pennsylvania Bank, N.A., Philadelphia, Pennsylvania	1989
Constantinos I. Costalas	Chairman, President, and Chief Executive Officer, Glendale National Bank of New Jersey, Voorhees, New Jersey	1990

Class B

Nicholas Riso	President and Chief Executive Officer, Giant Food Stores, Inc., Carlisle, Pennsylvania	1988
Carl E. Singley	Partner, White, McClelland and Singley, Philadelphia, Pennsylvania	1989
Charles F. Seymour	Chairman, Jackson-Cross Company, Philadelphia, Pennsylvania	1990

Class C

Nevius M. Curtis	Chairman and Chief Executive Officer, Delmarva Power, Wilmington, Delaware	1988
Peter A. Benoliel	Chairman of the Board, Quaker Chemical Corporation, Conshohocken, Pennsylvania	1989
Jane G. Pepper	President, The Pennsylvania Horticultural Society, Philadelphia, Pennsylvania	1990

DISTRICT 4—CLEVELAND

Class A

William A. Stroud	Chairman, First-Knox National Bank, Mount Vernon, Ohio	1988
Frank Wobst	Chairman and Chief Executive Officer, Huntington Bancshares Incorporated, Columbus, Ohio	1989
William H. May	Chairman and President, First National Bank of Nelsonville, Nelsonville, Ohio	1990

Class B

Daniel M. Galbreath	President, John W. Galbreath, Columbus, Ohio	1988
Laban P. Jackson, Jr.	Chairman of the Board, International Spike, Inc., Lexington, Kentucky	1989
Verna K. Gibson	President, The Limited Stores, Inc., Columbus, Ohio	1990

Class C

John R. Miller	Former President and Chief Operating Officer, The Standard Oil Company (Ohio), Cleveland, Ohio	1988
Charles W. Parry	Director, and Former Chairman and Chief Executive Officer, Aluminum Company of America, Pittsburgh, Pennsylvania	1989
Robert D. Storey	Partner, Burke, Haber and Berick, Cleveland, Ohio	1990

DISTRICT 4—Continued		*Term expires Dec. 31*
—CINCINNATI BRANCH		
Appointed by the Federal Reserve Bank		
Robert A. Hodson	President and Chief Executive Officer, 1st Security Bank, Hillsboro, Ohio	1988
Robert M. Duncan	President and Chief Executive Officer, First National Bank of Louisa, Louisa, Kentucky	1989
Jack W. Buchanan	President, Sphar and Company, Inc., Winchester, Kentucky	1990
Jerry L. Kirby	Chairman of the Board and President, Citizens Federal Savings and Loan Association, Dayton, Ohio	1990
Appointed by the Board of Governors		
Kate Ireland	National Chairman, Frontier Nursing Service, Wendover, Kentucky	1988
Owen B. Butler	Chairman of the Board (Retired), The Procter and Gamble Company, Cincinnati, Ohio	1989
Marvin Rosenberg	Partner, Towne Properties, Ltd., Cincinnati, Ohio	1990
—PITTSBURGH BRANCH		
Appointed by the Federal Reserve Bank		
Lawrence F. Klima	President, The First National Bank of Pennsylvania, Erie, Pennsylvania	1988
Thomas G. Dove	Chairman of the Executive Committee and Chief Executive Officer, Wheeling Dollar Bank, Wheeling, West Virginia	1989
George A. Davidson, Jr.	Chairman and Chief Executive Officer, Consolidated Natural Gas Company, Pittsburgh, Pennsylvania	1990
Stephen C. Hansen	President and Chief Executive Officer, Dollar Bank, F.S.B., Pittsburgh, Pennsylvania	1990
Appointed by the Board of Governors		
James E. Haas	President and Chief Operating Officer, National Intergroup, Inc., Pittsburgh, Pennsylvania	1988
Karl M. von der Heyden	Senior Vice President-Finance and Chief Financial Officer, H.J. Heinz Company, Pittsburgh, Pennsylvania	1989
Milton A. Washington	President and Chief Executive Officer, Allegheny Housing Rehabilitation Corporation, Pittsburgh, Pennsylvania	1990

DISTRICT 5—RICHMOND

Class A

K. Donald Menefee	Chairman of the Board and Chief Executive Officer, Madison National Bank, and Chairman of the Board and President, James Madison Limited, Washington, D.C.	1988
Chester A. Duke	President and Chief Executive Officer, Marion National Bank, Marion, South Carolina	1989
John F. McNair III	President and Chief Executive Officer, Wachovia Bank and Trust Company, N.A., and The Wachovia Corporation, Winston-Salem, North Carolina	1990

DISTRICT 5—Continued

		Term expires Dec. 31
Class B		
Edward H. Covell	President, The Covell Company, Easton, Maryland	1988
Thomas B. Cookerly	President, Broadcast Division, Allbritton Communications, Washington, D.C.	1989
Jack C. Smith	Chairman of the Board and Chief Executive Officer, K-VA-T Food Stores, Inc., Grundy, Virginia	1990
Class C		
Robert A. Georgine	President, Building and Construction Trades Department, AFL–CIO, Washington, D.C.	1988
Leroy T. Canoles, Jr.	President, Kaufman and Canoles, Norfolk, Virginia	1989
Hanne M. Merriman	President and Chief Executive Officer, Honeybee, Inc., New York, New York	1990

—BALTIMORE BRANCH

Appointed by the Federal Reserve Bank

H. Grant Hathaway	Chairman of the Board, Equitable Bank, N.A., Baltimore, Maryland	1988
Joseph W. Mosmiller	Chairman of the Board, Loyola Federal Savings and Loan Association, Baltimore, Maryland	1988
Charles W. Hoff III	President and Chief Executive Officer, Farmers and Mechanics National Bank, Frederick, Maryland	1989
Raymond V. Haysbert, Sr.	President and Chief Executive Officer, Parks Sausage Company, Baltimore, Maryland	1990

Appointed by the Board of Governors

Thomas R. Shelton	President, Case Foods, Inc., Salisbury, Maryland	1988
John R. Hardesty, Jr.	President, Preston Energy, Inc., Kingwood, West Virginia	1989
Gloria L. Johnson	Regional Vice President and Director of Stores, Bloomingdale's Department Stores, Kensington, Maryland	1990

—CHARLOTTE BRANCH

Appointed by the Federal Reserve Bank

J. Donald Collier	President and Chief Executive Officer, Orangeburg National Bank, Orangeburg, South Carolina	1988
James G. Lindley	Chairman and Chief Executive Officer, South Carolina National Corporation, and Chairman, President, and Chief Executive Officer, The South Carolina National Bank, Columbia, South Carolina	1988
John A. Hardin	Chairman of the Board and President, First Federal Savings Bank, Rock Hill, South Carolina	1989
James M. Culberson, Jr.	Chairman and President, The First National Bank of Randolph County, Asheboro, North Carolina	1990

Appointed by the Board of Governors

G. Alex Bernhardt	President, Bernhardt Industries, Inc., Lenoir, North Carolina	1988
Anne M. Allen	Vice President and General Manager, Merrill Lynch Realty, Greensboro, North Carolina	1989
William E. Masters	President, Perception, Inc., Easley, South Carolina	1990

DISTRICT 6—ATLANTA

Class A

		Term expires Dec. 31
Virgil H. Moore, Jr.,	Chairman and Chief Executive Officer, First Farmers and Merchants National Bank, Columbia, Tennessee	1988
Mary W. Walker	Vice Chairman, The National Bank of Walton County, Monroe, Georgia	1989
E.B. Robinson, Jr.	Chairman and Chief Executive Officer, Deposit Guaranty National Bank and Deposit Guaranty Corporation, Jackson, Mississippi	1990

Class B

Bernard F. Sliger	President, Florida State University, Tallahassee, Florida	1988
Paul W. Green	President and Chief Executive Officer, American Cast Iron Pipe Company, Birmingham, Alabama	1989
Gary J. Chouest	President, Edison Chouest Offshore, Inc., Galliano, Louisiana	1990

Class C

Larry L. Prince	President and Chief Operating Officer, Genuine Parts Company, Atlanta, Georgia	1988
Bradley Currey, Jr.	President, Rock-Tenn Company, Norcross, Georgia	1989
Edwin A. Huston	Senior Executive Vice President-Finance, Ryder System, Inc., Miami, Florida	1990

—BIRMINGHAM BRANCH

Appointed by the Federal Reserve Bank

William F. Childress	President, First American Federal Savings and Loan Association, Huntsville, Alabama	1988
Milton A. Wendland	Owner-Operator, Autauga Farming Company, Autaugaville, Alabama	1988
John H. Newman	President and Chief Executive Officer, First National Bank of Scottsboro, Scottsboro, Alabama	1989
Harry B. Brock, Jr.	Chairman and Chief Executive Officer, Central Bank of the South, Birmingham, Alabama	1990

Appointed by the Board of Governors

Roy D. Terry	President and Chief Executive Officer, Terry Manufacturing Company, Inc., Roanoke, Alabama	1988
Nelda P. Stephenson	President, Nelda Stephenson Chevrolet, Inc., Florence, Alabama	1989
A.G. Trammell	President, Alabama Labor Council, AFL–CIO, Birmingham, Alabama	1990

—JACKSONVILLE BRANCH

Appointed by the Federal Reserve Bank

Robert R. Deison	Chairman of the Board and President, Andrew Jackson State Savings and Loan Association, Tallahassee, Florida	1988
George W. Gibbs III	President, Atlantic Dry Dock Corporation, Jacksonville, Florida	1988
A. Bronson Thayer	Chairman and Chief Executive Officer, First Florida Banks, Inc., Tampa, Florida	1989
Buell G. Duncan, Jr.	Chairman, President, and Chief Executive Officer, Sun Bank, N.A., Orlando, Florida	1990

DISTRICT 6—Continued
—JACKSONVILLE BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
E. William Nash, Jr.	President, South-Central Operations, The Prudential Insurance Company of America, Jacksonville, Florida	1988
Saundra H. Gray	Co-Owner, Gemini Springs Farm, DeBary, Florida	1989
Vacancy		1990

—MIAMI BRANCH

Appointed by the Federal Reserve Bank

William H. Losner	President and Chief Executive Officer, The First National Bank of Homestead, Homestead, Florida	1988
James H. Robinson	President, Sun Bank/South Florida, N.A., Fort Lauderdale, Florida	1989
Robert M. Taylor	Chairman and Chief Executive Officer, The Mariner Group, Inc., Fort Myers, Florida	1990
Frederick A. Teed	President and Chief Executive Officer, Community Savings, F.A., Riviera Beach, Florida	1990

Appointed by the Board of Governors

Sue McCourt Cobb	Attorney, Greenberg, Traurig, Askew, Hoffman, Lipoff, Rosen, and Quentel, P.A., Miami, Florida	1988
Jose L. Saumat	President, Kaufman and Roberts, Inc., Miami, Florida	1989
Robert D. Apelgren	President, Apelgren Corporation, Pahokee, Florida	1990

—NASHVILLE BRANCH

Appointed by the Federal Reserve Bank

W.L. Calloway, Jr.	Chairman, Quality Lawn Systems, Inc., Nashville, Tennessee	1988
Shirley A. Zeitlin	President, Shirley Zeitlin and Co. Realtors, Nashville, Tennessee	1988
Vacancy		1989
Lawrence A. Roseberry	Chairman, First National Bank and Trust Company, and Chairman and Chief Executive Officer, First Franklin Bancshares, Inc., Athens, Tennessee	1990

Appointed by the Board of Governors

Condon S. Bush	President, Bush Brothers and Company, Dandridge, Tennessee	1988
Patsy R. Williams	Partner, Rhyne Lumber Company, Newport, Tennessee	1989
Vacancy		1990

—NEW ORLEANS BRANCH

Appointed by the Federal Reserve Bank

Alan R. Barton	President and Chief Executive Officer, Mississippi Power Company, Gulfport, Mississippi	1988
Robert M. Shofstahl	President and Chief Executive Officer, Pelican Homestead and Savings Association, Metairie, Louisiana	1988
Robert S. Gaddis	President and Chief Executive Officer, Trustmark National Bank, Laurel, Mississippi	1989
Ronald M. Boudreaux	President and Chief Executive Officer, First National Bank of St. Landry Parish, Opelousas, Louisiana	1990

DISTRICT 6—Continued
—NEW ORLEANS BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
Sharon A. Perlis	President, Sharon A. Perlis, (APLC), Metairie, Louisiana	1988
James A. Hefner	President, Jackson State University, Jackson, Mississippi	1989
Caroline G. Theus	President, Inglewood Land and Development Company, Alexandria, Louisiana	1990

DISTRICT 7—CHICAGO

Class A

John W. Gabbert	President and Chief Executive Officer, First of America Bank-La Porte, N.A., La Porte, Indiana	1988
B.F. Backlund	President and Chief Executive Officer, Bartonville Bank, Bartonville, Illinois	1989
Barry F. Sullivan	Chairman of the Board and Chief Executive Officer, First National Bank of Chicago, Chicago, Illinois	1990

Class B

Max J. Naylor	Farmer, Jefferson, Iowa	1988
Paul J. Schierl	President and Chief Executive Officer, Fort Howard Paper Company, Green Bay, Wisconsin	1989
Edward D. Powers	Chairman of the Board, Mueller Company, Decatur, Illinois	1990

Class C

Charles S. McNeer	Chairman of the Board and Chief Executive Officer, Wisconsin Electric Power Company, Milwaukee, Wisconsin	1988
Robert J. Day	Chairman and Chief Executive Officer, USG Corporation, Chicago, Illinois	1989
Marcus Alexis	Dean, College of Business Administration, University of Illinois at Chicago, Chicago, Illinois	1990

—DETROIT BRANCH

Appointed by the Federal Reserve Bank

Donald R. Mandich	Chairman and Chief Executive Officer, Comerica Bank-Detroit, Detroit, Michigan	1988
Ronald D. Story	Chairman and President, The Ionia County National Bank of Ionia, Ionia, Michigan	1989
James A. Aliber	Chairman of the Board and Chief Executive Officer, First Federal of Michigan, Detroit, Michigan	1990
Frederik G.H. Meijer	Chairman of the Board, Meijer, Inc., Grand Rapids, Michigan	1990

Appointed by the Board of Governors

Phyllis E. Peters	Director, Professional Standards Review, Touche Ross and Company, Detroit, Michigan	1988
Richard T. Lindgren	President and Chief Executive Officer, Cross and Trecker Corporation, Bloomfield Hills, Michigan	1989
Beverly Beltaire	President, P R Associates, Inc., Detroit, Michigan	1990

DISTRICT 8—ST. LOUIS

Class A

		Term expires Dec. 31
Robert E. Menz	Chairman of the Board and President, The First National Bank of Highland, Highland, Illinois	1988
David W. Kemper II	Chairman and Chief Executive Officer, Commerce Bank of St. Louis, N.A., Clayton, Missouri, and President and Chief Executive Officer, Commerce Bancshares, Inc., Kansas City, Missouri	1989
H.L. Hembree III	Chairman of the Board and Chief Executive Officer, Arkansas Best Corporation, Fort Smith, Arkansas	1990

Class B

Robert J. Sweeney	Consultant, Murphy Oil Corporation, El Dorado, Arkansas	1988
Frank M. Mitchener, Jr.	President, Mitchener Farms, Inc., Sumner, Mississippi	1989
Roger W. Schipke	Senior Vice President, GE Appliances, General Electric Company, Louisville, Kentucky	1990

Class C

Robert L. Virgil, Jr.	Dean, John M. Olin School of Business, Washington University in St. Louis, St. Louis, Missouri	1988
H. Edwin Trusheim	Chairman, President, and Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri	1989
Janet McAfee Weakley	President, Janet McAfee, Inc., Clayton, Missouri	1990

—LITTLE ROCK BRANCH

Appointed by the Federal Reserve Bank

Robert C. Connor, Jr.	President, Union National Bank of Little Rock, Little Rock, Arkansas	1988
Patricia M. Townsend	President, Townsend Company, Stuttgart, Arkansas	1989
David Armbruster	President, First America Federal Savings Bank, Fort Smith, Arkansas	1990
W. Wayne Hartsfield	President and Chief Executive Officer, First National Bank, Searcy, Arkansas	1990

Appointed by the Board of Governors

James R. Rodgers	Airport Manager, Little Rock Regional Airport, Little Rock, Arkansas	1988
L. Dickson Flake	President, Barnes, Quinn, Flake and Anderson, Inc., Little Rock, Arkansas	1989
William E. Love	President, Sound-Craft Systems, Inc., Morrilton, Arkansas	1990

—LOUISVILLE BRANCH

Appointed by the Federal Reserve Bank

Allan S. Hanks	Director, The Anderson National Bank, Lawrenceburg, Kentucky	1988
Morton Boyd	President, First Kentucky National Corporation, Louisville, Kentucky	1989
Irving W. Bailey II	President and Chief Operating Officer, Capital Holding Corporation, Louisville, Kentucky	1990
Wayne G. Overall, Jr.	President, First Federal Savings Bank, Elizabethtown, Kentucky	1990

DISTRICT 8—Continued

—LOUISVILLE BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
Lois H. Gray	Chairman of the Board, James N. Gray Construction Company, Inc., Glasgow, Kentucky	1988
Thomas A. Alvey	Delegate, Owensboro Council of Labor, Owensboro, Kentucky	1989
Raymond M. Burse	President, Kentucky State University, Frankfort, Kentucky	1990

—MEMPHIS BRANCH

Appointed by the Federal Reserve Bank

William H. Brandon, Jr.	President, First National Bank of Phillips County, Helena, Arkansas	1988
Michael J. Hennessey	President, Munro and Company, Inc., Wynne, Arkansas	1989
Thomas M. Garrott	President and Chief Operating Officer, National Bank of Commerce and National Commerce Bancorporation, Memphis, Tennessee	1990
Larry A. Watson	Chairman of the Board and President, Liberty Federal Savings Bank, Paris, Tennessee	1990

Appointed by the Board of Governors

Katherine Hinds Smythe	President, Memorial Park, Inc., Memphis, Tennessee	1988
Sandra B. Sanderson	President and Chief Executive Officer, Sanderson Plumbing Products, Inc., Columbus, Mississippi	1989
Seymour B. Johnson	Owner, Kay Planting Company, Indianola, Mississippi	1990

DISTRICT 9—MINNEAPOLIS

Class A

Duane W. Ring	President, Norwest Bank La Crosse, N.A., La Crosse, Wisconsin	1988
Charles W. Ekstrum	President and Chief Executive Officer, First National Bank, Philip, South Dakota	1989
Joel S. Harris	President, Yellowstone Holding Company, Columbus, Montana	1990

Class B

Richard L. Falconer	District Staff Manager, Northwestern Bell, Minneapolis, Minnesota	1988
Bruce C. Adams	Partner, Triple Adams Farms, Lansford, North Dakota	1989
Earl R. St. John, Jr.	President and Owner, St. John Forest Products, Inc., Spalding, Michigan	1990

Class C

John A. Rollwagen	Chairman and Chief Executive Officer, Cray Research Inc., Minneapolis, Minnesota	1988
Michael W. Wright	Chairman and Chief Executive Officer, Super Valu Stores, Inc., Minneapolis, Minnesota	1989
Delbert W. Johnson	President and Chief Executive Officer, Pioneer/Norelkote, Minneapolis, Minnesota	1990

DISTRICT 9—Continued

—HELENA BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
Noble E. Vosburg	President and Chief Executive Officer, Pacific Hide and Fur Corporation, Great Falls, Montana	1988
Robert H. Waller	President and Chief Executive Officer, First Interstate Bank of Billings, N.A., Billings, Montana	1988
F. Charles Mercord	President and Managing Officer, First Federal Savings Bank of Montana, Kalispell, Montana	1989

Appointed by the Board of Governors

Marcia S. Anderson	President, Bridger Canyon Stallion Station, Inc., Bozeman, Montana	1988
Warren H. Ross	President, Ross 8–7 Ranch, Inc., Chinook, Montana	1989

DISTRICT 10—KANSAS CITY

Class A

Robert L. Hollis	Chairman of the Board and Chief Executive Officer, First National Bank and Trust Co., Okmulgee, Oklahoma	1988
Harold L. Gerhart, Jr.	President and Chief Executive Officer, First National Bank, Newman Grove, Nebraska	1989
Roger L. Reisher	Co-Chairman, FirstBank Holding Company of Colorado, Lakewood, Colorado	1990

Class B

Jerry D. Geist	Chairman and President, Public Service Company of New Mexico, Albuquerque, New Mexico	1988
Richard D. Harrison	Chairman and Chief Executive Officer, Fleming Companies, Inc., Oklahoma City, Oklahoma	1989
S. Dean Evans, Sr.	Partner, Evans Grain Company, Salina, Kansas	1990

Class C

Irvine O. Hockaday, Jr.	President and Chief Executive Officer, Hallmark Cards, Inc., Kansas City, Missouri	1988
Fred W. Lyons, Jr.	President and Chief Executive Officer, Marion Laboratories, Inc., Kansas City, Missouri	1989
Thomas E. Rodriguez	President and General Manager, Thomas E. Rodriguez and Associates, P.C., Aurora, Colorado	1990

—DENVER BRANCH

Appointed by the Federal Reserve Bank

George S. Jenks	President and Chief Executive Officer, Sunwest Financial Services, Inc., Albuquerque, New Mexico	1988
W. Richard Scarlett III	President, Jackson State Bank, Jackson Hole, Wyoming	1988
Henry A. True III	Partner, True Companies, Casper, Wyoming	1989
Junius F. Baxter	Chairman of the Board and Chief Executive Officer, Bank Western Federal Savings Bank, Denver, Colorado	1990

DISTRICT 10—Continued
—DENVER BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
Anthony W. Williams	Attorney, Williams, Turner, and Holmes, P.C., Grand Junction, Colorado	1988
James C. Wilson	Management Consultant, Longmont, Colorado	1989
Gilbert Sanchez	President, New Mexico Highlands University, Las Vegas, New Mexico	1990

—OKLAHOMA CITY BRANCH

Appointed by the Federal Reserve Bank

William O. Alexander	Chairman, Continental Federal Savings and Loan Association, Oklahoma City, Oklahoma	1988
W. Dean Hidy	Chairman of the Board, Triad Bank, N.A., Tulsa, Oklahoma	1988
William H. Crawford	Chairman and Chief Executive Officer, First National Bank and Trust Company, Frederick, Oklahoma	1989

Appointed by the Board of Governors

John F. Snodgrass	President and Trustee, The Samuel Roberts Noble Foundation, Inc., Ardmore, Oklahoma	1988
Patience S. Latting	Oklahoma City, Oklahoma	1989

—OMAHA BRANCH

Appointed by the Federal Reserve Bank

John R. Cochran	President and Chief Executive Officer, Norwest Bank Nebraska, N.A., Omaha, Nebraska	1988
John T. Selzer	President, Scottsbluff National Bank and Trust Company, Scottsbluff, Nebraska	1989
Charles H. Thorne	Chairman of the Board and Chief Executive Officer, First Federal Savings and Loan Association of Lincoln, Lincoln, Nebraska	1989

Appointed by the Board of Governors

Janice D. Stoney	President and Chief Executive Officer, Northwestern Bell Telephone Company, Omaha, Nebraska	1988
Kenneth L. Morrison	President, Morrison Enterprises, Hastings, Nebraska	1989

DISTRICT 11—DALLAS

Class A

Charles T. Doyle	Chairman and Chief Executive Officer, Gulf National Bank, Texas City, Texas	1988
Robert G. Greer	Chairman of the Board, Tanglewood Bank, N.A., Houston, Texas	1989
T. C. Frost	Chairman of the Board, The Frost National Bank, San Antonio, Texas	1990

DISTRICT 11—Continued

Class B

		Term expires Dec. 31
Robert Ted Enloe III	President, Lomas and Nettleton Financial Corporation, Dallas, Texas	1988
Gary E. Wood	Director of Governmental Relations, Baylor University, Waco, Texas	1989
Robert L. Pfluger	Rancher, San Angelo, Texas	1990

Class C

Hugh G. Robinson	President, Cityplace Development Corporation, Dallas, Texas	1988
Leo E. Linbeck, Jr.	Chairman and Chief Executive Officer, Linbeck Construction Corporation, Houston, Texas	1989
Bobby R. Inman	Chairman of the Board and Chief Executive Officer, Westmark Systems Inc., Austin, Texas	1990

—EL PASO BRANCH

Appointed by the Federal Reserve Bank

Humberto F. Sambrano	Partner, Urban General Contractors, Inc., El Paso, Texas	1988
David L. Stone	President, The Portales National Bank, Portales, New Mexico	1989
Henry B. Ellis	President, MBank El Paso, N.A., El Paso, Texas	1990
Ethel Ortega Olson	Chairman of the Board and Chief Executive Officer, Otero Savings and Loan Association, Alamogordo, New Mexico	1990

Appointed by the Board of Governors

Peyton Yates	President, Yates Drilling Company, Artesia, New Mexico	1988
John R. Sibley	President, Tri-Mountain Enterprises, Carlsbad, New Mexico	1989
Diana S. Natalicio	Interim President and Vice President for Academic Affairs, The University of Texas at El Paso, El Paso, Texas	1990

—HOUSTON BRANCH

Appointed by the Federal Reserve Bank

Jeff Austin, Jr.	President, First National Bank of Jacksonville, Jacksonville, Texas	1988
Jenard M. Gross	Chairman of the Board and Chief Executive Officer, United Savings Association of Texas, Houston, Texas	1989
Clive Runnells	President and Director, Runnells Cattle Company, Bay City, Texas	1990
David E. Sheffield	Director, First Victoria National Bank, Victoria, Texas	1990

Appointed by the Board of Governors

Gilbert D. Gaedcke, Jr.	Chairman of the Board and Chief Executive Officer, Gaedcke Equipment Company, Houston, Texas	1988
Walter M. Mischer, Jr.	President, The Mischer Corporation, Houston, Texas	1989
Andrew L. Jefferson, Jr.	Attorney, Jefferson, Mims, and Plummer, Houston, Texas	1990

DISTRICT 11—Continued

—SAN ANTONIO BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
Jane Flato Smith	Investor and Rancher, San Antonio, Texas	1988
C. Ivan Wilson	Chairman of the Board and Chief Executive Officer, First City Bank of Corpus Christi, Corpus Christi, Texas	1989
Robert T. Rork	Chairman of the Board and Chief Executive Officer, First RepublicBank Austin, Austin, Texas	1990
Sam R. Sparks	President, Sam R. Sparks, Inc., Progreso, Texas	1990

Appointed by the Board of Governors

Robert F. McDermott	Chairman of the Board and President, United Services Automobile Association, San Antonio, Texas	1988
Lawrence E. Jenkins	Vice President, Austin Division, Lockheed Missiles and Space Co., Inc., Austin, Texas	1989
Ruben M. Garcia	Chief Executive Officer, Modern Machine Shop, Inc., Laredo, Texas	1990

DISTRICT 12—SAN FRANCISCO

Class A

Spencer F. Eccles	Chairman and Chief Executive Officer, First Security Corporation, Salt Lake City, Utah	1988
Rayburn S. Dezember	Chairman, President, and Chief Executive Officer, Central Pacific Corporation, and Chairman, American National Bank, Bakersfield, California	1989
R. Blair Hawkes	President and Chief Executive Officer, Ireland Bank, Malad City, Idaho	1990

Class B

Togo W. Tanaka	Chairman, Gramercy Enterprises, Inc., Los Angeles, California	1988
John C. Hampton	President, Willamina Lumber Company, Portland, Oregon	1989
John N. Nordstrom	Co-Chairman of the Board, Nordstrom, Inc., Seattle, Washington	1990

Class C

Carolyn S. Chambers	President and Chief Executive Officer, Chambers Communications Corporation, Eugene, Oregon	1988
Robert F. Erburu	Chairman of the Board and Chief Executive Officer, The Times Mirror Company, Los Angeles, California	1989
Cordell W. Hull	Executive Vice President and Director, Bechtel Group, Inc., San Francisco, California	1990

DISTRICT 12—Continued —LOS ANGELES BRANCH

Appointed by the Federal Reserve Bank

		Term expires Dec. 31
Howard C. McCrady	Chairman of the Board and Chief Executive Officer (Retired), Valley National Bank of Arizona, Phoenix, Arizona	1988
William L. Tooley	Chairman, Tooley and Company, Investment Builders, Los Angeles, California	1988
Fred D. Jensen	Chairman of the Board, President, and Chief Executive Officer, National Bank of Long Beach, Long Beach, California	1989
Ross M. Blakely	Chairman of the Executive Committee of the Board, Coast Savings and Loan, Los Angeles, California	1990

Appointed by the Board of Governors

Thomas R. Brown, Jr.	Chairman of the Board, Burr-Brown Corporation, Tucson, Arizona	1988
Yvonne Brathwaite Burke	Partner, Jones, Day, Reavis and Pogue, Los Angeles, California	1989
Richard C. Seaver	Chairman, Hydril Company, Los Angeles, California	1990

—PORTLAND BRANCH

Appointed by the Federal Reserve Bank

Herman C. Bradley, Jr.	President and Chief Executive Officer (Retired), Tri-County Banking Company, Junction City, Oregon	1988
Wayne E. Phillips, Jr.	Vice President, Phillips Ranch, Inc., Baker, Oregon	1989
Stephen G. Kimball	President and Chief Executive Officer, Baker Boyer Bancorp, Walla Walla, Washington	1990
G. Dale Weight	Chairman of the Board and Chief Executive Officer, Benjamin Franklin Savings and Loan Association, Portland, Oregon	1990

Appointed by the Board of Governors

G. Johnny Parks	Former Northwest Regional Director, International Longshoremen's and Warehousemen's Union, Portland, Oregon	1988
Paul E. Bragdon	President, Reed College, Portland, Oregon	1989
Sandra A. Suran	Small Business Advocate, Oregon Economic Development Department, Salem, Oregon	1990

—SALT LAKE CITY BRANCH

Appointed by the Federal Reserve Bank

Gerald R. Ghristensen	Chairman and President, First Federal Savings and Loan Association, Salt Lake City, Utah	1988
Ronald S. Hanson	President, Zions First National Bank, Salt Lake City, Utah	1989
Curtis H. Eaton	President and Vice Chairman of the Board, Twin Falls Bank and Trust Company, Twin Falls, Idaho	1990
Virginia P. Kelson	Executive Director, Phoenix Institute, Salt Lake City, Utah	1990

DISTRICT 12—Continued
—SALT LAKE CITY BRANCH—Continued

Appointed by the Board of Governors

		Term expires Dec. 31
D.N. Rose	President and Chief Executive Officer, Mountain Fuel Supply Company, Salt Lake City, Utah	1988
Robert N. Pratt	President and Chief Operating Officer, Bonneville Pacific Corporation, Salt Lake City, Utah	1989
Don M. Wheeler	President, Wheeler Machinery Company, Salt Lake City, Utah	1990

—SEATTLE BRANCH

Appointed by the Federal Reserve Bank

W.W. Philip	Chairman of the Board, President, and Chief Executive Officer, Puget Sound Bancorp, Tacoma, Washington	1988
H.H. Larison	President, Columbia Paint and Coatings, Spokane, Washington	1989
B.R. Beeksma	Chairman of the Board and Chief Executive Officer, InterWest Savings Bank, Oak Harbor, Washington	1990
William S. Randall	Chairman, President, and Chief Executive Officer, First Interstate Bank of Washington, N.A., Seattle, Washington	1990

Appointed by the Board of Governors

Byron I. Mallott	Chief Executive Officer, Sealaska Corporation, Juneau, Alaska	1988
Carol A. Nygren	Partner, Laventhol and Horwath, Seattle, Washington	1989
Irma Goertzen	Administrator, University Hospital, University of Washington, Seattle, Washington	1990

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics

MONEY STOCK AND BANK CREDIT

POLICY INSTRUMENTS

FEDERAL RESERVE BANKS

MONETARY AND CREDIT AGGREGATES

COMMERCIAL BANKING INSTITUTIONS

WEEKLY REPORTING COMMERCIAL BANKS

FINANCIAL MARKETS

FEDERAL FINANCE

SECURITIES MARKETS AND CORPORATE FINANCE

REAL ESTATE

CONSUMER INSTALLMENT CREDIT

FLOW OF FUNDS

Domestic Nonfinancial Statistics

SELECTED MEASURES

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

SPECIAL TABLES

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1987				1987			1988	
	Q1	Q2	Q3	Q4	Oct.	Nov.	Dec.	Jan.ʳ	Feb.
Reserves of depository institutions[2]									
1 Total	16.4	8.0	−1.6	1.4	13.9	−10.4	−11.4	18.4	2.6
2 Required	16.5	8.4	−.5	.3	7.1	−6.4	−13.8	13.0	6.0
3 Nonborrowed	18.5	5.4	−.4	1.2	14.1	−4.0	−14.7	12.2	17.0
4 Monetary base[3]	11.1	6.9	5.1	7.7	11.0	6.9	3.1	16.6	4.7
Concepts of money, liquid assets, and debt[4]									
5 M1	13.2	6.6	.8	4.0ʳ	14.0	−5.6	−2.9ʳ	12.8	1.1
6 M2	6.5	2.7ʳ	2.8	4.0	6.0	1.0	1.8	10.0	9.1
7 M3	6.5	4.6ʳ	4.5	5.5	7.3ʳ	5.0ʳ	1.4ʳ	8.2	10.1
8 L	6.2ʳ	4.1	4.2	6.0ʳ	8.3ʳ	3.7ʳ	1.6ʳ	11.5	n.a.
9 Debt	10.8ʳ	8.9ʳ	8.2ʳ	9.8ʳ	9.7ʳ	11.6ʳ	8.7ʳ	8.0	n.a.
Nontransaction components									
10 In M2[5]	4.2	1.3ʳ	3.5	4.0	3.1ʳ	3.4ʳ	3.6ʳ	9.0	11.8
11 In M3 only[6]	6.7	12.7ʳ	10.9ʳ	11.2ʳ	12.8ʳ	20.2ʳ	−.3ʳ	1.1	14.0
Time and savings deposits									
Commercial banks									
12 Savings[7]	35.2	22.4	10.1	.7	−2.0	−1.3	.0	5.4	13.4
13 Small-denomination time[8]	−5.6	−2.7	7.4	14.8	19.2	23.7	9.4	10.6	17.3
14 Large-denomination time[9,10]	8.7	17.1	6.8	10.5	14.1	18.1	4.5	−12.2	13.9
Thrift institutions									
15 Savings[7]	25.4	19.2	7.0	−3.8	−7.0	−9.1	−4.1	−3.6	−.5
16 Small-denomination time	−4.2	1.2	9.3	16.0	12.6	25.9	19.4	18.6	27.3
17 Large-denomination time[9]	−12.6	−5.1	9.9	22.2	26.1	25.6	23.5	10.4	17.0
Debt components[4]									
18 Federal	12.2	8.8	5.9	7.5	3.9	12.6	8.0	5.1	n.a.
19 Nonfederal	10.4ʳ	9.0ʳ	9.0ʳ	10.6ʳ	11.5ʳ	11.3ʳ	8.9ʳ	8.9	n.a.
20 Total loans and securities at commercial banks[11]	10.4	8.2	6.2	5.8	7.0	2.6	−1.0	5.9	8.3

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

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

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

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

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

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1987	1988		1988						
	Dec.	Jan.	Feb.	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**245,975**	**246,090**	**238,789**	**247,132**	**244,506**	**244,769**	**242,404**	**236,517**	**239,738**	**238,397**
2 U.S. government securities[1]	219,761	219,855	214,625	220,074	218,734	219,489	218,129	212,727	212,608	215,898
3 Bought outright	218,734	219,069	214,625	219,578	218,734	218,988	218,129	212,727	212,608	215,898
4 Held under repurchase agreements	1,027	786	0	496	0	501	0	0	0	0
5 Federal agency obligations	8,062	7,806	7,402	7,815	7,534	7,627	7,414	7,402	7,402	7,402
6 Bought outright	7,559	7,503	7,402	7,553	7,534	7,423	7,414	7,402	7,402	7,402
7 Held under repurchase agreements	503	303	0	262	0	204	0	0	0	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	836	1,028	353	981	593	422	293	280	509	340
10 Float	1,545	1,784	1,627	2,737	1,855	1,464	997	739	3,920	617
11 Other Federal Reserve assets	15,771	15,617	14,782	15,524	15,790	15,767	15,570	15,369	15,299	14,141
12 Gold stock[2]	11,080	11,074	11,065	11,076	11,074	11,071	11,068	11,066	11,065	11,064
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	18,153	18,205	18,265	18,193	18,207	18,221	18,235	18,249	18,263	18,277
ABSORBING RESERVE FUNDS										
15 Currency in circulation	227,366	226,414	224,337	227,843	225,981	224,244	223,410	224,308	225,042	224,506
16 Treasury cash holdings[2]	454	441	449	438	446	436	439	445	448	452
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,209	5,774	3,711	3,871	2,521	8,941	8,125	3,723	3,425	4,111
18 Foreign	233	274	241	235	347	226	291	227	230	240
19 Service-related balances and adjustments	2,168	2,233	2,301	2,278	2,101	2,697	2,085	2,601	2,002	2,193
20 Other	366	432	335	254	329	383	334	294	321	296
21 Other Federal Reserve liabilities and capital	7,443	7,432	7,303	7,522	7,548	7,618	6,987	6,846	8,193	7,166
22 Reserve balances with Federal Reserve Banks[3]	37,986	37,389	34,461	38,981	39,533	34,534	35,054	32,406	34,424	33,793
	End-of-month figures			Wednesday figures						
	1987	1988		1988						
	Dec.	Jan.	Feb.	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**251,883**	**242,517**	**239,795**	**246,529**	**249,362**	**245,867**	**240,870**	**231,461**	**242,390**	**237,250**
24 U.S. government securities[1]	222,551	218,411	216,891	219,332	218,442	220,282	215,648	207,371	217,534	214,901
25 Bought outright	218,906	218,411	216,891	219,332	218,442	218,892	215,648	207,371	217,534	214,901
26 Held under repurchase agreements	3,645	0	0	0	0	1,390	0	0	0	0
27 Federal agency obligations	8,869	7,423	7,402	7,553	7,423	8,034	7,402	7,402	7,402	7,402
28 Bought outright	7,553	7,423	7,402	7,553	7,423	7,423	7,402	7,402	7,402	7,402
29 Held under repurchase agreements	1,316	0	0	0	0	611	0	0	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	3,815	333	336	2,717	450	363	202	336	462	253
32 Float	811	396	897	1,204	7,381	943	1,610	687	2,804	433
33 Other Federal Reserve assets	15,837	15,954	14,269	15,723	15,666	16,245	16,008	15,665	14,188	14,261
34 Gold stock[2]	11,078	11,068	11,063	11,075	11,072	11,071	11,067	11,065	11,065	11,063
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	18,177	18,233	18,289	18,205	18,219	18,233	18,247	18,261	18,275	18,289
ABSORBING RESERVE FUNDS										
37 Currency in circulation	230,213	223,188	223,615	227,031	225,640	223,650	223,793	224,843	225,292	224,027
38 Treasury cash holdings[2]	446	438	457	448	436	437	440	448	451	456
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	5,313	10,276	2,472	3,421	3,859	9,481	3,432	2,845	4,986	2,505
40 Foreign	244	343	343	212	231	220	213	270	243	206
41 Service-related balances and adjustments	1,687	1,674	1,658	1,687	1,681	1,677	1,674	1,673	1,681	1,681
42 Other	1,027	315	438	289	358	383	330	314	314	274
43 Other Federal Reserve liabilities and capital	7,129	6,926	7,139	7,438	7,300	7,459	6,704	6,875	6,874	6,997
44 Reserve balances with Federal Reserve Banks[3]	40,097	33,664	38,043	40,302	44,167	36,882	38,617	28,537	36,908	35,475

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

NOTE. For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1985	1986	1987	1987						1988
	Dec.	Dec.	Dec.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Reserve balances with Reserve Banks[1]	27,620	37,360	37,673	36,110	35,616	36,685	37,249	37,453	37,673	37,485
2 Total vault cash[2]	22,953	24,079	26,155	24,613	24,644	24,854	25,587	25,431	26,155	26,919
3 Vault[3]	20,522	22,199	24,449	22,728	22,745	23,128	23,857	23,752	24,449	25,155
4 Surplus[4]	2,431	1,879	1,706	1,885	1,899	1,726	1,730	1,679	1,706	1,764
5 Total reserves[5]	48,142	59,560	62,123	58,838	58,361	59,813	61,106	61,205	62,123	62,640
6 Required reserves	47,085	58,191	61,094	58,078	57,329	59,020	59,977	60,282	61,094	61,345
7 Excess reserve balances at Reserve Banks[6]	1,058	1,369	1,029	761	1,032	793	1,129	923	1,029	1,295
8 Total borrowings at Reserve Banks	1,318	827	777	672	647	940	943	625	777	1,082
9 Seasonal borrowings at Reserve Banks	56	38	93	283	279	231	189	126	93	59
10 Extended credit at Reserve Banks[7]	499	303	483	194	132	409	449	394	483	372
	Biweekly averages of daily figures for weeks ending									
	1987				1988					
	Nov. 18	Dec. 2	Dec. 16	Dec. 30	Jan. 13	Jan. 27	Feb. 10	Feb. 24	Mar. 9	Mar. 23
11 Reserve balances with Reserve Banks[1]	37,525	37,069	38,272	37,055	39,175	37,002	33,691	34,087	35,577	35,761
12 Total vault cash[2]	25,188	25,802	25,372	26,960	26,566	26,533	29,417	27,954	25,987	26,224
13 Vault[3]	23,622	23,999	23,824	25,105	24,937	24,840	26,965	25,673	23,999	24,330
14 Surplus[4]	1,566	1,803	1,549	1,855	1,629	1,694	2,452	2,282	1,988	1,894
15 Total reserves[5]	61,147	61,068	62,095	62,160	64,112	61,842	60,656	59,759	59,576	60,091
16 Required reserves	60,665	59,855	60,890	61,354	62,805	60,554	59,368	58,688	58,600	59,188
17 Excess reserve balances at Reserve Banks[6]	492	1,213	1,206	806	1,307	1,288	1,288	1,071	976	903
18 Total borrowings at Reserve Banks	561	683	815	671	1,945	508	287	425	537	1,924
19 Seasonal borrowings at Reserve Banks	125	114	83	102	66	54	55	77	111	123
20 Extended credit at Reserve Banks[7]	334	465	653	316	485	332	144	232	255	1,685

1. Excludes required clearing balances and adjustments to compensate for float.
2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.
3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at *institutions having no required reserve balances*.
4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.
5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.
6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

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

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

Averages of daily figures, in millions of dollars

	Maturity and source	1987 week ending Monday								
		Aug. 31	Sept. 7	Sept. 14	Sept. 21	Sept. 28	Oct. 5	Oct. 12	Oct. 19	Oct. 26
	Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
	From commercial banks in the United States									
1	For one day or under continuing contract	70,480	75,786	75,048	70,262	66,374	74,386	76,610	75,793	74,961
2	For all other maturities	9,442	9,171	8,848	8,888	9,170	8,209	8,611	9,040	9,384
	From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3	For one day or under continuing contract	30,994	29,160	30,085	27,159	25,696	25,513	26,970	24,791	23,348
4	For all other maturities	6,622	6,160	6,560	6,895	6,773	5,978	6,562	7,056	8,487
	Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
	Brokers and nonbank dealers in securities									
5	For one day or under continuing contract	13,002	13,332	13,966	13,289	13,685	15,505	14,496	15,254	14,825
6	For all other maturities	13,619	13,880	13,827	15,032	15,720	12,059	11,934	11,053	12,021
	All other customers									
7	For one day or under continuing contract	27,128	26,288	26,501	26,808	26,957	27,240	26,338	26,758	28,608
8	For all other maturities	9,657	9,120	9,036	8,943	8,891	8,054	8,611	7,761	9,044
	MEMO: Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract									
9	To commercial banks in the United States	29,053	30,568	28,193	30,303	29,348	33,209	30,926	33,064	36,169
10	To all other specified customers[2]	14,024	14,062	14,067	14,172	14,600	14,751	12,971	13,429	14,211

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

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 3/31/88	Effective date	Previous rate	On 3/31/88	Effective date	Previous rate	On 3/31/88	Effective date	Previous rate	Effective date
Boston	6	9/9/87	5½	6	9/9/87	5½	7.10	3/24/88	7.10	3/10/88
New York		9/4/87			9/4/87			3/24/88		3/10/88
Philadelphia		9/4/87			9/4/87			3/24/88		3/10/88
Cleveland		9/4/87			9/4/87			3/24/88		3/10/88
Richmond		9/5/87			9/5/87			3/24/88		3/10/88
Atlanta		9/4/87			9/4/87			3/24/88		3/10/88
Chicago		9/4/87			9/4/87			3/24/88		3/10/88
St. Louis		9/9/87			9/9/87			3/24/88		3/10/88
Minneapolis		9/8/87			9/8/87			3/24/88		3/10/88
Kansas City		9/4/87			9/4/87			3/24/88		3/10/88
Dallas		9/11/87			9/11/87			3/24/88		3/10/88
San Francisco	6	9/9/87	5½	6	9/9/87	5½	7.10	3/24/88	7.10	3/10/88

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

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

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
July 11	6	6
Aug. 12	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
In effect March 31, 1988	6	6

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

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was reestablished on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

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

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.5 million	3	12/15/87
More than $40.5 million	12	12/15/87
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. *Reserve requirements in effect on Dec. 31, 1987. Required reserves must be* held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 15, 1987, the exemption was raised from $2.9 million to $3.2 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and *other transaction accounts, the exemption applies only to such accounts that* would be subject to a 3 percent reserve requirement.

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

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 15, 1987 for institutions reporting quarterly and Dec. 29, 1987 for institutions reporting weekly, the amount was increased from $36.7 million to $40.5 million.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1985	1986	1987	1987						1988
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	22,214	22,602	18,983	575	499	4,528	1,095	3,388	150	0
2 Gross sales	4,118	2,502	6,050	912	0	0	300	0	0	49
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,500	1,000	9,029	4,572	0	3,657	0	0	0	600
Others within 1 year										
5 Gross purchases	1,349	190	3,658	0	0	443	300	670	479	0
6 Gross sales	0	0	300	0	0	300	0	0	0	0
7 Maturity shift	19,763	18,673	21,502	1,437	2,723	1,500	816	2,247	1,400	950
8 Exchange	−17,717	−20,179	−20,388	−613	−1,787	−917	−1,178	−3,728	−1,742	−754
9 Redemptions	0	0	70	0	0	*	0	70	0	0
1 to 5 years										
10 Gross purchases	2,185	893	10,231	0	5	2,551	0	50	2,589	0
11 Gross sales	0	0	452	200	0	0	0	0	0	0
12 Maturity shift	−17,459	−17,058	−17,974	−1,397	−2,122	−1,500	−761	−1,900	−1,400	−840
13 Exchange	13,853	16,984	18,938	613	1,612	917	1,178	3,278	1,742	749
5 to 10 years										
14 Gross purchases	458	236	2,441	0	0	619	0	0	596	0
15 Gross sales	100	0	0	0	0	0	0	0	0	0
16 Maturity shift	−1,857	−1,620	−3,529	−40	−601	0	−55	−347	0	−110
17 Exchange	2,184	2,050	950	0	100	0	0	300	0	5
Over 10 years										
18 Gross purchases	293	158	1,858	0	0	493	0	0	445	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−447	0	0	0	0	0	0	0	0	0
21 Exchange	1,679	1,150	500	0	75	0	0	150	0	0
All maturities										
22 Gross purchases	26,499	24,078	37,171	575	504	8,633	1,395	4,108	4,259	0
23 Gross sales	4,218	2,502	6,802	1,112	0	300	300	0	0	49
24 Redemptions	3,500	1,000	9,099	4,572	0	3,657	0	70	0	600
Matched transactions										
25 Gross sales	866,175	927,997	950,923	80,304	60,731	61,321	77,497	85,288	104,833	78,358
26 Gross purchases	865,968	927,247	950,935	80,037	62,594	61,347	73,779	85,494	105,917	78,513
Repurchase agreements[2]										
27 Gross purchases	134,253	170,431	314,620	3,298	9,013	34,080	65,675	15,853	23,512	10,591
28 Gross sales	132,351	160,268	324,666	2,058	12,311	34,080	57,380	18,751	25,264	14,237
29 Net change in U.S. government securities	20,477	29,989	11,235	−4,136	−931	4,702	5,673	1,346	3,591	−4,140
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	162	398	276	59	0	0	56	1	13	131
Repurchase agreements[2]										
33 Gross purchases	22,183	31,142	80,353	929	2,369	7,174	18,523	6,786	9,718	4,042
34 Gross sales	20,877	30,522	81,351	996	3,298	7,174	15,607	7,425	10,679	5,357
35 Net change in federal agency obligations	1,144	222	−1,274	−126	−929	0	2,860	−640	−975	−1,446
36 Total net change in System Open Market Account	**21,621**	**30,211**	**9,961**	**−4,262**	**−1,861**	**4,702**	**8,533**	**706**	**2,617**	**−5,586**

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

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

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

Millions of dollars

Account	Wednesday					End of month		
	1988					1987	1988	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Dec.	Jan.	Feb.
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,071	11,067	11,065	11,065	11,063	11,078	11,068	11,063
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	465	483	494	503	513	408	478	517
Loans								
4 To depository institutions	363	202	336	462	253	3,815	333	336
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	7,423	7,402	7,402	7,402	7,402	7,553	7,423	7,402
8 Held under repurchase agreements	611	0	0	0	0	1,316	0	0
U.S. Treasury securities								
Bought outright								
9 Bills	107,677	104,783	97,131	107,294	104,661	107,691	107,196	106,651
10 Notes	82,973	82,623	81,998	81,923	81,923	82,973	82,973	81,923
11 Bonds	28,242	28,242	28,242	28,317	28,317	28,242	28,242	28,317
12 Total bought outright[2]	218,892	215,648	207,371	217,534	214,901	218,906	218,411	216,891
13 Held under repurchase agreements	1,390	0	0	0	0	3,645	0	0
14 Total U.S. Treasury securities	220,282	215,648	207,371	217,534	214,901	222,551	218,411	216,891
15 Total loans and securities	**228,679**	**223,252**	**215,109**	**225,398**	**222,556**	**235,235**	**226,167**	**224,629**
16 Items in process of collection	7,086	8,051	5,842	11,625	5,967	7,990	6,489	5,197
17 Bank premises	704	709	708	707	710	705	705	712
Other assets								
18 Denominated in foreign currencies[3]	7,371	6,715	6,717	6,720	6,724	7,773	6,714	6,635
19 All other[4]	8,170	8,584	8,240	6,761	6,827	7,359	8,535	6,922
20 Total assets	**268,564**	**263,879**	**253,193**	**267,797**	**259,378**	**275,566**	**265,174**	**260,693**
LIABILITIES								
21 Federal Reserve notes	206,319	206,468	207,524	207,970	206,706	212,890	205,871	206,300
Deposits								
22 To depository institutions	38,559	40,291	30,210	38,589	37,156	41,784	35,338	39,701
23 U.S. Treasury—General account	9,481	3,432	2,845	4,986	2,505	5,313	10,276	2,472
24 Foreign—Official accounts	220	213	270	243	206	244	355	343
25 Other	383	330	314	314	274	1,027	315	438
26 Total deposits	**48,643**	**44,266**	**33,639**	**44,132**	**40,141**	**48,368**	**46,284**	**42,954**
27 Deferred credit items	6,143	6,441	5,155	8,821	5,534	7,179	6,093	4,300
28 Other liabilities and accrued dividends[5]	3,020	2,529	2,422	2,434	2,540	3,035	2,654	2,558
29 Total liabilities	**264,125**	**259,704**	**248,740**	**263,357**	**254,921**	**271,472**	**260,902**	**256,112**
CAPITAL ACCOUNTS								
30 Capital paid in	2,060	2,062	2,064	2,066	2,076	2,047	2,062	2,075
31 Surplus	2,047	2,035	2,047	2,047	2,047	2,047	2,042	2,047
32 Other capital accounts	332	78	342	327	334	0	168	459
33 Total liabilities and capital accounts	**268,564**	**263,879**	**253,193**	**267,797**	**259,378**	**275,566**	**265,174**	**260,693**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	210,231	212,987	215,565	216,053	220,601	198,288	210,410	220,250
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	253,163	253,318	253,853	254,116	254,410	253,313	253,303	254,289
36 LESS: Held by bank	46,844	46,850	46,329	46,146	47,704	40,423	47,432	47,989
37 Federal Reserve notes, net	206,319	206,468	207,524	207,970	206,706	212,890	205,871	206,300
Collateral held against notes net:								
38 Gold certificate account	11,071	11,067	11,065	11,065	11,063	11,078	11,068	11,063
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	190,230	190,383	191,441	191,887	190,625	196,794	189,785	190,219
42 Total collateral	**206,319**	**206,468**	**207,524**	**207,970**	**206,706**	**212,890**	**205,871**	**206,300**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1988					1987	1988	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Dec. 31	Jan. 29	Feb. 29
1 Loans—Total	363	202	336	462	253	3,815	333	336
2 Within 15 days	362	194	324	443	236	3,806	326	303
3 16 days to 90 days	1	8	12	19	17	9	7	33
4 91 days to 1 year	0	0	0	0	0	0	0	0
5 Acceptances—Total	0	0	0	0	0	0	0	0
6 Within 15 days	0	0	0	0	0	0	0	0
7 16 days to 90 days	0	0	0	0	0	0	0	0
8 91 days to 1 year	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total	220,282	215,648	207,371	217,534	214,901	222,551	218,411	216,891
10 Within 15 days[1]	9,123	10,456	8,112	14,687	8,948	11,363	4,402	5,411
11 16 days to 90 days	52,598	48,006	43,209	52,430	52,416	46,112	55,664	57,207
12 91 days to 1 year	70,519	69,484	68,973	63,139	66,259	76,827	70,303	67,016
13 Over 1 year to 5 years	47,410	47,070	46,620	47,583	47,583	47,512	47,410	47,562
14 Over 5 years to 10 years	15,208	15,208	15,033	14,196	14,196	15,313	15,208	14,196
15 Over 10 years	25,424	25,424	25,424	25,499	25,499	25,424	25,424	25,499
16 Federal agency obligations—Total	8,034	7,402	7,402	7,402	7,402	8,868	7,423	7,402
17 Within 15 days[1]	781	25	0	289	364	1,560	170	364
18 16 days to 90 days	886	1,016	1,016	737	662	691	886	710
19 91 days to 1 year	1,538	1,532	1,572	1,562	1,562	1,653	1,538	1,609
20 Over 1 year to 5 years	3,323	3,323	3,298	3,298	3,298	3,416	3,323	3,203
21 Over 5 years to 10 years	1,317	1,317	1,327	1,327	1,327	1,358	1,317	1,327
22 Over 10 years	189	189	189	189	189	190	189	189

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**39.91**	**46.06**	**56.17**	**57.44**	**57.60**	**57.88**	**57.83**	**58.50**	**57.99**	**57.44**	**58.32**	**58.44**
2 Nonborrowed reserves	36.72	44.74	55.34	56.66	56.93	57.23	56.89	57.55	57.36	56.66	57.23r	58.04
3 Nonborrowed reserves plus extended credit[3]	39.33	45.24	55.64	57.14	57.12	57.36	57.29	58.00	57.76	57.14	57.61	58.25
4 Required reserves	39.06	45.00	54.80	56.41	56.84	56.84	57.03	57.37	57.06	56.41	57.02	57.30
5 Monetary base[4]	199.60	217.34	239.52	256.68	249.51	251.00	252.25	254.56	256.02	256.68	260.24r	261.26
	Not seasonally adjusted											
6 **Total reserves[2]**	**40.94**	**47.24**	**57.64**	**58.96**	**57.74**	**57.39**	**57.50**	**58.04**	**58.09**	**58.96**	**60.17**	**57.65**
7 Nonborrowed reserves	37.75	45.92	56.81	58.19	57.07	56.74	56.56	57.09	57.47	58.19	59.09	57.25
8 Nonborrowed reserves plus extended credit[3]	40.35	46.42	57.11	58.67	57.27	56.88	56.96	57.54	57.86	58.67	59.46	57.46
9 Required reserves	40.08	46.18	56.27	57.94	56.98	56.36	56.70	56.91	57.17	57.94	58.88	56.51
10 Monetary base[4]	202.70	220.82	243.63	261.21	251.42	251.42	251.60	253.29	256.82	261.21	261.20r	258.19
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**40.70**	**48.14**	**59.56**	**62.12**	**58.84**	**58.36**	**59.81**	**61.11**	**61.20**	**62.12**	**62.64**	**60.05**
12 Nonborrowed reserves	37.51	46.82	58.73	61.35	58.17	57.71	58.87	60.16	60.58	61.35	61.56	59.65
13 Nonborrowed reserves plus extended credit[3]	40.09	47.41	59.04	61.86	58.37	57.76	58.85	61.22	60.79	61.86	62.12r	59.82
14 Required reserves	39.84	47.08	58.19	61.09	58.08	57.33	59.02	59.98	60.28	61.09	61.34	58.91
15 Monetary base[4]	204.18	223.53	247.71	266.16	254.67	254.36	255.69	258.08	261.67	266.16	265.79	262.60

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

	Item[1]	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 Nov.	1987 Dec.	1988 Jan.[r]	1988 Feb.
					Seasonally adjusted				
1	M1	551.9	620.1	725.4	750.9[r]	752.7	750.9[r]	758.9	759.6
2	M2	2,363.6	2,562.6	2,807.8	2,902.1[r]	2,897.6[r]	2,902.1[r]	2,926.3	2,948.4
3	M3	2,978.3	3,196.4[r]	3,491.5[r]	3,662.5[r]	3,658.2[r]	3,662.5[r]	3,687.5	3,718.5
4	L	3,519.4	3,825.9[r]	4,135.2[r]	4,330.7[r]	4,325.0[r]	4,330.7[r]	4,372.3	n.a.
5	Debt	5,932.6[r]	6,749.4[r]	7,607.1[r]	8,319.1[r]	8,259.0[r]	8,319.1[r]	8,374.6	n.a.
	M1 components								
6	Currency[2]	156.1	167.7	180.4	196.5	195.0	196.5	198.4	199.3
7	Travelers checks[3]	5.2	5.9	6.5	7.1	7.0	7.1	7.2	7.3
8	Demand deposits[4]	244.1	267.2	303.3	288.0	291.3	288.0	289.9	287.8
9	Other checkable deposits[5]	146.4	179.2	235.2	259.3	259.5[r]	259.3	263.4	265.1
	Nontransactions components								
10	In M2[6]	1,811.7	1,942.5	2,082.4	2,151.3[r]	2,144.9[r]	2,151.3[r]	2,167.4	2,188.8
11	In M3 only[7]	614.7	633.8[r]	683.7[r]	760.4[r]	760.6[r]	760.4[r]	761.1	770.0
	Savings deposits[8]								
12	Commercial Banks	122.6	124.8	155.5	178.2	178.2	178.2	179.0	181.0
13	Thrift institutions	162.9	176.6	215.2	236.0	236.8	236.0	235.3	235.2
	Small denomination time deposits[9]								
14	Commercial Banks	386.3	383.3	364.6	384.6	381.6	384.6	388.0	393.6
15	Thrift institutions	497.0	496.2	488.6	528.5	520.1	528.5	536.7	548.9
	Money market mutual funds								
16	General purpose and broker-dealer	167.5	176.5	208.0	222.2	220.9	222.2	226.2	232.2
17	Institution-only	62.7	64.5	84.4	89.6	89.5	89.6	94.4	98.7
	Large denomination time deposits[10]								
18	Commercial Banks[11]	270.2	284.9	288.9	323.5	322.3	323.5	320.2	323.9
19	Thrift institutions	146.8	151.6	150.3	161.2	158.1	161.2	162.6	164.9
	Debt components								
20	Federal debt	1,365.3	1,584.3	1,804.5	1,952.4	1,939.5	1,952.4	1,960.8	n.a.
21	Nonfederal debt	4,567.3[r]	5,165.1[r]	5,802.6[r]	6,366.7[r]	6,319.6[r]	6,366.7[r]	6,413.8	n.a.
					Not seasonally adjusted				
22	M1	564.5	633.5	740.6	765.9	756.0	765.9	764.8	745.1
23	M2	2,373.2	2,573.9	2,821.5	2,915.8[r]	2,901.1[r]	2,915.8[r]	2,938.6	2,935.8
24	M3	2,991.4	3,211.0[r]	3,508.3[r]	3,679.1[r]	3,665.5[r]	3,679.1[r]	3,700.0	3,707.0
25	L	3,532.7	3,841.4[r]	4,153.2[r]	4,348.8[r]	4,334.8[r]	4,348.8[r]	4,391.1	n.a.
26	Debt	5,927.1	6,740.6	7,592.8[r]	8,302.8[r]	8,233.2[r]	8,302.8[r]	8,356.5	n.a.
	M1 components								
27	Currency[2]	158.5	170.2	183.0	199.4	195.9	199.4	197.1	197.2
28	Travelers checks[3]	4.9	5.5	6.0	6.5	6.6	6.5	6.6	6.8
29	Demand deposits[4]	253.0	276.9	314.4	298.5	294.1	298.5	295.8	279.1
30	Other checkable deposits[5]	148.2	180.9	237.3	261.5	259.3	261.5	265.3	261.9
	Nontransactions components								
31	M2[6]	1,808.7	1,940.3	2,080.8	2,149.9[r]	2,145.1[r]	2,149.9[r]	2,173.8	2,190.7
32	M3 only[7]	618.2	637.1[r]	686.8[r]	763.3[r]	764.4[r]	763.3[r]	761.3	771.2
	Money market deposit accounts								
33	Commercial Banks	267.4	332.8	379.6	358.2	358.1	358.2	358.9	359.0
34	Thrift institutions	149.4	180.8	192.9	167.0	169.6	167.0	165.2	163.6
	Savings deposits[8]								
35	Commercial Banks	121.5	123.7	154.2	176.7	177.5	176.7	178.2	179.5
36	Thrift institutions	161.5	174.8	212.9	233.3	235.7	233.3	233.0	232.8
	Small denomination time deposits[9]								
37	Commercial Banks	386.9	384.0	365.3	385.2	382.6	385.2	389.4	394.0
38	Thrift institutions	498.2	497.5	489.7	529.3	521.1	529.3	540.2	551.5
	Money market mutual funds								
39	General purpose and broker-dealer	167.5	176.5	208.0	222.2	220.9	222.2	226.2	232.2
40	Institution-only	62.7	64.5	84.4	89.6	89.5	89.6	94.4	98.7
	Large denomination time deposits[10]								
41	Commercial Banks[11]	270.9	285.4	289.1	323.6	322.4	323.6	321.3	324.2
42	Thrift institutions	146.8	151.9	150.7	161.7	159.0	161.7	163.8	166.0
	Debt components								
43	Federal debt	1,364.7	1,583.7	1,804.0	1,951.9[r]	1,935.2[r]	1,951.9[r]	1,959.4	n.a.
44	Nonfederal debt	4,562.4	5,156.9	5,788.8[r]	6,350.9[r]	6,298.0[r]	6,350.9[r]	6,397.0	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

NOTE. Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

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

Bank group, or type of customer	1985[2]	1986[2]	1987[2]	1987					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	156,091.6	188,345.8	217,115.9	219,501.3	221,729.0	219,182.9	234,398.3	219,386.1	203,290.6
2 Major New York City banks	70,585.8	91,397.3	104,496.3	106,428.9	109,062.5	105,149.4	110,833.6	103,693.6	92,640.1
3 Other banks	85,505.9	96,948.8	112,619.6	113,072.3	112,666.5	114,033.4	123,564.6	115,692.5	110,650.5
4 ATS–NOW accounts[4]	1,823.5	2,182.5	2,402.7	2,498.7	2,333.1	2,349.0	2,591.3	2,536.1	2,525.7
5 Savings deposits[5]	384.9	403.5	526.5	548.2	518.8	524.0	582.4	570.8	556.0
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	500.3	556.5	612.1	628.6	623.3	625.3	654.9	619.0	590.4
7 Major New York City banks	2,196.9	2,498.2	2,670.6	2,837.4	2,718.2	2,715.1	2,744.7	2,620.2	2,608.1
8 Other banks	305.7	321.2	357.0	362.8	357.0	365.7	389.1	367.4	358.3
9 ATS–NOW accounts[4]	15.8	15.6	13.8	14.3	13.2	13.2	14.4	14.2	14.2
10 Savings deposits[5]	3.2	3.0	3.1	3.1	3.0	3.0	3.3	3.3	3.2
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	156,052.3	188,506.4	217,124.8	228,764.2	214,145.9	216,728.0	233,999.8	202,230.1	222,338.9
12 Major New York City banks	70,559.2	91,500.0	104,518.6	111,157.7	103,822.8	104,234.0	111,398.9	96,035.9	102,548.7
13 Other banks	85,493.1	97,006.6	112,606.1	117,606.5	110,323.1	112,494.0	122,600.8	106,194.2	119,790.3
14 ATS–NOW accounts[4]	1,826.4	2,184.6	2,404.8	2,466.0	2,226.4	2,414.9	2,577.7	2,375.8	2,645.3
15 MMDA[6]	1,223.9	1,609.4	1,954.2	2,002.7	1,752.7	1,846.6	2,247.8	1,959.8	2,276.4
16 Savings deposits[5]	385.3	404.1	526.8	576.5	524.2	519.0	604.3	519.9	568.9
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	499.9	556.7	612.3	651.7	612.5	620.2	657.8	565.6	615.0
18 Major New York City banks	2,196.3	2,499.1	2,674.9	2,928.4	2,721.9	2,751.0	2,824.8	2,467.8	2,661.4
19 Other banks	305.6	321.2	356.9	375.7	354.2	361.1	387.6	333.3	370.9
20 ATS–NOW accounts[4]	15.8	15.6	13.8	14.3	12.8	13.7	14.6	13.3	14.6
21 MMDA[6]	4.0	4.5	5.3	5.5	4.8	5.1	6.3	5.5	6.4
22 Savings deposits[5]	3.2	3.0	3.1	3.3	3.0	3.0	3.5	3.0	3.2

1. These series have been revised to reflect new benchmark adjustments and revised seasonal factors as well as some revisions of reported data. Historical tables containing revised data for earlier periods may be obtained from the Banking Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

2. Annual averages of monthly figures.

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

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

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

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1987										1988	
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,130.7**	**2,152.0**	**2,166.0**	**2,176.7**	**2,181.3**	**2,199.0**	**2,214.7**	**2,227.6**	**2,232.1**	**2,230.6**	**2,242.0**	**2,257.6**
2 U.S. government securities	315.4	318.1	321.3	321.3	322.9	328.5	331.3	331.7	331.1	333.2	334.1	334.0
3 Other securities	193.1	194.4	195.5	195.9	194.3	193.7	193.7	194.2	196.2	196.0	194.0	195.7
4 Total loans and leases[2]	1,622.3	1,639.6	1,649.3	1,659.6	1,664.1	1,676.8	1,689.8	1,701.7	1,704.8	1,701.4	1,713.9	1,727.9
5 Commercial and industrial	546.2	549.1	551.9	554.4	553.6	554.0	559.0	562.8	563.1	565.5	568.5	569.9
6 Bankers acceptances held[3]	4.7	4.8	4.8	4.6	4.5	5.3	5.4	5.5r	4.6	4.3	4.5	4.5
7 Other commercial and industrial	541.5	544.3	547.1	549.8	549.1	548.7	553.6	557.3	558.5	561.2	564.0	565.4
8 U.S. addressees[4]	533.2	536.0	539.0	541.3	540.8	540.5	545.6	549.3	550.9	553.0	555.1r	556.6
9 Non-U.S. addressees[4]	8.3	8.3	8.1	8.4	8.4	8.2	8.0	8.0	7.6	8.2	8.9	8.8
10 Real estate	517.1	524.8	532.6	542.6	549.6	556.8	561.7	569.4	576.2	582.3	586.9	592.4
11 Individual	316.8	317.8	319.1	318.9	319.7	321.5	322.8	324.1	325.0	325.9	327.8	330.2
12 Security	40.1	44.6	43.6	44.0	43.9	45.4	46.1	47.1	39.3	33.6	36.7r	41.8
13 Nonbank financial institutions	35.4	35.6	35.8	34.6	32.9	32.0	31.8	32.1	32.3	32.3	32.0	32.6
14 Agricultural	30.2	29.9	30.0	30.0	29.8	29.7	29.6	29.6	29.3r	29.2r	29.4	29.6
15 State and political subdivisions	56.8r	56.6r	56.4r	56.1r	55.5r	54.7r	54.6r	54.1	53.4	51.2	52.1r	52.1
16 Foreign banks	9.1	9.3	9.3	9.6	9.0	9.1	9.2	9.6	8.8	8.2	8.3	8.0
17 Foreign official institutions	6.8	6.8	6.1	5.8	5.7	5.7	5.7	5.8	5.7	5.6	5.5r	5.2
18 Lease financing receivables	22.7	23.3	23.7	23.9	23.9	24.0	24.1	24.3	24.5	24.8	25.0	25.0
19 All other loans	41.0r	41.8r	40.9r	39.7r	40.3r	43.8r	45.0r	42.7	47.1	42.7	41.7r	41.2
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,130.7**	**2,153.1**	**2,163.4**	**2,173.7**	**2,172.8**	**2,188.8**	**2,211.6**	**2,222.4**	**2,231.3**	**2,247.0**	**2,254.7**	**2,262.3**
21 U.S. government securities	317.4	318.0	320.0	318.4	322.1	328.3	331.3	329.3	331.0	333.1	335.6	339.1
22 Other securities	192.7	194.0	195.5	195.3	193.0	193.6	193.8	193.3	195.6	196.6	196.7	196.4
23 Total loans and leases[2]	1,620.6	1,641.1	1,647.9	1,660.0	1,657.7	1,666.9	1,686.6	1,699.8	1,704.7	1,717.3	1,722.4	1,726.8
24 *Commercial and industrial*	550.7	552.8	554.4	555.9	551.3	549.5	555.7	558.7	562.0	569.6	568.1	569.2
25 Bankers acceptances held[3]	4.6	4.8	4.8	4.7	4.6	5.3	5.5	5.4	4.6	4.4	4.3	4.5
26 Other commercial and industrial	546.1	548.0	549.6	551.2	546.7	544.2	550.2	553.3	557.4	565.2	563.8	564.7
27 U.S. addressees[4]	537.9	539.9	541.4	542.7	538.1	535.9	542.1	545.2	549.2	557.0	555.7	556.4
28 Non-U.S. addressees[4]	8.1	8.2	8.2	8.5	8.6	8.3	8.2	8.1	8.2	8.2	8.1	8.3
29 Real estate	516.4	523.9	532.0	542.4	549.7	556.8	562.4	570.0	576.8	583.2	587.3	591.7
30 Individual	313.8	315.0	316.5	316.9	318.4	321.5	324.3	325.7	326.7	330.2	331.2	329.6
31 Security	39.6	46.4	43.9	45.4	43.3	43.3	44.8	45.6	39.4	35.3	37.5	40.2
32 Nonbank financial institutions	34.3	35.5	35.6	34.7	32.7	31.9	32.3	32.2	32.7	33.6	32.3	31.6
33 Agricultural	29.2	29.1	29.7	30.3	30.5	30.6	30.7	30.4	29.6	29.0	28.7	28.6
34 State and political subdivisions	57.8	57.1	56.4	55.7	54.7	54.1	53.8	53.2	52.3	51.2	53.9	53.3
35 Foreign banks	9.0	8.9	9.0	9.5	9.0	8.9	9.5	9.8	8.8	8.6	8.5	8.2
36 Foreign official institutions	6.8	6.8	6.1	5.8	5.7	5.7	5.7	5.8	5.7	5.6	5.5	5.2
37 Lease financing receivables	22.9	23.5	23.8	24.0	23.9	23.9	24.0	23.9	24.2	24.8	25.2	25.1
38 All other loans	40.1	42.2	40.5	39.4	38.5	40.6	43.4	44.4	46.4	46.2	44.2	44.1

1. Data have been revised because of benchmarking and new seasonal factors. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. These data also appear in the Board's G.7 (407) release.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1987[r]										1988	
	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
Total nondeposit funds												
1 Seasonally adjusted[2]	165.2	161.3	170.6	167.2	160.4	166.7	177.3	176.2	173.7	177.1	177.4	174.6
2 Not seasonally adjusted	166.3	160.8	170.7	164.1	156.7	166.8	177.7	176.3	176.0	178.0	177.8	177.2
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	171.9	172.1	170.6	168.4	167.2	167.1	165.0	164.6	165.8	161.9	169.2	172.7
4 Not seasonally adjusted	173.0	171.6	170.6	165.3	163.6	167.2	165.4	164.7	168.1	162.8	169.5	175.3
5 Net balances due to foreign-related institutions, not seasonally adjusted	−6.7	−10.8	.1	−1.2	−6.9	−.4	12.3	11.6	7.9	15.2	8.2	1.9
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−21.1	−23.0	−15.5	−15.5	−22.2	−17.7	−11.8	−14.7	−17.1	−14.1	−17.4	−21.5
7 Gross due from balances	66.0	70.5	68.5	67.1	66.4	64.5	63.8	67.7	70.4	69.6	72.1	74.1
8 Gross due to balances	44.9	47.5	53.0	51.5	44.2	46.8	52.0	53.0	53.3	55.5	54.7	52.6
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	14.4	12.2	15.5	14.3	15.4	17.3	24.1	26.3	25.0	29.3	25.7	23.4
10 Gross due from balances	72.0	73.4	76.0	77.4	77.4	77.7	77.3	79.7	83.2	79.7	85.2	87.3
11 Gross due to balances	86.4	85.6	91.5	91.8	92.8	95.0	101.4	106.0	108.1	109.0	110.9	110.7
Security RP borrowings												
12 Seasonally adjusted[6]	96.4	99.2	99.9	101.9	103.0	105.2	107.5	107.6	106.9	106.4	108.7	107.2
13 Not seasonally adjusted	97.4	98.7	100.0	98.8	99.4	105.3	107.9	107.7	109.3	107.2	109.0	109.8
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	18.9	21.4	25.3	26.9	24.4	28.5	24.9	34.2	35.7	26.1	18.6	22.6
15 Not seasonally adjusted	17.1	21.6	30.8	25.5	26.6	21.6	25.5	30.7	25.8	22.4	24.9	28.2
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	355.9	358.9	365.7	372.1	372.5	372.3	373.0	380.5	387.0	389.2	389.1	394.4
17 Not seasonally adjusted	357.7	358.5	366.3	371.4	370.0	371.8	373.2	380.4	387.0	389.3	390.2	394.7

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

Data have been revised because of benchmarking to new Call Reports and to new seasonal factors. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear in the Board's G. 10(411) release.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreignbanks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

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

8. Averages of Wednesday figures.

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

Billions of dollars

Account	1987									1988	
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,314.2	2,325.8	2,321.0	2,331.6	2,348.8	2,374.8	2,402.4	2,389.9	2,430.5	2,415.2	2,420.7
2 Investment securities	491.7	494.5	492.7	497.1	501.1	501.7	503.8	508.0	514.4	515.2	513.9
3 U.S. government securities	305.6	307.4	304.6	309.4	313.7	313.8	316.0	317.3	321.4	322.9	322.2
4 Other	186.1	187.0	188.0	187.7	187.4	187.9	187.9	190.7	193.1	192.4	191.8
5 Trading account assets	23.4	21.4	20.2	20.4	19.5	19.5	19.6	20.3	16.9	18.3	22.0
6 Total loans	1,799.2	1,810.0	1,808.2	1,814.1	1,828.2	1,853.6	1,878.9	1,861.6	1,899.2	1,881.6	1,884.8
7 Interbank loans	154.0	161.8	150.7	156.5	160.8	157.4	172.9	162.0	172.1	160.5	162.5
8 Loans excluding interbank	1,645.2	1,648.1	1,657.5	1,657.6	1,667.5	1,696.2	1,706.1	1,699.7	1,727.2	1,721.1	1,722.3
9 Commercial and industrial	551.9	555.1	554.6	548.1	548.2	560.7	559.7	561.1	576.4	565.3	569.1
10 Real estate	526.4	533.8	544.4	552.9	558.2	564.1	571.7	577.4	586.3	588.5	591.9
11 Individual	316.3	316.9	317.3	319.4	322.1	325.3	326.7	326.9	332.4	330.8	329.8
12 All other	250.6	242.3	241.1	237.2	239.0	246.0	248.0	234.3	232.1	236.5	231.4
13 Total cash assets	211.6	231.9	214.2	208.4	210.7	223.8	223.5	215.2	232.5	209.6	202.3
14 Reserves with Federal Reserve Banks	29.4	37.5	33.5	32.5	37.3	32.9	38.3	33.8	36.2	33.3	32.8
15 Cash in vault	24.0	25.1	24.2	24.5	24.7	24.5	25.0	24.0	28.5	25.8	25.1
16 Cash items in process of collection	74.8	81.6	74.7	69.0	65.9	81.6	79.0	76.1	79.9	70.7	66.8
17 Demand balances at U.S. depository institutions	33.1	36.5	30.4	31.0	30.8	32.7	32.3	32.9	36.6	31.4	30.1
18 Other cash assets	50.3	51.2	51.4	51.5	52.1	52.1	48.9	48.4	51.4	48.5	47.6
19 Other assets	199.2	203.7	197.4	182.5	184.5	193.6	186.3	187.5	184.0	176.0	178.1
20 Total assets/total liabilities and capital	**2,724.9**	**2,761.4**	**2,732.6**	**2,722.6**	**2,744.0**	**2,792.2**	**2,812.2**	**2,792.6**	**2,847.1**	**2,800.7**	**2,801.2**
21 Deposits	1,922.8	1,942.5	1,927.4	1,928.8	1,930.4	1,972.4	1,971.2	1,974.1	2,009.1	1,968.1	1,973.9
22 Transaction deposits	591.6	598.1	579.6	575.3	574.1	612.4	598.1	592.0	623.3	576.0	567.3
23 Savings deposits	537.6	541.0	537.6	538.7	537.9	535.3	531.7	531.1	528.0	531.4	535.2
24 Time deposits	793.6	803.4	810.1	814.8	818.4	824.7	841.4	851.0	857.9	860.6	871.4
25 Borrowings	420.2	429.9	419.5	414.6	426.4	416.3	435.7	420.1	426.2	443.2	440.9
26 Other liabilities	194.1	200.0	202.0	202.5	209.6	224.7	225.5	218.9	231.5	208.7	205.3
27 Residual (assets less liabilities)	187.8	189.0	183.7	176.7	177.6	178.8	179.8	179.5	180.4	180.7	181.1
MEMO											
28 U.S. government securities (including trading account)	319.4	321.0	317.0	323.8	326.8	327.7	329.9	331.7	332.4	336.9	339.3
29 Other securities (including trading account)	195.6	194.8	195.8	193.8	193.8	193.5	193.5	196.6	198.9	196.7	196.6
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,152.0	2,160.3	2,157.0	2,162.8	2,179.6	2,195.4	2,218.6	2,213.8	2,238.5	2,231.2	2,235.6
31 Investment securities	468.1	469.5	468.1	472.1	476.2	475.9	478.7	482.6	488.3	487.0	485.9
32 U.S. Treasury securities	295.5	296.9	295.1	299.4	303.5	302.9	305.7	306.4	311.0	311.3	310.7
33 Other	172.6	172.5	173.0	172.7	172.6	173.0	173.0	176.2	177.3	175.8	175.2
34 Trading account assets	23.4	21.4	20.2	20.4	19.5	19.5	19.6	20.3	16.9	18.3	22.0
35 Total loans	1,660.5	1,669.5	1,668.7	1,670.3	1,684.0	1,700.0	1,720.3	1,711.0	1,733.3	1,725.9	1,727.6
36 Interbank loans	124.3	128.7	120.9	122.0	128.6	125.0	133.3	130.5	135.3	131.0	133.1
37 Loans excluding interbank	1,536.3	1,540.8	1,547.8	1,548.3	1,555.4	1,575.0	1,587.0	1,580.4	1,598.0	1,594.9	1,594.5
38 Commercial and industrial	473.4	475.1	471.3	465.2	464.4	470.2	470.6	472.0	479.4	472.6	475.4
39 Real estate	517.8	525.0	535.5	543.5	548.4	554.0	561.9	567.3	575.0	577.1	579.8
40 Individual	316.0	316.5	317.0	319.1	321.8	325.0	326.4	326.6	332.1	330.5	329.5
41 All other	229.1	224.2	224.0	220.4	220.8	225.8	228.1	214.6	211.6	214.7	209.8
42 Total cash assets	195.2	215.4	197.7	191.6	192.7	204.8	207.8	199.3	214.9	191.9	184.4
43 Reserves with Federal Reserve Banks	27.2	35.9	32.1	31.3	36.2	30.9	36.5	31.5	35.1	31.7	30.5
44 Cash in vault	24.0	25.0	24.1	24.4	24.6	24.4	24.9	24.0	28.4	25.7	25.1
45 Cash items in process of collection	74.3	81.2	74.2	68.5	65.4	81.0	78.4	75.7	79.5	70.2	66.3
46 Demand balances at U.S. depository institutions	31.3	34.5	28.7	29.3	29.2	30.8	30.6	31.4	34.7	29.7	28.5
47 Other cash assets	38.5	38.8	38.6	38.0	37.2	37.7	37.3	36.7	37.3	34.6	34.0
48 Other assets	142.6	142.3	132.8	120.5	119.9	134.2	130.0	123.7	127.2	118.8	122.0
49 Total assets/liabilities and capital	**2,489.7**	**2,517.9**	**2,487.5**	**2,474.9**	**2,492.2**	**2,534.5**	**2,556.4**	**2,536.8**	**2,580.7**	**2,542.0**	**2,541.9**
50 Deposits	1,860.7	1,880.1	1,865.7	1,868.3	1,868.8	1,910.3	1,909.1	1,912.4	1,944.6	1,905.9	1,911.2
51 Transaction deposits	583.7	590.0	571.4	567.4	566.0	603.9	589.5	583.7	614.9	567.7	559.4
52 Savings deposits	535.6	539.0	535.6	536.6	535.7	533.2	529.5	528.8	525.7	529.1	532.8
53 Time deposits	741.5	751.1	758.7	764.3	767.1	773.3	790.1	799.9	804.1	809.1	819.0
54 Borrowings	328.2	336.3	327.0	318.9	333.0	324.7	345.7	323.2	331.9	344.7	342.9
55 Other liabilities	116.2	115.8	114.4	114.2	116.0	123.8	125.0	124.8	127.0	113.9	109.9
56 Residual (assets less liabilities)	184.6	185.7	180.5	173.5	174.4	175.6	176.6	176.3	177.2	177.5	177.9

1. Data have been revised because of benchmarking to new Call Reports beginning July 1986. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

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

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

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

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

Millions of dollars, Wednesday figures

Account	1988									Adjustment bank 1987[2]
	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Mar. 2	
1 Cash and balances due from depository institutions	115,021	109,114	129,998	104,307	107,816	93,205	121,433	97,516	105,006	3,168
2 **Total loans, leases, and securities, net**	**1,096,292**	**1,091,893**	**1,093,276**	**1,094,932**	**1,103,345**	**1,102,642**	**1,104,191**	**1,094,710**	**1,103,570**	**19,175**
3 U.S. Treasury and government agency	127,151	126,308	129,647	129,331	131,042	131,986	133,470	132,226	132,906	1,979
4 Trading account	12,661	12,230	14,849	13,993	16,043	17,333	18,301	17,188	18,089	−12
5 Investment account	114,490	114,079	114,798	115,338	114,999	114,653	115,170	115,038	114,817	1,991
6 Mortgage-backed securities[2]	37,832	37,850	38,343	38,343	38,544	38,503	38,780	38,226	38,793	0
All other maturing in										
7 One year or less	16,542	16,330	15,922	16,054	16,346	16,639	17,092	17,126	17,640	455
8 Over one through five years	47,404	47,125	47,928	48,219	47,600	47,658	47,511	47,754	47,537	915
9 Over five years	12,712	12,773	12,605	12,722	12,509	11,853	11,786	11,932	10,798	620
10 Other securities	74,550	73,846	73,628	73,648	73,425	72,897	72,230	72,486	72,456	1,618
11 Trading account	2,450	1,986	1,868	1,900	1,765	1,727	1,885	1,895	1,998	10
12 Investment account	72,101	71,861	71,760	71,748	71,659	71,170	70,345	70,591	70,458	1,608
13 States and political subdivisions, by maturity	51,474	51,319	51,197	51,127	50,758	50,458	49,872	49,888	49,554	1,320
14 One year or less	6,335	6,289	6,287	6,304	6,316	6,145	5,947	5,908	5,984	236
15 Over one year	45,138	45,030	44,910	44,823	44,441	44,313	43,926	43,980	43,570	1,085
16 Other bonds, corporate stocks, and securities	20,627	20,542	20,563	20,621	20,902	20,712	20,473	20,703	20,904	288
17 *Other trading account assets*	*2,943*	*2,715*	*2,556*	*2,444*	*2,510*	*2,996*	*2,965*	*2,902*	*3,474*	*1*
18 Federal funds sold[3]	66,820	68,831	67,489	72,048	75,255	77,003	72,868	68,171	71,254	911
19 To commercial banks	45,234	47,110	42,324	43,712	44,952	47,228	47,442	43,121	44,453	1,217
20 To nonbank brokers and dealers in securities	15,019	15,248	17,733	20,392	20,706	19,734	17,997	18,421	19,510	−78
21 To others	6,567	6,472	7,432	7,945	9,596	10,041	7,429	6,629	7,291	−228
22 Other loans and leases, gross	866,077	861,417	861,207	858,508	862,446	859,101	863,834	860,072	864,624	15,130
23 Other loans, gross	845,261	840,468	840,268	837,444	841,401	838,005	842,743	838,968	843,528	15,000
24 Commercial and industrial	291,091	289,274	288,723	288,260	289,628	289,391	291,325	290,302	292,701	4,491
25 Bankers acceptances and commercial paper	1,875	2,106	2,065	2,140	2,174	2,143	2,063	2,029	2,244	13
26 All other	289,216	287,168	286,658	286,120	287,455	287,248	289,262	288,274	290,457	4,478
27 U.S. addressees	286,111	283,986	283,579	283,088	284,419	284,283	286,207	285,332	287,623	4,472
28 Non-U.S. addressees	3,105	3,181	3,079	3,031	3,035	2,965	3,055	2,942	2,834	7
29 Real estate loans	267,359	267,602	267,175	267,263	267,788	268,095	268,180	268,255	269,464	6,604
30 Revolving, home equity	17,037	17,171	17,223	17,300	17,371	17,442	17,536	17,549	17,657	269
31 All other	250,322	250,430	249,952	249,963	250,417	250,652	250,644	250,706	251,808	6,335
32 To individuals for personal expenditures	161,801	161,323	160,932	160,747	159,966	159,560	159,558	159,622	159,573	3,149
33 To depository and financial institutions	51,625	50,640	51,059	48,693	49,716	48,614	49,387	48,646	49,482	137
34 Commercial banks in the United States	22,348	22,921	23,336	22,392	22,930	22,138	22,594	22,889	22,708	96
35 Banks in foreign countries	5,265	4,849	4,646	3,840	4,120	3,972	4,030	4,004	4,579	3
36 Nonbank depository and other financial institutions	24,011	22,869	23,076	22,461	22,667	22,503	22,764	21,754	22,195	38
37 For purchasing and carrying securities	12,289	12,136	11,573	12,790	13,929	13,430	14,235	13,322	13,233	75
38 To finance agricultural production	5,742	5,543	5,520	5,496	5,486	5,434	5,426	5,384	3,455	25
39 To states and political subdivisions	32,513	32,468	32,573	32,453	32,305	32,186	32,171	32,104	31,976	391
40 To foreign governments and official institutions	2,746	2,440	2,500	2,496	2,420	2,319	2,338	2,348	2,284	1
41 All other	20,094	19,043	20,213	19,246	20,162	18,974	20,123	18,984	19,360	126
42 Lease financing receivables	20,816	20,949	20,939	21,063	21,046	21,097	21,091	21,104	21,096	130
43 LESS: Unearned income	4,676	4,669	4,688	4,677	4,662	4,690	4,659	4,675	4,706	121
44 Loan and lease reserve[4]	36,573	36,556	36,563	36,370	36,672	36,651	36,518	36,472	36,481	343
45 Other loans and leases, net	824,828	820,192	819,956	817,460	821,112	817,761	822,657	818,925	823,480	14,666
46 All other assets	*125,845*	*118,986*	*121,748*	*119,781*	*125,369*	*125,412*	*126,272*	*121,969*	*125,240*	*1,149*
47 **Total assets**	**1,337,158**	**1,319,993**	**1,345,022**	**1,319,020**	**1,336,530**	**1,321,258**	**1,351,896**	**1,314,195**	**1,333,816**	**23,493**
48 Demand deposits	251,937	234,802	249,942	221,655	234,203	220,783	245,280	214,894	230,515	4,033
49 Individuals, partnerships, and corporations	193,906	185,351	192,794	173,544	179,312	174,037	189,832	167,752	180,298	4,613
50 States and political subdivisions	6,957	5,850	7,272	6,725	7,178	6,263	6,505	6,727	6,431	110
51 U.S. government	4,979	1,920	3,376	3,079	5,380	2,764	2,417	3,250	1,895	29
52 Depository institutions in the United States	26,179	24,217	28,400	23,250	24,614	21,791	27,837	21,878	24,273	−894
53 Banks in foreign countries	8,561	7,100	8,028	5,468	5,899	6,313	7,561	6,525	6,986	7
54 Foreign governments and official institutions	854	778	812	758	720	673	794	714	674	0
55 Certified and officers' checks	10,500	9,587	9,261	8,829	11,098	8,942	10,334	8,048	9,957	168
56 Transaction balances other than demand deposits	73,048	71,813	70,994	68,742	71,209	70,228	70,284	69,289	72,075	2,298
57 Nontransaction balances	585,864	586,478	584,191	583,641	586,082	588,344	588,169	587,907	590,036	16,041
58 *Individuals, partnerships, and corporations*	*545,304*	*545,898*	*543,974*	*543,642*	*546,114*	*548,309*	*547,827*	*547,297*	*549,678*	*15,428*
59 States and political subdivisions	28,592	28,659	28,863	28,886	29,137	29,392	29,441	29,854	29,637	518
60 U.S. government	897	901	867	876	889	886	882	892	913	36
61 Depository institutions in the United States	10,261	10,161	9,662	9,425	9,179	8,988	9,262	9,142	9,028	59
62 Foreign governments, official institutions, and banks	810	859	826	811	762	768	757	722	780	1
63 Liabilities for borrowed money	253,637	256,429	268,719	272,834	272,320	273,235	276,154	273,454	275,333	−871
64 Borrowings from Federal Reserve Banks	560	2,480	200	110	0	200	320	75	265	0
65 *Treasury tax-and-loan notes*	6,623	*11,330*	22,236	*24,091*	*17,421*	*16,518*	*18,016*	22,071	*16,915*	75
66 All other liabilities for borrowed money[5]	246,454	242,620	246,283	248,633	254,899	256,517	257,818	251,307	258,153	−946
67 Other liabilities and subordinated notes and debentures	88,203	85,625	86,347	87,035	86,950	82,963	86,616	83,188	79,861	544
68 **Total liabilities**	**1,252,688**	**1,235,148**	**1,260,193**	**1,233,906**	**1,250,763**	**1,235,554**	**1,266,503**	**1,228,732**	**1,247,821**	**22,046**
69 Residual (total assets minus total liabilities)[6]	84,470	84,846	84,829	85,115	85,767	85,704	85,393	85,463	85,996	1,447
MEMO										
70 Total loans and leases (gross) and investments adjusted[7]	1,069,959	1,063,086	1,068,868	1,069,875	1,076,796	1,074,616	1,075,332	1,069,847	1,077,552	18,326
71 Total loans and leases (gross) adjusted[7]	865,315	860,216	863,036	864,452	869,819	866,738	866,666	862,233	868,717	14,728
72 Time deposits in amounts of $100,000 or more	182,874	183,446	180,810	181,454	181,706	182,832	181,772	182,456	182,690	3,851
73 U.S. Treasury securities maturing in one year or less	15,684	15,514	15,798	16,143	16,968	17,484	18,053	17,658	17,812	0
74 Loans sold outright to affiliates—total[8]	1,412	1,477	1,476	1,505	1,491	1,472	1,486	1,480	1,891	0
75 Commercial and industrial	1,127	1,186	1,188	1,219	1,196	1,178	1,191	1,192	1,346	0
76 Other	285	291	289	286	295	294	295	288	545	0
77 Nontransaction savings deposits (including MMDAs)	247,883	247,806	247,767	246,417	247,985	248,456	249,418	248,263	250,019	7,110

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. These amounts represent accumulated adjustments originally made to offset the cummulative effects of bank mergers during the calender year. The adjustment data for 1987 should be added to the reported data for 1987 to establish comparability with data reported for 1988.
3. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
4. Includes securities purchased under agreements to resell.
5. Includes allocated transfer risk reserve.
6. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
7. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
8. Exclusive of loans and federal funds transactions with domestic commercial banks.
9. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

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

Millions of dollars, Wednesday figures

Account	1988								
	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Mar. 2
1 Cash balances due from depository institutions	23,326	26,300	30,530	27,141	27,911	21,133	27,592	23,556	24,393
2 **Total loans, leases and securities, net**[2]	**224,068**	**220,909**	**222,743**	**222,247**	**223,393**	**224,257**	**223,274**	**218,521**	**219,235**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	15,813	15,978	15,928	15,510	15,035	14,729	14,647	14,799	15,034
6 Mortgage-backed securities[4]	5,752	5,752	5,753	5,850	5,794	5,806	5,697	5,674	5,954
All other maturing in									
7 One year or less	1,624	1,630	1,614	1,580	1,734	2,073	2,185	2,387	2,489
8 Over one through five years	5,469	5,483	5,504	5,166	4,793	4,829	4,801	4,765	4,613
9 Over five years	2,968	3,114	3,056	2,913	2,714	2,020	1,964	1,973	1,978
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	17,979	17,996	18,060	18,100	18,083	17,925	17,505	17,643	17,493
13 States and political subdivisions, by maturity	13,984	13,999	13,993	13,997	13,901	13,878	13,668	13,776	13,617
14 One year or less	1,170	1,194	1,196	1,184	1,200	1,201	1,218	1,215	1,242
15 Over one year	12,813	12,805	12,797	12,813	12,701	12,678	12,449	12,560	12,375
16 Other bonds, corporate stocks, and securities	3,995	3,996	4,067	4,104	4,182	4,047	3,838	3,867	3,876
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	26,711	26,232	28,815	30,923	30,703	35,222	31,601	29,952	28,620
19 To commercial banks	13,607	13,186	13,037	12,423	11,868	15,421	16,431	14,681	12,323
20 To nonbank brokers and dealers in securities	9,303	9,142	11,127	13,210	13,162	12,397	10,462	11,020	11,397
21 To others	3,801	3,904	4,650	5,289	5,674	7,403	4,708	4,250	4,899
22 Other loans and leases, gross	179,150	176,202	175,467	173,246	175,167	172,015	175,126	171,738	173,798
23 Other loans, gross	174,433	171,430	170,701	168,438	170,346	167,144	170,246	166,843	168,888
24 Commercial and industrial	60,036	58,547	57,959	57,415	57,474	56,969	57,403	56,310	57,696
25 Bankers acceptances and commercial paper	295	350	420	469	434	433	407	441	460
26 All other	59,740	58,198	57,539	56,946	57,040	56,535	56,996	55,870	57,237
27 U.S. addressees	59,257	57,651	56,994	56,404	56,455	56,020	56,366	55,347	56,708
28 Non-U.S. addressees	483	546	544	542	584	515	630	523	529
29 Real estate loans	48,563	48,309	47,880	47,478	47,867	47,722	47,562	47,117	47,191
30 Revolving, home equity	2,690	2,704	2,704	2,720	2,731	2,741	2,747	2,760	2,769
31 All other	45,874	45,605	45,176	44,758	45,136	44,981	44,815	44,358	44,422
32 To individuals for personal expenditures	23,651	23,557	23,479	23,397	22,759	22,742	22,717	22,635	22,651
33 To depository and financial institutions	22,943	22,385	22,619	20,985	21,560	21,026	21,769	21,306*	22,158
34 Commercial banks in the United States	11,954	12,478	12,853	12,299	12,493	12,115	12,485	12,587	12,648
35 Banks in foreign countries	3,364	3,129	2,861	2,041	2,378	2,295	2,299	2,384	2,910
36 Nonbank depository and other financial institutions	7,626	6,778	6,905	6,645	6,690	6,616	6,985	6,334	6,599
37 For purchasing and carrying securities	4,250	4,756	4,093	5,094	5,763	4,589	5,833	4,935	4,870
38 To finance agricultural production	319	283	285	299	306	288	276	287	298
39 To states and political subdivisions	7,481	7,460	7,450	7,452	7,397	7,392	7,382	7,372	7,348
40 To foreign governments and official institutions	915	601	654	654	649	586	613	604	703
41 All other	6,273	5,530	6,282	5,662	6,570	5,830	6,689	6,276	5,971
42 Lease financing receivables	4,718	4,773	4,765	4,809	4,820	4,871	4,880	4,895	4,910
43 LESS: Unearned income	1,513	1,506	1,537	1,542	1,534	1,545	1,528	1,535	1,572
44 Loan and lease reserve	14,072	13,994	13,989	13,990	14,061	14,088	14,078	14,075	14,138
45 Other loans and leases, net[6]	163,565	160,703	159,940	157,713	159,572	156,382	159,520	156,128	158,088
46 All other assets[7]	53,748	51,043	54,985	51,818	57,721	59,332	61,924	59,856	62,542
47 **Total assets**	**301,142**	**298,253**	**308,257**	**301,206**	**309,025**	**304,722**	**312,790**	**301,934**	**306,169**
Deposits									
48 Demand deposits	64,122	58,669	64,224	56,004	59,249	55,607	63,141	53,968	57,636
49 Individuals, partnerships, and corporations	42,490	40,461	44,348	39,526	39,182	38,797	43,191	36,891	39,756
50 States and political subdivisions	1,380	1,054	1,476	1,226	1,285	1,288	1,168	1,185	926
51 U.S. government	878	299	784	604	1,177	553	362	655	230
52 Depository institutions in the United States	6,695	6,173	6,664	6,070	6,677	5,096	6,489	5,993	5,897
53 Banks in foreign countries	7,275	5,913	6,699	4,253	4,730	5,145	6,151	5,208	5,810
54 Foreign governments and official institutions	721	652	673	613	572	542	648	567	526
55 Certified and officers' checks	4,683	4,116	3,578	3,711	5,625	4,186	5,131	3,467	4,490
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	9,791	9,575	9,492	9,239	9,493	9,353	9,327	9,234	9,459
57 Nontransaction balances	107,063	107,816	107,462	108,444	109,090	109,136	109,511	108,962	109,419
58 Individuals, partnerships, and corporations	98,061	98,753	98,620	99,497	100,276	100,434	100,674	100,100	100,608
59 States and political subdivisions	6,695	6,696	6,755	6,819	6,774	6,873	6,947	7,049	6,984
60 U.S. government	35	38	38	37	36	37	33	37	31
61 Depository institutions in the United States	1,919	1,930	1,678	1,748	1,685	1,485	1,559	1,503	1,503
62 Foreign governments, official institutions, and banks	353	398	371	342	319	306	298	272	291
63 Liabilities for borrowed money	62,388	65,812	69,572	69,716	72,716	75,997	73,859	74,684	74,771
64 Borrowings from Federal Reserve Banks	0	1,945	0	0	0	0	0	0	0
65 Treasury tax-and-loan notes	1,123	2,680	5,732	6,490	4,444	4,712	5,487	5,895	4,320
66 All other liabilities for borrowed money[8]	61,266	61,187	63,840	63,225	68,272	71,285	68,372	68,789	70,452
67 Other liabilities and subordinated note and debentures	33,747	32,281	33,458	33,700	34,005	30,309	32,686	30,884	30,452
68 **Total liabilities**	**277,112**	**274,154**	**284,207**	**277,102**	**284,553**	**280,402**	**288,524**	**277,732**	**281,738**
69 Residual (total assets minus total liabilities)[9]	24,030	24,099	24,050	24,104	24,472	24,320	24,266	24,202	24,432
MEMO									
70 Total loans and leases (gross) and investments adjusted[2,10]	214,092	210,745	212,378	213,057	214,627	212,354	209,964	206,863	209,974
71 Total loans and leases (gross) adjusted[10]	180,300	176,771	178,391	179,447	181,509	179,700	177,811	174,421	177,446
72 Time deposits in amounts of $100,000 or more	37,951	39,014	38,383	39,295	39,160	39,322	39,368	39,004	39,077
73 U.S. Treasury securities maturing in one year or less	2,625	2,489	2,935	2,570	3,586	4,172	4,436	4,196	0

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

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

Millions of dollars, Wednesday figures

Account	1988								
	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 27	Mar. 2
1 Cash and due from depository institutions	11,051	12,720	11,071	11,112	11,302	10,510	10,122	10,410	10,457
2 Total loans and securities	102,861	100,365	98,278	99,575	101,060	101,812	101,039	101,129	100,266
3 U.S. Treasury and government agency securities	7,200	7,338	7,463	7,829	7,774	7,811	8,001	7,706	7,722
4 Other securities	7,828	7,909	7,970	7,928	7,861	7,756	7,940	7,977	7,931
5 Federal funds sold[2]	9,304	9,172	7,490	8,446	8,940	9,595	7,615	8,414	5,823
6 To commercial banks in the United States	7,525	6,683	5,466	6,448	6,391	7,529	5,872	6,585	3,947
7 To others	1,779	2,489	2,024	1,998	2,549	2,066	1,742	1,829	1,876
8 Other loans, gross	78,528	75,945	75,354	75,371	76,484	76,649	77,483	77,032	78,750
9 Commercial and industrial	51,595	49,867	49,530	49,992	50,315	49,156	50,334	50,552	51,625
10 Bankers acceptances and commercial paper	1,605	1,570	1,428	1,376	1,391	1,468	1,600	1,636	1,667
11 All other	49,990	48,296	48,102	48,616	48,924	47,688	48,734	48,916	49,958
12 U.S. addressees	47,842	46,084	45,757	46,289	46,373	45,278	46,114	46,604	47,468
13 Non-U.S. addressees	2,149	2,212	2,345	2,328	2,551	2,410	2,620	2,312	2,491
14 To financial institutions	15,944	15,360	15,200	14,789	15,308	16,402	15,966	15,657	15,984
15 Commercial banks in the United States	11,540	10,972	11,026	10,693	11,088	12,136	11,712	11,634	11,767
16 Banks in foreign countries	1,106	1,041	996	920	1,016	1,005	1,064	992	1,052
17 Nonbank financial institutions	3,297	3,347	3,179	3,175	3,203	3,261	3,191	3,032	3,165
18 To foreign governments and official institutions	598	498	494	490	426	419	416	410	429
19 For purchasing and carrying securities	1,827	1,849	1,752	1,964	1,851	1,872	1,994	1,607	1,887
20 All other	8,564	8,372	8,377	8,135	8,585	8,800	8,773	8,805	8,825
21 Other assets (claims on nonrelated parties)	30,093	30,292	30,290	30,418	30,670	31,120	30,463	30,510	30,538
22 Net due from related institutions	15,312	15,106	15,796	14,983	14,853	16,176	15,831	13,807	16,400
23 Total assets	159,316	158,482	155,436	156,088	157,884	159,618	157,455	155,856	157,622
24 Deposits or credit balances due to other than directly related institutions	42,182	41,673	42,588	41,824	42,638	42,432	42,112	41,577	41,693
25 Transaction accounts and credit balances[3]	3,358	3,145	3,789	2,992	3,337	3,156	3,099	2,970	2,940
26 Individuals, partnerships, and corporations	2,101	1,988	2,418	1,870	1,932	1,914	2,072	1,875	1,821
27 Other	1,257	1,157	1,371	1,122	1,405	1,242	1,027	1,095	1,118
28 Nontransaction accounts[4]	38,824	38,527	38,799	38,832	39,301	39,277	39,013	38,607	38,753
29 Individuals, partnerships, and corporations	31,689	31,476	31,894	31,932	32,300	32,411	32,045	31,766	31,979
30 Other	7,134	7,051	6,904	6,900	7,001	6,866	6,969	6,840	6,774
31 Borrowings from other than directly related institutions	60,005	61,892	60,825	59,503	61,583	62,816	61,292	58,649	61,619
32 Federal funds purchased[5]	27,456	30,269	30,005	30,457	32,134	32,490	31,070	28,198	30,107
33 From commercial banks in the United States	16,296	19,019	17,079	16,970	19,712	19,969	18,322	14,834	15,621
34 From others	11,160	11,251	12,926	13,486	12,423	12,521	12,748	13,364	14,486
35 Other liabilities for borrowed money	32,549	31,623	30,820	29,046	29,449	30,326	30,221	30,451	31,512
36 To commercial banks in the United States	24,174	23,480	22,919	21,654	22,628	23,074	22,851	23,248	24,015
37 To others	8,375	8,143	7,901	7,392	6,820	7,252	7,370	7,203	7,497
38 Other liabilities to nonrelated parties	31,061	31,224	31,375	31,796	31,792	32,124	31,650	31,860	31,390
39 Net due to related institutions	26,068	23,693	20,647	22,964	21,870	22,245	22,401	23,770	22,920
40 Total liabilities	159,316	158,482	155,436	156,088	157,884	159,618	157,455	155,856	157,622
MEMO									
41 Total loans (gross) and securities adjusted[6]	83,795	82,709	81,786	82,434	83,581	82,146	83,455	82,910	84,512
42 Total loans (gross) adjusted[6]	68,767	67,462	66,352	66,676	67,945	66,578	67,514	67,227	68,859

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

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

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

Type of holder	Commercial banks									
	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.	1987 Dec.
1 **All holders—Individuals, partnerships, and corporations**	**291.8**	**293.5**	**302.7**	**321.0**	**333.6**	**363.6**	**335.9**	**340.2**	**339.0**	**344.9**
2 Financial business	35.4	32.8	31.7	32.3	35.9	41.4	35.9	36.6	36.5	36.9
3 Nonfinancial business	150.5	161.1	166.3	178.5	185.9	202.0	183.0	187.2	188.2	191.7
4 Consumer	85.9	78.5	81.5	85.5	86.3	91.1	88.9	90.1	88.7	89.9
5 Foreign	3.0	3.3	3.6	3.5	3.3	3.3	2.9	3.2	3.2	3.4
6 Other	17.0	17.8	19.7	21.2	22.2	25.8	25.2	23.1	22.4	23.0
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.	1987 Dec.
7 **All holders—Individuals, partnerships, and corporations**	**144.2**	**146.2**	**157.1**	**168.6**	**174.7**	**195.1**	**178.1**	**179.3**	**179.1**	**187.0**
8 Financial business	26.7	24.2	25.3	25.9	28.9	32.5	28.7	29.3	29.3	29.5
9 Nonfinancial business	74.3	79.8	87.1	94.5	94.8	106.4	94.4	94.8	96.0	100.8
10 Consumer	31.9	29.7	30.5	33.2	35.0	37.5	36.8	37.5	37.2	39.4
11 Foreign	2.9	3.1	3.4	3.1	3.2	3.3	2.8	3.1	3.1	3.3
12 Other	8.4	9.3	10.9	12.0	12.8	15.4	15.5	14.6	13.5	14.0

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

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

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

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.[1]	1987 Dec.	1988 Jan.[2]
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**187,658**	**237,586**	**298,779**	**329,991**	**357,129**	**350,780**	**356,993**	**356,577**	**351,844**	**357,129**	**380,475**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	44,455	56,485	78,443	101,072	101,958	109,941	114,435	109,020	105,196	101,958	116,730
3 Bank-related (not seasonally adjusted)	2,441	2,035	1,602	2,265	1,428	2,404	2,600	2,688	1,893	1,428	1,694
Directly placed paper[5]											
4 Total	97,042	110,543	135,320	151,820	173,939	162,674	165,319	170,403	169,779	173,939	175,467
5 Bank-related (not seasonally adjusted)	35,566	42,105	44,778	40,860	43,173	45,487	46,790	46,249	45,353	43,173	45,425
6 Nonfinancial companies[6]	46,161	70,558	85,016	77,099	81,232	78,165	77,239	77,154	76,869	81,232	88,278
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**78,309**	**78,364**	**68,413**	**64,974**	**70,565**	**68,645**	**68,771**	**71,891**	**71,068**	**70,565**	**62,957**
Holder											
8 Accepting banks	9,355	9,811	11,197	13,423	10,943r	10,870	10,521	10,856	10,701	10,943r	8,602
9 Own bills	8,125	8,621	9,471	11,707	9,464	9,905	9,400	9,742	9,714	9,464	7,759
10 Bills bought	1,230	1,191	1,726	1,716	1,479	965	1,121	1,114	987	1,479	843
Federal Reserve Banks											
11 Own account	418	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	729	671	937	1,317	965	1,397	1,467	1,400	1,134	965	831
13 Others	67,807	67,881	56,279	50,234	58,658	56,379r	56,784	59,635	59,234	58,658	53,524
Basis											
14 Imports into United States	15,649	17,845	15,147	14,670	16,483	17,087	17,198	17,814	16,942	16,483	14,468
15 Exports from United States	16,880	16,305	13,204	12,960	15,227	14,967	15,046	15,949	15,435	15,227	14,054
16 All other	45,781	44,214	40,062	37,344	38,855r	36,590	36,526	38,122	38,691	38,855r	34,436

1. A change in the reporting panel in November resulted in a slight understatement of outstanding volume.
2. Data reflect a break in series resulting from additions to the reporting panel.
3. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

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

Percent per year

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1987—Apr. 1	7.75	1985—Jan.	10.61	1986—Sept.	7.50
May 20	10.00	May 1	8.00	Feb.	10.50	Oct.	7.50
June 18	9.50	15	8.25	Mar.	10.50	Nov.	7.50
		Sept. 4	8.75	Apr.	10.50	Dec.	7.50
1986—Mar. 7	9.00	Oct. 7	9.25	May	10.31		
Apr. 21	8.50	22	9.00	June	9.78	1987—Jan.	7.50
July 11	8.00	Nov. 5	8.75	July	9.50	Feb.	7.50
Aug. 27	7.50			Aug.	9.50	Mar.	7.50
		1988—Feb. 2	8.50	Sept.	9.50	Apr.	7.75
				Oct.	9.50	May	8.14
				Nov.	9.50	June	8.25
				Dec.	9.50	July	8.25
						Aug.	8.25
				1986—Jan.	9.50	Sept.	8.70
				Feb.	9.50	Oct.	9.07
				Mar.	9.10	Nov.	8.78
				Apr.	8.83	Dec.	8.75
				May	8.50		
				June	8.50	1988—Jan.	8.75
				July	8.16	Feb.	8.51
				Aug.	7.90		

NOTE. These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1985	1986	1987	1987		1988		1988, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
MONEY MARKET RATES												
1 Federal funds[1,2]	8.10	6.80	6.66	6.69	6.77	6.83	6.58	6.66	6.77	6.38	6.65	6.64
2 Discount widow borrowing[1,2,3]	7.69	6.33	5.66	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Commercial paper[4,5]												
3 1-month	7.94	6.62	6.73	6.77	7.76	6.76	6.55	6.66	6.59	6.47	6.61	6.53
4 3-month	7.95	6.49	6.81	7.17	7.61	6.87	6.58	6.75	6.62	6.49	6.63	6.58
5 6-month	8.01	6.39	6.84	7.17	7.49	6.92	6.58	6.78	6.61	6.49	6.64	6.60
Finance paper, directly placed[4,5]												
6 1-month	7.91	6.58	6.61	6.63	7.23	6.65	6.45	6.54	6.51	6.36	6.50	6.43
7 3-month	7.77	6.38	6.54	6.91	6.97	6.62	6.39	6.51	6.45	6.31	6.43	6.38
8 6-month	7.75	6.31	6.37	6.69	6.64	6.53	6.27	6.41	6.33	6.22	6.29	6.24
Bankers acceptances[5,6]												
9 3-month	7.92	6.39	6.74	7.07	7.48	6.77	6.49	6.61	6.50	6.43	6.55	6.50
10 6-month	7.96	6.29	6.77	7.07	7.41	6.83	6.49	6.63	6.50	6.42	6.56	6.50
Certificates of deposit, secondary market[7]												
11 1-month	7.97	6.61	6.74	6.80	7.86	6.78	6.55	6.66	6.59	6.49	6.57	6.55
12 3-month	8.05	6.52	6.86	7.24	7.66	6.92	6.60	6.77	6.63	6.54	6.64	6.61
13 6-month	8.25	6.51	7.00	7.31	7.67	7.10	6.69	6.90	6.70	6.59	6.77	6.73
14 Eurodollar deposits, 3-month[8]	8.28	6.71	7.06	7.41	7.86	7.11	6.73	7.03	6.81	6.70	6.69	6.79
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	7.48	5.98	5.78	5.69	5.77	5.81	5.66	5.74	5.67	5.65	5.72	5.63
16 6-month	7.65	6.03	6.03	6.19	6.36	6.25	5.93	6.11	6.05	5.91	5.99	5.81
17 1-year	7.81	6.08	6.32	6.50	6.69	6.52	6.21	6.33	6.22	6.16	6.27	6.20
Auction average[10]												
18 3-month	7.49	5.97	5.82	5.81	5.80	5.90	5.69	5.85	5.74	5.63	5.73	5.64
19 6-month	7.66	6.02	6.03	6.23	6.36	6.31	5.96	6.19	6.11	5.85	6.03	5.83
20 1-year	7.79	6.12	6.22	6.48	6.74	6.67	6.18	n.a.	n.a.	n.a.	6.18	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	8.43	6.46	6.77	6.96	7.17	6.99	6.64	6.77	6.65	6.59	6.70	6.63
22 2-year	9.27	6.87	7.41	7.69	7.86	7.63	7.18	7.39	7.20	7.14	7.24	7.17
23 3-year	9.64	7.06	7.67	7.99	8.13	7.87	7.38	7.63	7.42	7.34	7.42	7.35
24 5-year	10.13	7.31	7.94	8.35	8.45	8.18	7.71	7.91	7.73	7.67	7.79	7.70
25 7-year	10.51	7.55	8.22	8.69	8.82	8.48	8.02	8.19	8.02	7.99	8.10	8.00
26 10-year	10.62	7.68	8.39	8.86	8.99	8.67	8.21	8.39	8.20	8.18	8.29	8.20
27 20-year	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	10.79	7.80	8.58	8.95	9.12	8.83	8.43	8.56	8.39	8.41	8.52	8.43
Composite[13]												
29 Over 10 years (long-term)	10.75	8.14	8.63	8.99	9.12	8.83	8.41	8.55	8.38	8.38	8.49	8.41
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.60	6.95	7.14	7.50	7.45	7.29	7.05	7.15	7.15	7.05	7.00	7.00
31 Baa	9.58	7.76	8.17	8.47	8.42	8.12	7.62	7.80	7.70	7.60	7.55	7.65
32 *Bond Buyer* series[15]	9.11	7.32	7.64	7.95	7.96	7.70	7.49	7.51	7.49	7.40	7.55	7.52
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.05	9.71	9.91	10.54	10.59	10.37	9.89	10.16	9.98	9.89	9.89	9.83
34 Aaa	11.37	9.02	9.38	10.01	10.11	9.88	9.40	9.64	9.46	9.42	9.41	9.33
35 Aa	11.82	9.47	9.68	10.27	10.33	10.09	9.60	9.90	9.69	9.59	9.61	9.54
36 A	12.28	9.95	9.99	10.63	10.62	10.43	9.94	10.25	10.05	9.94	9.94	9.88
37 Baa	12.72	10.39	10.58	11.23	11.29	11.07	10.62	10.85	10.71	10.62	10.60	10.56
38 A-rated, recently-offered utility bonds[17]	12.06	9.61	9.95	10.39	10.42	10.05	9.75	9.76	9.63	9.81	9.82	9.75
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	10.49	8.76	8.37	9.11	9.08	9.04	9.02	8.93	8.91	8.95	9.11	9.10
40 Common stocks	4.25	3.48	3.08	3.66	3.71	3.66	3.56	3.66	3.63	3.57	3.55	3.48

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

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

1.36 STOCK MARKET Selected Statistics

Indicator	1985	1986	1987	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	108.09	136.00	161.70	169.58	174.28	184.18	178.39	157.13	137.21	134.88	140.55	145.13
2 Industrial	123.79	155.85	195.31	206.61	214.12	226.49	219.52	189.86	163.42	162.19	168.47	173.44
3 Transportation	104.11	119.87	140.39	150.39	157.49	164.02	158.58	140.95	117.57	115.85	121.20	126.09
4 Utility	56.75	71.36	74.29	74.25	74.18	78.20	76.13	73.27	69.86	67.39	70.01	72.89
5 Finance	114.21	147.19	146.48	152.73	152.27	160.94	154.08	137.35	118.30	111.47	119.40	124.36
6 Standard & Poor's Corporation (1941–43 = 10)[1]	186.84	236.34	286.83	301.36	310.09	329.36	318.66	280.16	245.01	240.96	250.48	258.13
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	229.10	264.38	316.61	334.49	348.68	361.52	353.72	306.34	249.42	248.52	267.29	276.54
Volume of trading (thousands of shares)												
8 New York Stock Exchange	109,191	141,385	188,642	163,380	180,356	193,477	177,319	277,026	179,481	178,517	174,755	184,688
9 American Stock Exchange	8,355	11,846	13,832	12,813	12,857	13,604	12,381	18,173	11,268	13,422	9,853	9,961
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker-dealers[3]	**28,390**	**36,840**	**31,990**	**38,420**	**40,250**	**41,640**	**44,170**	**38,250**	**34,180**	**31,990**	**31,320**	**31,990**
Free credit balances at brokers[4]												
11 Margin-account[5]	2,715	4,880	4,750	3,680	4,095	4,240	4,270	8,415	6,700	4,750	4,675	4,555
12 Cash-account	12,840	19,000	15,640	15,405	15,930	16,195	15,895	18,455	15,360	15,640	15,270	14,695

Margin requirements (percent of market value and effective date)[6]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

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

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

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1985	1986	1987										
			Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.
							Savings and loan associations						
1 **Assets**	**948,781**	**963,316**	**936,858**	**939,721**	**944,229**	**952,671**	**949,069**	**949,223r**	**955,105r**	**956,517r**	**973,816r**	**978,319**	**977,978**
2 Mortgage-backed securities	97,303	123,257	128,856	129,274	134,746	141,023	142,241	140,897	144,146r	146,209r	150,275r	152,932	154,383
3 Cash and investment securities[1]	126,712	142,700	135,885	138,746	136,370	138,303	138,125	138,520	137,207r	131,729	139,648r	138,234	135,710
4 Other	103,768r	110,445r	100,339r	101,031r	102,566r	103,250r	103,861r	103,915r	105,120r	104,445r	105,580r	106,143	106,208
5 **Liabilities and net worth**	**948,781**	**963,316**	**936,858**	**939,721**	**944,229**	**952,671**	**949,069**	**949,223r**	**955,105r**	**956,517r**	**973,816r**	**978,319**	**977,978**
6 Savings capital	750,071	741,081	722,226	722,548	716,798	718,633	715,662	716,385r	717,257r	721,407r	727,333r	731,061	737,347
7 Borrowed money	138,798	159,742	152,176	158,192	165,883	171,279	175,394	174,358r	178,643r	180,382r	190,644r	191,020	191,037
8 FHLBB	73,888	80,194	75,671	76,469	77,857	78,583	79,188	78,888	79,546	80,848	83,303	84,266	87,697
9 Other	64,910	79,548	76,505	81,723	88,026	92,696	96,206	95,470r	99,097r	99,534r	107,341r	106,754	103,340
10 Other	19,045	20,071	21,878	18,958	20,869	22,628	19,584	20,684r	21,956r	19,174r	21,036r	21,287	16,760
11 Net worth[2]	41,064	42,423	40,579	40,023	40,678	40,127	38,428	37,796r	37,249r	35,554r	34,803r	34,951	32,833
							FSLIC-insured federal savings banks						
12 **Assets**	**131,868**	**210,562**	**235,763**	**241,418**	**246,277**	**253,006**	**264,105r**	**268,781r**	**272,316r**	**272,837r**	**276,556r**	**279,223**	**284,296**
13 Mortgages	72,355	113,638	136,505	138,882	140,854	144,581	150,421	152,881	154,054r	154,655r	156,459r	158,885	161,909
14 Mortgage-backed securities	15,676	29,766	34,634	36,088	37,500	39,371	40,969	42,714r	43,532r	44,421r	45,132	45,251	45,877
15 Other	11,723	19,034	16,060	16,605	17,034	17,200	17,923r	17,523r	17,793r	17,572r	17,410r	17,353	17,303
16 **Liabilities and net worth**	**131,868**	**210,562**	**235,763**	**241,418**	**246,277**	**253,006**	**264,105r**	**268,781r**	**272,316r**	**272,837r**	**276,556r**	**279,223**	**284,296**
17 Savings capital	103,462	157,872	177,355	178,672	180,637	182,802	189,998	193,890	194,853	195,213	197,298r	199,114	203,231
18 Borrowed money	19,323	37,329	39,777	43,919	46,125	49,896	53,255	53,652	55,660	56,549r	57,551	58,277	60,695
19 FHLBB	10,510	19,897	20,226	21,104	21,718	22,788	24,486	24,981	25,546	26,287	27,350	27,947	29,617
20 Other	8,813	17,432	19,551	22,815	24,407	27,108	28,769	28,671	30,114	30,262r	30,201	30,330	31,078
21 Other	2,732	4,263	5,484	5,264	5,547	6,044	5,987	6,144r	6,455r	5,632r	6,304r	6,363	5,290
22 Net worth	6,351	11,098	13,151	13,564	13,978	14,272	14,871	15,100r	15,172r	15,445r	15,417r	15,483	15,098
							Savings banks						
23 **Assets**	**216,776**	**236,866**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**	**251,472**	**255,989**	**260,600**	**256,623**
Loans													
24 Mortgage	110,448	118,323	119,737	121,178	122,769	124,936	128,217	129,624	130,721	133,298	135,317	137,044	136,742
25 Other	30,876	35,167	37,207	38,012	37,136	37,313	35,200	35,591	36,793	36,134	36,471	37,189	33,380
Securities													
26 U.S. government	13,111	14,209	13,525	13,631	13,743	13,650	13,549	13,498	13,720	13,122	13,817	15,694	13,430
27 Mortgage-backed securities	19,481	25,836	26,893	27,463	28,700	28,739	27,785	28,252	28,913	29,655	30,202	31,144	32,498
28 State and local government	2,323	2,185	2,168	2,041	2,063	2,053	2,059	2,050	2,038	2,023	2,034	2,046	2,004
29 Corporate and other	21,199	20,459	19,770	19,598	19,768	19,956	18,803	18,821	18,573	18,431	18,062	17,583	18,472
30 Cash	6,225	6,894	5,143	5,703	5,308	5,176	4,939	4,806	4,823	4,484	5,529	5,063	5,909
31 Other assets	13,113	13,793	13,631	13,713	13,967	14,083	14,208	14,191	14,307	14,325	14,557	14,837	14,188
32 **Liabilities**	**216,776**	**236,866**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**	**251,472**	**255,989**	**260,600**	**256,623**
33 Deposits	185,972	192,194	192,559	193,693	193,347	194,742	193,274	194,549	195,895	196,824	199,336	202,030	199,162
34 Regular[3]	181,921	186,345	187,597	188,432	187,791	189,048	187,669	188,783	190,335	191,376	193,777	196,724	193,778
35 Ordinary savings	33,018	37,717	39,370	40,558	41,326	41,967	42,178	41,928	41,767	41,773	42,045	42,493	41,299
36 Time	103,311	100,809	100,922	100,896	100,308	100,607	100,604	102,603	105,133	107,063	109,486	112,231	111,193
37 Other	4,051	5,849	4,962	5,261	5,556	5,694	5,605	5,766	5,560	5,448	5,559	5,306	5,384
38 Other liabilities	17,414	25,274	25,663	27,003	29,105	30,436	30,515	31,655	32,467	32,827	34,226	36,167	35,165
39 General reserve accounts	12,823	18,105	18,486	18,830	19,423	19,603	19,549	19,718	20,471	20,407	20,365	21,133	20,349

1.37—Continued

Account	1985	1986	1987 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.
	Credit unions[4]												
40 **Total assets/liabilities and capital**	**118,010**	**147,726**	**149,751**	**153,253**	**154,549**	**156,086**	**160,644**						
41 Federal	77,861	95,483	96,753	98,799	99,751	100,153	104,150						
42 State	40,149	52,243	52,998	54,454	54,798	55,933	56,494						
43 Loans outstanding	73,513	86,137	85,651	86,101	87,089	87,765	90,912	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
44 Federal	47,933	55,304	54,912	55,118	55,740	55,952	58,432						
45 State	25,580	30,833	30,739	30,983	31,349	31,813	32,480						
46 Savings	105,963	134,327	136,441	138,810	140,014	141,635	148,283						
47 Federal	70,926	87,954	89,485	91,042	92,012	97,189	96,137						
48 State	35,037	46,373	46,956	47,768	48,002	49,248	52,146						
	Life insurance companies												
49 **Assets**	**825,901**	**937,551**	**961,937**	**978,455**	**978,455**	**985,942**	**995,576**	**1,005,592**	**1,017,018**	**1,026,919**	**1,021,148**	**1,024,460**	
Securities													
50 Government	75,230	84,640	88,003	90,337	89,711	89,554	87,279	88,199	89,924	89,408	90,782	91,227	
51 United States[5]	51,700	59,033	62,724	65,661	64,621	64,201	61,405	62,461	64,150	63,352	64,880	65,186	
52 State and local	9,708	11,659	11,315	10,860	11,068	11,208	11,485	11,277	11,190	11,087	11,363	11,539	
53 Foreign[6]	13,822	13,948	13,964	13,816	14,022	14,145	14,389	14,461	14,584	14,969	14,539	14,502	
54 Business	423,712	492,807	514,328	519,766	522,097	528,789	537,507	555,423	551,701	558,787	549,426	548,767	n.a.
55 Bonds	346,216	401,943	415,004	417,933	420,474	425,788	432,095	448,146	442,604	451,453	455,678	459,537	
56 Stocks	77,496	90,864	99,324	101,833	101,623	103,001	105,412	107,277	109,097	107,334	93,748	89,230	
57 Mortgages	171,797	193,842	194,935	195,743	197,315	198,760	200,382	201,297	202,241	204,264	206,507	208,839	
58 Real estate	28,822	31,615	32,003	31,834	32,011	32,149	32,357	32,699	32,992	33,048	33,235	33,538	
59 Policy loans	54,369	54,055	53,806	53,652	53,572	53,468	53,378	53,338	53,330	53,422	53,413	53,334	
60 Other assets	71,971	80,592	78,842	82,105	83,749	83,222	84,390	85,420	86,830	87,991	87,785	88,755	

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. Excludes checking, club, and school accounts.
4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1986	Fiscal year 1987[1]	Calendar year					
			1987				1988	
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. budget[2]								
1 Receipts, total	769,091	854,143	92,410	62,354	56,987	85,525	81,791	60,355
2 On-budget	568,862	640,741	73,755	45,992	40,630	67,645	60,645	40,610
3 Off-budget	200,228	213,402	18,656	16,362	13,357	17,880	21,146	19,745
4 Outlays, total	990,258	1,004,586	76,980	93,095	83,920	109,741	65,706	84,257
5 On-budget	806,760	810,754	60,337	76,910	67,150	77,845	66,493	66,504
6 Off-budget	183,498	193,832	16,643	16,185	16,770	31,896	−787	17,753
7 Surplus, or deficit (−), total	−221,167	−150,444	15,430	−30,741	−26,934	−24,216	16,085	−23,902
8 On-budget	−237,898	−170,014	13,417	−30,918	−26,520	−10,200	−5,848	−25,894
9 Off-budget	16,731	19,570	2,013	176	−414	−14,016	21,933	1,992
Source of financing (total)								
10 Borrowing from the public	236,187	150,070	−8,060	27,282	23,603	9,766	5,281	20,157
11 Operating cash (decrease, or increase (−))	−14,324	−5,052	−13,800	−1,879	17,164	−1,218	−17,555	11,002
12 Other[3]	−696	5,426	6,430	5,338	−13,833	15,668	−3,810	−7,258
MEMO								
13 Treasury operating balance (level, end of period)	31,384	36,436	36,436	38,315	21,151	22,369	39,924	28,922
14 Federal Reserve Banks	7,514	9,120	9,120	8,898	3,595	5,313	10,276	2,473
15 Tax and loan accounts	23,870	27,316	27,316	29,416	17,556	17,056	29,648	26,450

1. FY 1987 total outlays and deficit do not correspond to the monthly data because the *Monthly Treasury Statement* has not completed the monthly distribution of revisions reflected in the fiscal year total in *The Budget of the U.S. Government, Fiscal Year 1989*.

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

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

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

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

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year						
			1986		1987		1987	1988	
			H1	H2	H1	H2	Dec.	Jan.	Feb.
RECEIPTS									
1 **All sources**	**769,091**	**854,143**	**394,345**	**387,524**	**447,282**	**421,712**	**85,525**	**81,791**	**60,355**
2 Individual income taxes, net	348,959	392,557	169,444	183,156	205,157	192,575	36,537	43,987	25,651
3 Withheld	314,803	322,463	153,919	164,071	156,760	170,203	34,020	24,979	28,046
4 Presidential Election Campaign Fund	36	33	31	4	30	4	0	0	4
5 Nonwithheld	105,994	142,957	78,981	27,733	112,421	31,223	3,309	19,262	1,179
6 Refunds	71,873	72,896	63,488	8,652	64,052	8,853	793	255	3,577
Corporation income taxes									
7 Gross receipts	80,442	102,859	41,946	42,108	52,396	52,821	18,633	4,450	2,652
8 Refunds	17,298	18,933	9,557	8,230	10,881	7,119	884	820	1,677
9 Social insurance taxes and contributions, net	283,901	303,318	156,714	134,006	163,519	143,755	23,361	28,162	28,500
10 Employment taxes and contributions[2]	255,062	273,185	139,706	122,246	146,696	130,388	22,735	26,920	25,739
11 Self-employment taxes and contributions[3]	11,840	13,987	10,581	1,338	12,020	1,889	0	819	1,368
12 Unemployment insurance	24,098	25,418	14,674	9,328	14,514	10,977	170	883	2,399
13 Other net receipts[4]	4,742	4,715	2,333	2,429	2,310	2,390	457	360	362
14 Excise taxes	32,919	32,510	15,944	15,947	15,845	17,680	3,838	2,393	2,204
15 Customs deposits	13,327	15,032	6,369	7,282	7,129	7,993	1,361	1,195	1,296
16 Estate and gift taxes	6,958	7,493	3,487	3,649	3,818	3,610	540	531	566
17 Miscellaneous receipts[5]	19,884	19,307	10,002	9,605	10,299	10,399	2,141	1,893	1,164
OUTLAYS									
18 **All types**	**990,231**	**1,004,586**	**486,058**	**505,448r**	**502,983r**	**534,706r**	**109,741**	**65,706**	**84,257**
19 National defense	273,375	281,999	135,367	138,544	142,886	146,995r	29,070	19,895	23,670
20 International affairs	14,152	11,649	5,384	8,876	4,374	4,487r	517	1,074	516
21 General science, space, and technology	8,976	9,216	12,519	4,594	4,324	5,469r	937	773	749
22 Energy	4,735	4,115	2,484	2,735	2,335	1,468r	316	247	−1,635
23 Natural resources and environment	13,639	13,363	6,245	7,141	6,175	7,590r	1,371	1,097	969
24 Agriculture	31,449	27,356	14,482	16,160	11,824	14,640r	1,278	2,275	1,014
25 Commerce and housing credit	4,823	6,182	860	3,647	4,893	3,852r	−350r	1,216	−866
26 Transportation	28,117	26,228	12,658	14,745	12,113	14,096	2,287	1,990	1,995
27 Community and regional development	7,233	5,051	3,169	3,494	3,108	2,075r	701	452	459
28 Education, training, employment, and social services	30,585	29,724	14,712	15,287	14,182	15,592r	2,301	2,771	3,041
29 Health	35,935	39,968	17,872	18,795	20,318	20,750	3,176	3,577	3,650
30 Social security and medicare	268,921	282,473	135,214	138,299	142,864	158,469	40,992	6,951	24,585
31 Income security	119,796	123,250	60,786	60,628	62,248	61,201r	11,485	10,220	11,264
32 Veterans benefits and services	26,356	26,782	12,193	14,447	12,264	14,956r	3,773	1,207	2,170
33 Administration of justice	6,603	7,548	3,352	3,360	3,626	4,291r	774	706	704
34 General government	6,104	5,948	3,566	2,786	3,344	3,560r	1,577	−52	806
35 General-purpose fiscal assistance	6,431	1,621	2,179	2,886	337	1,175	129	403	45
36 Net interest[6]	136,008	138,570	68,054	65,816	70,110	71,933r	12,177	13,551	13,988
37 Undistributed offsetting receipts[7]	−33,007	−36,455	−17,193	−17,376	−18,104	−17,981r	−2,770	−2,647	−2,868

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

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1988*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985	1986				1987			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**
2 Public debt securities	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3	2,350.3	2,431.7
3 Held by public	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1	1,893.1	1,954.1
4 Held by agencies	348.9	352.6	374.4	382.9	403.1	407.5	438.1	457.2	477.6
5 Agency securities	4.4	4.3	4.3	4.2	4.0	4.0	3.8	4.0	3.5
6 Held by public	3.3	3.2	3.2	3.2	3.0	2.9	2.8	3.0	2.7
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	.8
8 **Debt subject to statutory limit**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**
9 Public debt securities	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7	2,334.7	2,416.3
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.1
11 MEMO: Statutory debt limit	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0	2,800.0	2,800.0

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

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

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

Billions of dollars, end of period

Type and holder	1984	1985	1986	1987	1987			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**1,663.0**	**1,945.9**	**2,214.8**	**2,431.7**	**2,246.7**	**2,309.3**	**2,350.3**	**2,431.7**
By type								
2 Interest-bearing debt	1,660.6	1,943.4	2,212.0	2,428.9	2,244.0	2,306.7	2,347.7	2,428.9
3 Marketable	1,247.4	1,437.7	1,619.0	1,724.7	1,635.7	1,659.0	1,676.0	1,724.7
4 Bills	374.4	399.9	426.7	389.5	406.2	391.0	378.3	389.5
5 Notes	705.1	812.5	927.5	1,037.9	955.3	984.4	1,005.1	1,037.9
6 Bonds	167.9	211.1	249.8	282.5	259.3	268.6	277.6	282.5
7 Nonmarketable[1]	413.2	505.7	593.1	704.2	608.3	647.7	671.8	704.2
8 State and local government series	44.4	87.5	110.5	139.3	118.5	125.4	129.0	139.3
9 Foreign issues[2]	9.1	7.5	4.7	4.0	4.9	5.1	4.3	4.0
10 Government	9.1	7.5	4.7	4.0	4.9	5.1	4.3	4.0
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	73.1	78.1	90.6	99.2	93.0	95.2	97.0	99.2
13 Government account series[3]	286.2	332.2	386.9	461.3	391.4	421.6	440.7	461.3
14 Non-interest-bearing debt	2.3	2.5	2.8	2.8	2.7	2.6	2.5	2.8
By holder[4]								
15 U.S. government agencies and trust funds	289.6	348.9	403.1	477.6	407.5	438.1	457.2	477.6
16 Federal Reserve Banks	160.9	181.3	211.3	222.6	196.4	212.3	211.9	222.6
17 Private investors	1,212.5	1,417.2	1,602.0	1,745.2	1,641.4	1,657.7	1,682.6	1,745.2
18 Commercial banks	183.4	192.2	230.1	252.3	232.0	237.1	250.5	252.3
19 Money market funds	25.9	25.1	28.6	14.6	18.8	20.6	15.5	14.6
20 Insurance companies	88.7	115.4	135.4	n.a.	145.3	140.0	143.0	n.a.
21 Other companies	50.1	59.0	68.8	n.a.	73.4	78.7	80.2	n.a.
22 State and local Treasurys	173.4	235.8	273.1	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	74.5	79.8	92.3	101.1	94.7	96.8	98.5	101.1
24 Other securities	69.3	75.0	70.5	n.a.	68.3	68.6	70.4	n.a.
25 Foreign and international[5]	192.9	212.5	251.6	287.6	260.4	270.1	267.3	287.6
26 Other miscellaneous investors[6]	366.6	422.4	451.6	n.a.	n.a.	n.a.	n.a.	n.a.

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

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

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

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

	Item	1985	1986	1987r	1987	1988		1988					
					Dec.	Jan.r	Feb.	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**75,331**	**95,445**	**109,892**	**75,157**	**108,580**	**105,540**	**111,025**	**110,057**	**133,605**	**110,131**	**101,258**	**91,826**
	By maturity												
2	Bills	32,900	34,247	37,879	25,227	31,965	28,125	38,800	30,052	33,920	29,501	29,308	25,202
3	Other within 1 year	1,811	2,115	3,267	2,965	3,788	3,708	3,665	3,564	4,253	3,655	3,312	3,628
4	1–5 years	18,361	24,667	27,866	20,802	28,711	30,042	26,401	29,863	38,379	28,793	28,416	30,481
5	5–10 years	12,703	20,456	23,956	15,796	27,348	24,282	26,979	28,853	32,188	24,422	20,824	18,822
6	Over 10 years	9,556	13,961	16,924	10,367	16,769	19,383	15,180	17,726	24,867	23,761	19,399	13,693
	By type of customer												
7	U.S. government securities dealers	3,336	3,670	2,927	2,089	2,757	2,963	2,975	2,726	3,256	2,900	3,036	2,584
8	U.S. government securities brokers	36,222	49,558	61,496	43,458	63,583	59,619	63,180	63,046	76,207	62,207	57,001	52,172
9	All others[3]	35,773	42,218	45,468	29,609	42,238	42,956	44,869	44,285	54,141	45,024	41,221	37,070
10	Federal agency securities	11,640	16,748	18,883	14,394	18,101	17,754	19,410	16,341	21,879	21,793	14,106	15,938
11	Certificates of deposit	4,016	4,355	4,106	3,019	4,723	3,634	4,471	3,996	4,019	3,856	3,249	3,737
12	Bankers acceptances	3,242	3,272	2,966	2,259	3,201	2,781	3,059	3,069	2,934	3,144	2,435	2,676
13	Commercial paper	12,717	16,660	17,104	15,163	19,442	17,981	20,279	17,654	19,220	16,948	18,646	18,204
	Futures contracts[4]												
14	Treasury bills	5,561	3,311	3,224	2,342	2,783	2,637	3,383	3,105	3,227	3,093	3,290	1,731
15	Treasury coupons	6,085	7,175	8,957	7,364	9,410	9,554	8,321	9,792	11,223	9,096	8,647	8,549
16	Federal agency securities	252	16	5	5	1	3	0	0	4	0	4	0
	Forward transactions[5]												
17	U.S. Treasury securities	1,283	1,876	2,056	1,097	1,698	3,613	1,016	1,690	5,272	6,735	959	2,135
18	Federal agency securities	3,857	7,831	9,823	5,704	6,545	6,895	8,615	4,972	6,692	8,717	8,984	4,705

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

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

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

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

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

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

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

Averages of daily figures, in millions of dollars

Item	1985	1986	1987	1987	1988		1988				
				Dec.	Jan.[r]	Feb.	Jan. 27[r]	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Positions										
Net immediate[2]											
1 U.S. Treasury securities	**7,391**	**12,912**	**−6,249**	**−8,657**	**−13,280**	**−10,248**	**−13,479**	**−12,409**	**−7,258**	**−11,721**	**−12,266**
2 Bills	10,075	12,761	4,319	2,506	2,293	3,207	3,718	3,856	4,016	3,430	2,767
3 Other within 1 year	1,050	3,706	1,555	−564	−761	−892	−79	−657	−574	−1,266	−1,041
4 1–5 years	5,154	9,146	612	785	−65	2,735	−2,015	412	4,094	1,883	1,011
5 5–10 years	−6,202	−9,505	−6,562	−3,565	−5,610	−7,467	−6,170	−7,155	−7,074	−7,498	−7,500
6 Over 10 years	−2,686	−3,197	−6,173	−7,819	−9,137	−7,832	−8,933	−8,866	−7,721	−8,272	−7,502
7 Federal agency securities	22,860	32,984	31,903	25,314	23,943	26,649	23,176	25,084	27,566	28,712	25,144
8 Certificates of deposit	9,192	10,485	8,188	6,815	5,866	5,317	5,288	5,463	5,426	5,395	5,388
9 Bankers acceptances	4,586	5,526	3,662	2,409	2,246	2,875	2,321	2,440	2,922	2,778	2,916
10 Commercial paper	5,570	8,089	7,496	7,953	5,533	5,819	5,213	6,088	6,066	6,103	5,013
Futures positions											
11 Treasury bills	−7,322	−18,059	−3,372	450	−2,128	−4,556	−2,597	−3,140	−4,004	−5,092	−4,732
12 Treasury coupons	4,465	3,473	5,989	8,179	7,826	5,053	7,213	5,593	3,577	5,139	5,762
13 Federal agency securities	−722	−153	−95	−84	0	0	0	0	0	0	0
Forward positions											
14 U.S. Treasury securities	−911	−2,144	−1,201	−1,641	−1,175	736	−587	328	1,538	1,672	−61
15 Federal agency securities	−9,420	−11,840	−18,816	−15,024	−14,396	−15,626	−13,015	−14,409	−17,079	−17,197	−14,342
	Financing[3]										
Reverse repurchase agreements[4]											
16 Overnight and continuing	68,035	98,954	124,791	116,153	126,667	127,093	131,187	126,718	123,351	131,360	125,914
17 Term	80,509	108,693	148,033	147,995	155,658	162,899	164,575	171,573	177,470	153,659	156,642
Repurchase agreements[5]											
18 Overnight and continuing	101,410	141,735	170,840	153,155	160,399	163,346	163,048	161,264	160,076	170,618	159,490
19 Term	70,076	102,640	120,980	117,991	122,464	131,616	133,665	138,128	145,181	122,743	127,386

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

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

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

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.
1 Federal and federally sponsored agencies	**271,220**	**293,905**	**307,361**	**316,940**	**320,789**	**328,990**	**334,678**		
2 Federal agencies	35,145	36,390	36,958	37,845	37,177	37,207	37,303		
3 Defense Department[1]	142	71	33	16	15	15	15		
4 Export-Import Bank[2,3]	15,882	15,678	14,211	13,416	12,650	12,470	12,470		
5 Federal Housing Administration[4]	133	115	138	174	178	182	182		
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,965	1,965	1,965	1,965	n.a.	n.a.
7 Postal Service[6]	1,337	1,940	3,104	4,603	4,603	4,603	4,603		
8 Tennessee Valley Authority	15,435	16,347	17,222	17,586	17,766	17,972	18,068		
9 United States Railway Association[6]	51	74	85	85	0	0	0		
10 Federally sponsored agencies[7]	237,012	257,515	270,553	279,095	283,612	291,783	297,375		
11 Federal Home Loan Banks	65,085	74,447	88,752	102,422	104,380	108,108	111,185	115,725	116,374
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	14,150	14,949	16,703	17,762	n.a.	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	91,568	92,618r	94,298	95,096	97,057	97,195
14 Farm Credit Banks	72,192	68,851	62,478	55,408	55,554	55,854	55,629r	55,275r	54,072
15 Student Loan Marketing Association[8]	5,745	8,395	12,171	15,547	16,389	16,220	16,125	16,503	16,424
16 Financing Corporation[9]	n.a.	n.a.	n.a.	n.a.	n.a.	600	1,200	1,200	1,200
MEMO									
17 Federal Financing Bank debt[10]	**145,217**	**153,373**	**157,510**	**158,117**	**157,252**	**156,919**	**156,850**	**n.a.**	**n.a.**
Lending to federal and federally sponsored agencies									
18 Export-Import Bank[3]	15,852	15,670	14,205	13,410	12,644	12,464	12,464		
19 Postal Service[6]	1,087	1,690	2,854	4,353	4,353	4,353	4,353		
20 Student Loan Marketing Association	5,000	5,000	4,970	4,970	4,970	4,970	4,970		
21 Tennessee Valley Authority	13,710	14,622	15,797	16,206	16,386	16,592	16,688	n.a.	n.a.
22 United States Railway Association[6]	51	74	85	85	0	0	0		
Other Lending[11]									
23 Farmers Home Administration	58,971	64,234	65,374	65,069	65,009	64,934	64,934		
24 Rural Electrification Administration	20,693	20,654	21,680	21,503	21,197	21,226	21,215		
25 Other	29,853	31,429	32,545	32,521	32,693	32,380	32,226		

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB).
9. *The Financing Corporation, established in August 1987 to recapitalize the* Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
10. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
11. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987						1988	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.
1 **All issues, new and refunding**[1]	**214,189**	**147,011**	**95,029**	**6,967**	**6,500**	**5,510**	**6,257**	**7,758**	**7,671**	**5,412**	**7,890**
Type of issue											
2 General obligation	52,622	46,346	29,599	2,238	1,975	1,755	1,127	2,449	1,894	1,259	2,755
3 Revenue	161,567	100,664	65,430	4,729	4,525	3,755	5,130	5,309	5,777	4,153	5,135
Type of issuer											
4 State	13,004	14,474	8,426	834	398	535	385	431	550	423	1,200
5 Special district and statutory authority[2]	134,363	89,997	61,663	3,951	4,508	3,712	4,668	4,612	4,972	3,220	4,609
6 Municipalities, counties, and townships	66,822	42,541	24,940	2,182	1,594	1,263	1,204	2,715	2,149	1,769	2,081
7 **Issues for new capital, total**	**156,050**	**83,490**	**53,677**	**4,478**	**5,084**	**4,340**	**4,095**	**6,628**	**5,351**	**2,862**	**5,433**
Use of proceeds											
8 Education	16,658	16,948	9,217	773	869	653	480	1,006	748	841	692
9 Transportation	12,070	11,666	3,589	647	226	311	168	329	451	189	819
10 Utilities and conservation	26,852	35,383	7,299	823	424	491	590	1,042	350	326	655
11 Social welfare	63,181	17,332	9,627	465	903	647	896	1,784	1,134	740	747
12 Industrial aid	12,892	5,594	6,083	469	1,630	412	683	229	1,155	153	95
13 Other purposes	24,398	47,433	17,862	1,301	1,033	1,826	1,278	2,238	1,513	613	2,425

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987							1988
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issues**[1]	**239,015**	**423,726**	**286,929r**	**28,450**	**27,411**	**21,888**	**29,363**	**20,710r**	**14,322r**	**11,872r**	**21,089**
2 **Bonds**[2]	**203,500**	**355,293**	**233,578r**	**22,098**	**22,071**	**17,685**	**23,705**	**17,631r**	**13,624r**	**11,098r**	**18,561**
Type of offering											
3 Public, domestic	119,559	231,936	209,279r	20,568	19,045	14,852	22,045	16,135r	12,891r	10,763r	17,322
4 Private placement, domestic[3]	46,200r	80,760r	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	37,781	42,596	24,299	1,530	3,026	2,833	1,660	1,496	733	335	1,239
Industry group											
6 Manufacturing	63,973	91,548	45,240r	4,104	5,552	3,343	3,506	2,724	1,280	891r	3,009
7 Commercial and miscellaneous	17,066	40,124	19,918	2,061	1,037	1,281	1,479	1,165	483	2,577	1,671
8 Transportation	6,020	9,971	2,039	0	343	296	25	263	0	226	0
9 Public utility	13,649	31,426	17,412r	2,091	1,654	1,533	1,702	1,025r	895r	1,570	1,139
10 Communication	10,832	16,659	5,792r	205	119	856	930	1,384	290r	510	206
11 Real estate and financial	91,958	165,564	143,182r	13,636	13,366	10,377	16,063	11,071	10,676r	5,324r	12,536
12 **Stocks**[3]	**35,515**	**68,433**	**53,351**	**6,352**	**5,340**	**4,203**	**5,658**	**3,079**	**698**	**774**	**2,528**
Type											
13 Preferred	6,505	11,514	10,123	1,202	1,157	906	1,112	236	162	61	1,390
14 Common	29,010	50,316	43,228	5,150	4,183	3,297	4,546	2,843	533	713	1,138
15 Private placement[3]	....	6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	5,700	15,027	9,642	1,438	1,046	370	858	703	237	76	201
17 Commercial and miscellaneous	9,149	10,617	11,461	1,353	879	996	807	656	86	14	360
18 Transportation	1,544	2,427	1,795	492	379	0	11	40	149	1	1
19 Public utility	1,966	4,020	3,839	329	472	85	529	75	25	0	100
20 Communication	978	1,825	1,264	199	294	277	75	107	1	11	60
21 Real estate and financial	16,178	34,517	25,350	2,541	2,270	2,475	3,378	1,498	200	672	1,806

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

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1986	1987r	1987							1988
			June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	Jan.
INVESTMENT COMPANIES[1]										
1 Sales of own shares[2]	411,751	381,260	28,637	27,970	26,455	24,834	25,990	21,927	26,494	30,343
2 Redemptions of own shares[3]	239,394	314,252	23,693	22,807	22,561	28,323	34,597	20,400	28,099	22,324
3 Net sales	172,357	67,008	4,944	5,763	3,894	−3,489	−8,607	1,507	−1,605	8,019
4 Assets[4]	424,156	453,842	516,866	531,022	539,171	521,007	456,422	446,479	453,842	468,998
5 Cash position[5]	30,716	38,006	41,467	41,587	40,802	42,397	40,929	41,432	38,006	40,157
6 Other	393,440	415,836	475,099	489,435	498,369	478,610	415,493	405,047	415,836	428,841

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1985	1986	1987	1986				1987			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Corporate profits with inventory valuation and capital consumption adjustment	277.6	284.4	304.0	288.0	282.3	286.4	281.1	294.0	296.8	314.9	310.2
2 Profits before tax	224.8	231.9	273.3	218.9	224.4	236.3	247.9	257.0	268.7	284.9	282.8
3 Profits tax liability	96.7	105.0	135.9	98.1	102.1	106.1	113.9	128.0	134.2	143.0	138.6
4 Profits after tax	128.1	126.8	137.4	120.9	122.3	130.2	134.0	129.0	134.5	141.9	144.2
5 Dividends	81.3	86.8	93.8	84.3	86.6	87.7	88.6	90.3	92.4	95.2	97.3
6 Undistributed profits	46.8	40.0	43.6	36.6	35.7	42.5	45.4	38.7	42.1	46.7	46.9
7 Inventory valuation	−.8	6.5	−17.5	17.8	11.3	6.0	−8.9	−11.3	−20.0	−17.6	−21.3
8 Capital consumption adjustment	53.5	46.0	48.1	51.3	46.7	44.0	42.1	48.2	48.0	47.7	48.7

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities[1]

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,565.9**	**1,703.0**	**1,722.7**	**1,734.6**	**1,763.0**	**1,784.6**	**1,795.7**
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 **Current liabilities**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,174.1**	**1,182.9**	**1,211.9**	**1,233.6**	**1,222.3**
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 **Net working capital**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**548.6**	**551.7**	**551.1**	**551.0**	**573.4**
11 MEMO: Current ratio[2]	1.492	1.462	1.459	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37. Data are not currently available after 1986:1.

2. Ratio of total current assets to total current liabilities.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1985	1986	1987[1]	1986			1987				1988
				Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]	Q1[2]
1 **Total nonfarm business**	**387.13**	**379.47**	**390.57**	**376.21**	**375.50**	**386.09**	**374.23**	**377.65**	**393.13**	**417.25**	**427.97**
Manufacturing											
2 Durable goods industries	73.27	69.14	71.85	68.56	69.42	69.87	70.47	68.76	71.78	76.40	78.41
3 Nondurable goods industries	80.21	73.56	76.01	73.62	70.01	74.20	70.18	72.03	75.78	86.05	86.27
Nonmanufacturing											
4 Mining	15.88	11.22	11.18	11.29	10.14	10.31	10.31	11.02	11.64	11.74	11.86
Transportation											
5 Railroad	7.08	6.66	6.15	6.70	7.02	6.41	5.55	5.77	6.21	7.08	7.66
6 Air	4.79	6.26	6.53	5.87	5.78	6.84	7.46	5.72	5.91	7.03	8.35
7 Other	6.15	5.89	6.42	5.83	6.01	6.25	5.97	6.19	7.05	6.48	6.92
Public utilities											
8 Electric	36.11	33.91	31.65	33.77	33.81	33.78	30.85	31.13	31.31	33.32	31.65
9 Gas and other	12.71	12.47	12.88	12.66	12.00	12.34	12.75	12.35	13.58	12.84	13.72
10 Commercial and other[2]	150.94	160.38	167.89	157.91	161.31	166.08	160.70	164.69	169.87	176.29	183.15

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

1. Anticipated by business.

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1983	1984	1985	1986			1987			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	113.4	125.1	137.1	136.5	133.9	138.0	144.4	143.8
2 Business	113.4	137.8	158.3	167.7	161.0	174.8	182.8	189.0	188.7	202.6
3 Real estate	20.5	23.8	28.9	30.8	32.1	33.7	35.1	36.9	38.3	40.3
4 Total	217.3	251.5	300.6	323.6	330.2	345.0	351.8	363.9	371.5	386.8
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.4	40.4	41.2	42.8	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.6	6.8
7 Accounts receivable, net	183.2	213.5	256.5	277.8	282.4	297.8	305.5	316.5	322.1	334.7
8 All other	34.4	35.7	45.3	48.8	59.9	57.9	59.0	57.7	65.0	58.2
9 **Total assets**	**217.6**	**249.2**	**301.9**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2**	**387.1**	**392.9**
LIABILITIES										
10 Bank loans	18.3	20.0	20.6	19.2	20.2	22.2	17.3	17.2	16.2	16.5
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	123.5	126.5
Debt										
12 Other short-term	11.1	12.9	12.5	15.4	16.0	17.2	21.6	24.4	26.9	27.0
13 Long-term	67.7	77.2	93.1	105.2	109.8	115.6	118.4	121.5	128.0	130.1
14 All other liabilities	31.2	34.5	40.9	40.1	44.1	43.4	46.3	48.3	48.7	50.1
15 Capital, surplus, and undivided profits	28.9	31.5	35.7	38.4	39.4	39.4	41.8	42.3	43.8	42.6
16 **Total liabilities and capital**	**217.6**	**249.2**	**301.9**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2**	**387.1**	**392.9**

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

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

Millions of dollars, seasonally adjusted

Type	1985	1986	1987[r]						1988
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **Total**	**156,297**	**171,966**	**189,219**	**191,637**	**193,752**	**201,129**	**202,829**	**205,869**	**207,677**
Retail financing of installment sales									
2 Automotive (commercial vehicles)	20,660	25,952	31,094	32,042	32,656	33,865	34,454	35,674	36,379
3 Business, industrial, and farm equipment	22,483	22,950	23,727	23,870	24,328	24,763	24,764	24,987	25,391
Wholesale financing									
4 Automotive	23,988	23,419	28,103	27,782	26,792	30,396	30,901	31,059	30,108
5 Equipment	4,568	5,423	5,414	5,504	5,527	5,729	5,794	5,693	5,246
6 All other	6,809	7,079	7,664	7,768	7,956	8,074	8,151	8,408	8,454
Leasing									
7 Automotive	16,275	19,783	20,807	21,333	21,842	21,883	22,013	21,943	22,163
8 Equipment	34,768	37,833	40,217	40,636	41,134	41,911	41,964	43,002	43,583
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,765	15,959	17,160	17,418	17,713	18,362	18,501	18,024	18,520
10 All other business credit	10,981	13,568	15,033	15,284	15,804	16,146	16,287	17,079	17,833
			Net change (during period)						
11 **Total**	**19,607**	**15,669**	**3,396**	**2,418**	**2,115**	**7,377**	**1,700**	**3,040**	**1,810**
Retail financing of installment sales									
12 Automotive (commercial vehicles)	5,067	5,292	870	948	614	1,209	589	1,220	706
13 Business, industrial, and farm equipment	−363	467	467	143	458	435	1	223	405
Wholesale financing									
14 Automotive	5,423	−569	−168	−321	−990	3,604	505	158	−953
15 Equipment	−867	855	81	90	23	202	65	−101	−447
16 All other	1,069	270	220	104	188	118	77	257	46
Leasing									
17 Automotive	3,896	3,508	469	526	509	41	130	−70	221
18 Equipment	2,685	3,065	271	419	498	777	53	1,038	582
19 Loans on commercial accounts receivable and factored commercial accounts receivable	2,161	194	876	258	295	649	139	−477	496
20 All other business credit	536	2,587	310	251	520	342	141	792	754

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1985	1986	1987	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.[r]	1988 Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	104.1	118.1	137.0	141.2	140.2	145.3	135.9	147.3	150.1	135.6
2 Amount of loan (thousands of dollars)	77.4	86.2	100.5	102.6	100.8	106.1	100.2	107.7	108.4	101.3
3 Loan/price ratio (percent)	77.1	75.2	75.2	75.0	74.6	75.0	75.4	74.9	74.0	76.3
4 Maturity (years)	26.9	26.6	27.8	27.8	27.3	28.3	28.3	28.2	28.2	28.1
5 Fees and charges (percent of loan amount)[2]	2.53	2.48	2.26	2.19	2.08	2.34	2.33	2.22	2.17	2.25
6 Contract rate (percent per year)	11.12	9.82	8.94	9.01	9.03	8.86	8.92	8.78	8.75	8.80
Yield (percent per year)										
7 FHLBB series[3]	11.58	10.25	9.31	9.38	9.37	9.25	9.30	9.15	9.10	9.16
8 HUD series[4]	12.28	10.07	10.13	10.37	10.86	10.87	10.59	10.52	10.09	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	12.24	9.91	10.12	10.55	10.71	10.90	10.76	10.63	10.17	n.a.
10 GNMA securities[6]	11.61	9.30	9.42	9.77	10.40	10.53	9.96	10.18	9.83	9.53
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	94,574	98,048	95,030	94,600	94,884	95,097	95,411	96,649	97,159	98,358
12 FHA/VA-insured	34,244	29,683	21,660	21,555	21,620	21,481	21,510	20,288	27,424	28,282
13 Conventional	60,331	68,365	73,370	73,045	73,264	73,617	73,902	76,361	62,747	63,092
Mortgage transactions (during period)										
14 Purchases	21,510	30,826	20,531	1,613	1,743	1,278	1,297	3,747	1,267	2,629
Mortgage commitments[7]										
15 Contracted (during period)	20,155	32,987	25,415	2,276	1,842	1,566	2,899	3,115	2,254	2,516
16 Outstanding (end of period)	3,402	3,386	4,886	5,690	5,627	5,046	5,845	4,886	5,542	4,966
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,399	13,517		12,924	12,940	12,782	12,904			
18 FHA/VA	841	746		679	672	666	663			
19 Conventional	11,559	12,771		12,245	12,269	12,115	12,240			
Mortgage transactions (during period)										
20 Purchases	44,012	103,474	n.a.	5,031	4,297	3,079	2,978	n.a.	n.a.	n.a.
21 Sales	38,905	100,236		4,723	4,160	3,111	2,742			
Mortgage commitments[9]										
22 Contracted (during period)	48,989	110,855		4,506	3,507	3,011	2,668			

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

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder, and type of property	1985	1986	1987	1986	1987			
				Q4	Q1	Q2	Q3	Q4
1 **All holders**	**2,269,173**	**2,568,562**	**2,906,394**	**2,568,562**	**2,665,287**	**2,756,124**	**2,831,431**	**2,906,394**
2 1- to 4-family	1,467,409	1,668,209	1,889,364	1,668,209	1,714,213	1,783,521	1,835,671	1,889,364
3 Multifamily	214,045	247,024	272,604	247,024	257,615	263,513	268,322	272,604
4 Commercial	482,029	556,569	654,288	556,569	599,822	616,968	636,508	654,288
5 Farm	105,690	96,760	90,138	96,760	93,557	92,122	90,930	90,138
6 Selected financial institutions	1,390,394	1,507,289	1,699,702	1,507,289	1,559,549	1,606,622	1,650,462	1,699,702
7 Commercial banks[2]	429,196	502,534	587,557	502,534	519,474	544,381	566,213	587,557
8 1- to 4-family	213,434	235,814	273,214	235,814	243,518	255,672	262,869	273,214
9 Multifamily	23,373	31,173	32,433	31,173	29,515	30,496	31,311	32,433
10 Commercial	181,032	222,799	267,221	222,799	233,234	244,385	257,882	267,221
11 Farm	11,357	12,748	14,689	12,748	13,207	13,828	14,151	14,689
12 Savings institutions[3]	760,499	777,312	861,233	777,312	809,245	824,961	841,658	861,233
13 1- to 4-family	554,301	558,412	602,740	558,412	555,693	572,075	586,221	602,740
14 Multifamily	89,739	97,059	107,054	97,059	104,035	102,933	104,764	107,054
15 Commercial	115,771	121,236	150,680	121,236	148,712	149,183	149,904	150,680
16 Farm	688	605	0	605	805	0	0	0
17 Life insurance companies	171,797	193,842	210,563	193,842	195,743	200,382	204,263	210,563
18 1- to 4-family	12,381	12,827	13,142	12,827	12,903	12,745	12,742	13,142
19 Multifamily	19,894	20,952	22,168	20,952	20,934	21,663	21,968	22,168
20 Commercial	127,670	149,111	165,364	149,111	151,420	155,611	159,464	165,364
21 Farm	11,852	10,952	9,889	10,952	10,486	10,363	10,089	9,889
22 Finance companies[4]	28,902	33,601	40,349	33,601	35,087	36,898	38,328	40,349
23 Federal and related agencies	166,928	203,800	192,401	203,800	199,509	196,514	191,520	192,401
24 Government National Mortgage Association	1,473	889	455	889	687	667	458	455
25 1- to 4-family	539	47	24	47	46	45	25	24
26 Multifamily	934	842	431	842	641	622	433	431
27 Farmers Home Administration[5]	733	48,421	42,978	48,421	48,203	48,085	42,978	42,978
28 1- to 4-family	183	21,625	18,111	21,625	21,390	21,157	18,111	18,111
29 Multifamily	113	7,608	7,903	7,608	7,710	7,808	7,903	7,903
30 Commercial	159	8,446	6,592	8,446	8,463	8,553	6,592	6,592
31 Farm	278	10,742	10,372	10,742	10,640	10,567	10,372	10,372
32 Federal Housing and Veterans Administration	4,920	5,047	5,479	5,047	5,177	5,268	5,330	5,479
33 1- to 4-family	2,254	2,386	2,551	2,386	2,447	2,531	2,452	2,551
34 Multifamily	2,666	2,661	2,928	2,661	2,730	2,737	2,878	2,928
35 Federal National Mortgage Association	98,282	97,895	96,649	97,895	95,140	94,064	94,884	96,649
36 1- to 4-family	91,966	90,718	89,666	90,718	88,106	87,013	87,901	89,666
37 Multifamily	6,316	7,177	6,983	7,177	7,034	7,051	6,983	6,983
38 Federal Land Banks	47,498	39,984	33,930	39,984	37,362	35,833	34,930	33,930
39 1- to 4-family	2,798	2,353	1,996	2,353	2,198	2,108	2,055	1,996
40 Farm	44,700	37,631	31,934	37,631	35,164	33,725	32,875	31,934
41 Federal Home Loan Mortgage Corporation	14,022	11,564	12,910	11,564	12,940	12,597	12,940	12,910
42 1- to 4-family	11,881	10,010	11,580	10,010	11,774	11,172	11,570	11,580
43 Multifamily	2,141	1,554	1,330	1,554	1,166	1,425	1,370	1,330
44 *Mortgage pools or trusts*[6]	*415,042*	*531,591*	*671,749*	*531,591*	*575,435*	*615,142*	*648,219*	*671,749*
45 Government National Mortgage Association	212,145	262,697	319,360	262,697	281,116	293,246	308,996	319,360
46 1- to 4-family	207,198	256,920	311,567	256,920	274,710	286,091	301,456	311,567
47 Multifamily	4,947	5,777	7,793	5,777	6,406	7,155	7,540	7,793
48 Federal Home Loan Mortgage Corporation	100,387	171,372	212,105	171,372	186,295	200,284	208,350	212,105
49 1- to 4-family	99,515	166,667	205,460	166,667	180,602	194,238	201,786	205,460
50 Multifamily	872	4,705	6,645	4,705	5,693	6,046	6,564	6,645
51 Federal National Mortgage Association	54,987	97,174	139,960	97,174	107,673	121,270	130,540	139,960
52 1- to 4-family	54,036	95,791	137,988	95,791	106,068	119,617	128,770	137,988
53 Multifamily	951	1,383	1,972	1,383	1,605	1,653	1,770	1,972
54 Farmers Home Administration[5]	47,523	348	324	348	351	342	333	324
55 1- to 4-family	22,186	142	139	142	154	149	144	139
56 Multifamily	6,675	0	0	0	0	0	0	0
57 Commercial	8,190	132	122	132	127	126	124	122
58 Farm	10,472	74	63	74	70	67	65	63
59 Individuals and others[7]	296,809	325,882	342,542	325,882	330,714	337,846	341,230	342,542
60 1- to 4-family	165,835	180,896	180,837	180,896	179,517	182,010	181,241	180,837
61 Multifamily	55,424	66,133	74,964	66,133	70,146	73,924	74,838	74,964
62 Commercial	49,207	54,845	64,309	54,845	57,866	59,110	62,542	64,309
63 Farm	26,343	24,008	22,432	24,008	23,185	22,802	22,609	22,432

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, *data reported by FSLIC-insured institutions include loans in process and other* contra assets.
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, *state and local credit agencies, state and local retirement funds, noninsured* pension funds, credit unions, and other U.S. agencies.

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

Millions of dollars

Holder, and type of credit	1986	1987[r]	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.[r]	1988 Jan.
	Amounts outstanding (end of period)										
1 **Total**	**577,784**	**612,101**	**583,276**	**587,821**	**591,175**	**596,182**	**602,607**	**605,488**	**608,122**	**612,101**	**617,522**
By major holder											
2 Commercial banks	261,604	274,966	263,463	264,396	265,085	265,893	269,155	270,836	272,274	274,966	277,846
3 Finance companies[2]	136,494	143,788	136,398	138,038	138,745	140,689	142,648	143,118	142,767	143,788	144,228
4 Credit unions	77,857	84,387	79,476	80,585	81,492	82,486	83,340	83,639	84,419	84,387	84,867
5 Retailers[3]	40,586	40,647	40,318	40,287	40,364	40,391	40,482	40,678	40,559	40,647	41,009
6 Savings institutions	58,037	64,788	60,045	60,983	61,910	63,080	63,279	63,525	64,502	64,788	65,982
7 Gasoline companies	3,205	3,525	3,576	3,532	3,580	3,643	3,703	3,691	3,600	3,525	3,590
By major type of credit											
8 Automobile	245,055	261,448	247,578	250,130	250,980	254,013	257,470	258,710	259,134	261,448	262,993
9 Commercial banks	100,709	106,508	102,189	102,810	102,829	103,382	104,662	105,382	106,036	106,508	107,692
10 Credit unions	39,029	42,302	39,841	40,396	40,851	41,349	41,777	41,927	42,318	42,302	42,543
11 Finance companies	93,274	99,195	93,089	94,270	94,455	96,193	97,900	98,219	97,395	99,195	99,066
12 Savings institutions	12,043	13,444	12,459	12,654	12,846	13,089	13,130	13,182	13,384	13,444	13,692
13 Revolving	134,938	145,925	136,869	137,401	138,741	139,837	141,704	143,142	143,620	145,925	147,926
14 Commercial banks	85,652	95,270	87,133	87,590	88,685	89,535	91,226	92,459	92,992	95,270	96,702
15 Retailers	36,240	36,213	36,009	35,971	36,021	36,022	36,087	36,264	36,148	36,213	36,547
16 Gasoline companies	3,205	3,525	3,576	3,532	3,580	3,643	3,703	3,691	3,600	3,525	3,590
17 Savings institutions	7,713	8,610	7,980	8,105	8,228	8,383	8,410	8,443	8,572	8,610	8,768
18 Credit unions	2,128	2,306	2,172	2,202	2,227	2,254	2,278	2,286	2,307	2,306	2,319
19 Mobile home	25,710	25,608	25,542	25,685	25,860	25,695	25,699	25,677	25,731	25,608	25,750
20 Commercial banks	8,812	8,353	8,615	8,609	8,626	8,518	8,538	8,453	8,407	8,353	8,282
21 Finance companies	9,028	8,470	8,785	8,807	8,839	8,623	8,580	8,610	8,578	8,470	8,521
22 Savings institutions	7,870	8,785	8,142	8,269	8,395	8,554	8,581	8,614	8,746	8,785	8,947
23 Other	172,081	179,120	173,287	174,605	175,594	176,637	177,733	177,959	179,637	179,120	180,853
24 Commercial banks	66,431	64,835	65,527	65,387	64,945	64,458	64,728	64,542	64,840	64,835	65,170
25 Finance companies	34,192	36,123	34,524	34,962	35,452	35,874	36,168	36,289	36,794	36,123	36,641
26 Credit unions	36,700	39,778	37,463	37,986	38,413	38,882	39,285	39,426	39,794	39,778	40,005
27 Retailers	4,346	4,433	4,310	4,315	4,343	4,369	4,395	4,415	4,411	4,433	4,462
28 Savings institutions	30,412	33,949	31,463	31,955	32,441	33,054	33,158	33,287	33,799	33,949	34,575
	Net change (during period)										
29 **Total**	**54,979**	**34,317**	**−319**	**4,545**	**3,354**	**5,007**	**6,425**	**2,881**	**2,634**	**3,979**	**5,421**
By major holder											
30 Commercial banks	19,520	13,362	30	933	689	808	3,262	1,681	1,438	2,692	2,880
31 Finance companies[2]	23,424	7,294	−693	1,640	707	1,944	1,959	470	−351	1,021	440
32 Credit unions	5,738	6,530	221	1,109	907	994	854	299	780	−32	480
33 Retailers[3]	1,722	61	−149	−31	77	27	91	196	−119	88	362
34 Savings institutions	5,604	6,751	219	938	927	1,170	199	246	977	286	1,194
35 Gasoline companies	−1,030	320	54	−44	48	63	60	−12	−91	−75	65
By major type of credit											
36 Automobile	36,998	16,393	−85	2,552	850	3,033	3,457	1,240	424	2,314	1,545
37 Commercial banks	7,706	5,799	408	621	19	553	1,280	720	654	472	1,184
38 Credit unions	3,394	3,273	111	555	455	498	428	150	391	−16	241
39 Finance companies	23,183	5,921	−649	1,181	185	1,738	1,707	319	−824	1,800	−129
40 Savings institutions	2,715	1,401	45	195	192	243	41	52	202	60	248
41 Revolving	12,917	10,987	163	532	1,340	1,096	1,867	1,438	478	2,305	2,001
42 Commercial banks	9,786	9,618	204	457	1,095	850	1,691	1,233	533	2,278	1,432
43 Retailers	1,545	−27	−130	−38	50	1	65	177	−116	65	334
44 Gasoline companies	−1,030	320	54	−44	48	63	60	−12	−91	−75	65
45 Savings institutions	2,008	897	29	125	123	155	27	33	129	38	158
46 Credit unions	608	178	6	30	25	27	24	8	21	−1	13
47 Mobile home	222	−102	−84	143	175	−165	4	−22	54	−123	142
48 Commercial banks	−726	−459	−83	−6	17	−108	20	−85	−46	−54	−71
49 Finance companies	−363	−558	−31	22	32	−216	−43	30	−32	−108	51
50 Savings institutions	1,311	915	30	127	126	159	27	33	132	39	162
51 Other	4,842	7,039	−313	1,318	989	1,043	1,096	226	1,678	−517	1,733
52 Commercial banks	2,754	−1,596	−499	−140	−442	−487	270	−186	298	−5	335
53 Finance companies	604	1,931	−13	438	490	422	294	121	505	−671	518
54 Credit unions	1,736	3,078	104	523	427	469	403	141	368	−16	227
55 Retailers	177	87	−18	5	28	26	26	20	−4	22	29
56 Savings institutions	−429	3,537	114	492	486	613	104	129	512	150	626

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1985	1986	1987	1987						1988
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	12.91	11.33	10.45	n.a.	10.37	n.a.	n.a.	10.86	n.a.	n.a.
2 24-month personal	15.94	14.82	14.22	n.a.	14.22	n.a.	n.a.	14.58	n.a.	n.a.
3 120-month mobile home[2]	14.96	13.99	13.38	n.a.	13.24	n.a.	n.a.	13.62	n.a.	n.a.
4 Credit card	18.69	18.26	17.92	n.a.	17.85	n.a.	n.a.	17.82	n.a.	n.a.
Auto finance companies										
5 New car	11.98	9.44	10.73	10.52	9.63	8.71	10.31	12.24	12.23	12.19
6 Used car	17.59	15.95	14.60	14.53	14.53	14.58	14.76	14.90	14.97	14.56
OTHER TERMS[3]										
Maturity (months)										
7 New car	51.5	50.0	53.5	53.4	52.1	50.7	52.8	55.4	55.5	55.5
8 Used car	41.4	42.6	45.2	45.5	45.4	45.2	45.2	45.3	45.3	47.2
Loan-to-value ratio										
9 New car	91	91	93	93	93	93	93	94	93	93
10 Used car	94	97	98	98	98	98	99	99	99	98
Amount financed (dollars)										
11 New car	9,915	10,665	11,203	11,267	11,374	11,455	11,585	11,630	11,645	11,534
12 Used car	6,089	6,555	7,420	7,527	7,763	7,476	7,537	7,646	7,718	7,612

1. Data for midmonth of quarter only.
2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
3. At auto finance companies.

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1983	1984	1985	1986	1987	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2	1987 H1	1987 H2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**685.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**653.7**	**716.8**
By sector and instrument												
2 U.S. government	186.6	198.8	223.6	215.0	141.4	207.2	204.8	242.5	207.2	222.8	150.7	132.0
3 Treasury securities	186.7	199.0	223.7	214.7	142.3	207.3	204.9	242.5	207.4	222.0	151.7	132.9
4 Agency issues and mortgages	−.1	−.2	−.1	.4	−.9	−.1	-.1	−.1	−.1	.9	−1.0	−.9
5 Private domestic nonfinancial sectors	363.6	555.1	631.1	616.7	543.9	583.3	518.0	744.3	471.8	761.6	503.0	584.7
6 Debt capital instruments	253.4	313.6	447.8	452.7	456.5	342.5	350.4	545.2	365.6	539.8	470.7	442.3
7 Tax-exempt obligations	53.7	50.4	136.4	30.8	31.3	67.0	67.0	205.8	−15.6	77.2	32.7	29.8
8 Corporate bonds	16.0	46.1	73.8	121.3	125.4	69.8	62.2	85.3	135.3	107.3	127.4	123.4
9 Mortgages	183.6	217.1	237.7	300.6	299.8	205.7	221.2	254.2	245.9	355.4	310.5	289.0
10 Home mortgages	117.5	129.7	151.9	201.2	212.6	119.9	139.2	164.7	163.9	238.6	226.9	198.3
11 Multifamily residential	14.2	25.1	29.2	33.1	23.8	22.4	25.0	33.4	31.3	34.9	29.8	17.8
12 Commercial	49.3	63.2	62.5	74.6	69.5	63.8	59.5	65.5	59.7	89.6	63.1	75.9
13 Farm	2.6	−.9	−6.0	−8.4	−6.1	−.4	−2.5	−9.5	−9.0	−7.7	−9.3	−2.9
14 Other debt instruments	110.2	241.5	183.3	164.0	87.4	240.8	167.5	199.1	106.3	221.7	32.3	142.5
15 Consumer credit	56.6	90.4	94.6	65.8	30.1	86.2	95.3	93.9	71.0	60.6	19.5	40.7
16 Bank loans n.e.c.	23.2	67.1	38.6	66.5	14.2	63.0	21.0	56.2	12.2	120.8	−24.6	53.1
17 Open market paper	−.8	21.7	14.6	−9.3	2.3	16.8	14.4	14.8	−13.1	−5.5	4.5	.1
18 Other	31.3	62.2	35.5	41.0	40.8	74.7	36.8	34.2	36.2	45.8	32.9	48.6
19 By borrowing sector	363.6	555.1	631.1	616.7	543.9	583.3	518.0	744.3	471.8	761.6	503.0	584.7
20 State and local governments	34.0	27.4	91.8	44.3	33.3	38.6	56.3	127.2	4.3	84.3	35.4	31.2
21 Households	188.2	234.6	293.4	281.1	245.6	234.2	259.8	327.1	233.0	329.3	240.4	250.7
22 Farm	4.1	−.1	−13.9	−15.1	−10.0	.4	−7.0	−20.8	−16.9	−13.3	−17.8	−2.2
23 Nonfarm noncorporate	77.0	97.0	93.1	116.2	102.5	92.2	85.7	100.5	96.7	135.6	100.7	104.2
24 Corporate	60.3	196.0	166.7	190.2	172.6	217.8	123.2	210.3	154.7	225.8	144.3	200.9
25 Foreign net borrowing in United States	17.3	8.3	1.2	9.0	3.1	−19.4	−5.8	8.2	21.5	−3.5	−7.4	13.5
26 Bonds	3.1	3.8	3.8	2.6	6.3	6.3	5.5	2.1	6.2	−1.1	−1.7	14.2
27 Bank loans n.e.c.	3.6	−6.6	−2.8	−1.0	−3.9	−11.9	−5.8	.1	1.5	−3.5	−3.2	−4.6
28 Open market paper	6.5	6.2	6.2	11.5	2.1	−4.3	2.8	9.6	19.1	3.9	−5.3	9.5
29 U.S. government loans	4.1	5.0	−6.0	−4.0	−1.5	−9.6	−8.2	−3.7	−5.3	−2.7	2.7	−5.7
30 **Total domestic plus foreign**	**567.5**	**762.2**	**856.0**	**840.7**	**688.3**	**771.0**	**716.9**	**995.0**	**700.5**	**980.9**	**646.4**	**730.3**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**99.3**	**151.9**	**199.0**	**295.3**	**283.4**	**150.7**	**175.1**	**222.8**	**242.3**	**348.2**	**318.5**	**248.8**
By instrument												
32 U.S. government related	67.8	74.9	101.5	178.1	169.3	77.3	96.8	106.3	136.1	220.1	180.5	158.6
33 Sponsored credit agency securities	1.4	30.4	20.6	15.2	29.9	31.5	26.6	14.6	8.7	21.7	8.1	51.7
34 Mortgage pool securities	66.4	44.4	79.9	163.3	140.2	45.8	70.3	89.5	126.5	200.0	174.0	106.9
35 Loans from U.S. government	.....	.....	1.1	−.4	−.8	.....	.....	2.2	.8	−1.5	−1.5	.....
36 Private financial sectors	31.5	77.0	97.4	117.2	114.1	73.5	78.3	116.5	106.2	128.1	138.0	90.2
37 Corporate bonds	17.4	36.2	48.6	69.0	62.0	41.5	48.9	48.3	72.1	66.0	79.5	44.6
38 Mortgages	*	.4	.1	.1	.3	.4	*	.1	.6	−.5	.2	.4
39 Bank loans n.e.c.	−.1	.7	2.6	4.0	−1.1	.7	2.3	2.9	4.0	4.0	−4.7	2.6
40 Open market paper	21.3	24.1	32.0	24.2	28.4	16.0	14.6	49.4	15.1	33.4	49.4	7.4
41 Loans from Federal Home Loan Banks	−7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
By sector												
42 Sponsored credit agencies	1.4	30.4	21.7	14.9	29.2	31.5	26.6	16.8	9.5	20.2	6.6	51.7
43 Mortgage pools	66.4	44.4	79.9	163.3	140.2	45.8	70.3	89.5	126.5	200.0	174.0	106.9
44 Private financial sectors	31.5	77.0	97.4	117.2	114.1	73.5	78.3	116.5	106.2	128.1	138.0	90.2
45 Commercial banks	5.0	7.3	−4.9	−3.6	8.5	−5.3	−4.7	−5.0	−2.7	−4.6	14.1	2.9
46 Bank affiliates	12.1	15.6	14.5	4.6	4.8	10.8	10.2	18.9	−1.7	10.9	11.5	−1.8
47 Savings and loan associations	−2.1	22.7	22.3	29.8	35.2	23.3	14.2	30.4	25.5	34.0	29.1	41.3
48 Finance companies	12.9	18.9	53.9	49.7	26.5	29.6	49.7	58.1	53.1	46.3	30.8	22.2
49 REITs	−.1	.1	−.7	−.3	.9	.1	−.6	−.8	.6	−1.3	*	1.9
50 CMO Issuers	3.7	12.4	12.2	37.1	38.1	15.0	9.5	14.9	31.4	42.8	52.5	23.7
						All sectors						
51 **Total net borrowing**	**666.8**	**914.1**	**1,054.9**	**1,136.0**	**971.7**	**921.8**	**892.1**	**1,217.8**	**942.8**	**1,329.1**	**964.9**	**979.1**
52 U.S. government securities	254.4	273.8	324.2	393.5	311.5	284.5	301.7	346.6	342.5	444.5	332.8	290.6
53 State and local obligations	53.7	50.4	136.4	30.8	31.3	67.0	67.0	205.8	−15.6	77.2	32.7	29.8
54 Corporate and foreign bonds	36.5	86.1	126.1	192.9	193.7	117.6	116.6	135.7	213.6	172.1	205.2	182.2
55 Mortgages	183.6	217.4	237.7	300.7	300.1	206.0	221.2	254.2	246.5	354.9	310.8	289.5
56 Consumer credit	56.6	90.4	94.6	65.8	30.1	86.2	95.3	93.9	71.0	60.6	19.5	40.7
57 Bank loans n.e.c.	26.7	61.1	38.3	69.5	9.3	51.8	17.5	59.2	17.7	121.3	−32.5	51.2
58 Open market paper	26.9	52.0	52.8	26.4	32.8	28.6	31.8	73.7	21.0	31.7	48.6	17.0
59 Other loans	28.4	82.9	44.8	56.5	63.0	80.0	41.1	48.6	46.1	66.8	47.8	78.1
						External corporate equity funds raised in United States						
60 **Total new share issues**	**61.8**	**−36.4**	**19.9**	**91.6**	**−9.3**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**−103.2**
61 Mutual funds	27.2	29.3	85.7	163.3	64.5	32.2	64.2	107.1	155.5	171.1	147.2	−18.2
62 All other	34.6	−65.7	−65.8	−71.7	−73.8	−57.1	−61.2	−70.4	−54.7	−88.7	−62.7	−85.0
63 Nonfinancial corporations	28.3	−74.5	−81.5	−80.8	−76.5	−69.4	−75.5	−87.5	−68.7	−92.7	−70.0	−83.0
64 Financial corporations	2.6	7.8	12.0	8.3	5.1	8.8	11.2	12.8	7.5	9.1	5.4	4.8
65 Foreign shares purchased in United States	3.7	.9	3.7	.7	−2.4	3.5	3.1	4.3	6.6	−5.1	1.9	−6.8

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1983	1984	1985	1986	1987	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2	1987 H1	1987 H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**685.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**653.7**	**716.8**
By public agencies and foreign												
2 Total net advances	114.0	157.6	202.3	319.7	233.6	182.5	195.8	208.7	264.7	374.6	247.7	219.4
3 U.S. government securities	26.3	39.3	47.1	84.8	51.4	51.0	50.3	43.9	74.0	95.6	48.3	54.5
4 Residential mortgages	76.1	56.5	94.6	160.3	136.7	57.4	88.6	100.7	123.7	196.9	166.8	106.8
5 FHLB advances to savings and loans	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
6 Other loans and securities	18.6	46.2	46.3	54.7	21.0	59.2	44.4	48.2	52.6	56.9	19.0	22.9
Total advanced, by sector												
7 U.S. government	9.7	17.1	16.8	9.5	-9.7	26.6	25.1	8.4	10.8	8.2	-9.3	-10.6
8 Sponsored credit agencies	69.8	74.3	101.5	177.3	166.0	75.2	96.4	106.7	128.2	226.5	168.1	164.4
9 Monetary authorities	10.9	8.4	21.6	30.2	8.6	4.8	27.5	15.8	13.2	47.2	10.8	6.5
10 Foreign	23.7	57.9	62.3	102.6	68.6	75.9	46.8	77.8	112.5	92.7	78.0	59.2
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	67.8	74.9	101.5	178.1	169.3	77.3	96.8	106.3	136.1	220.1	180.5	158.6
12 Foreign	17.3	8.3	1.2	9.0	3.1	-19.4	-5.8	8.2	21.5	-3.5	-7.4	13.5
Private domestic funds advanced												
13 Total net advances	521.3	679.5	755.2	699.2	624.1	665.7	618.0	892.5	571.9	826.4	579.2	669.4
14 U.S. government securities	228.1	234.5	277.0	308.7	260.1	233.5	251.3	302.7	268.6	348.9	284.5	236.1
15 State and local obligations	53.7	50.4	136.4	30.8	31.3	67.0	67.0	205.8	-15.6	77.2	32.7	29.8
16 Corporate and foreign bonds	14.5	35.1	40.8	83.4	110.1	53.0	39.7	42.0	100.2	66.6	100.0	120.3
17 Residential mortgages	55.0	98.2	86.4	74.0	99.6	84.8	75.5	97.4	71.5	76.5	89.9	109.2
18 Other mortgages and loans	162.4	276.9	228.8	222.1	147.3	242.3	197.0	260.6	161.7	282.4	85.7	209.2
19 LESS: Federal Home Loan Bank advances	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	395.8	559.8	579.5	726.9	567.7	532.1	483.8	675.2	638.5	815.3	585.9	549.5
21 Commercial banking	144.3	168.9	186.3	194.7	127.5	145.5	143.3	229.4	117.2	272.3	103.1	151.8
22 Savings institutions	135.6	150.2	83.0	105.5	140.7	133.5	54.5	111.4	94.5	116.6	104.5	176.8
23 Insurance and pension funds	100.1	121.8	156.0	176.7	203.6	95.3	139.4	172.5	169.0	184.4	215.9	191.4
24 Other finance	15.8	118.9	154.2	249.9	95.9	157.8	146.5	161.9	257.9	241.9	162.4	29.4
25 Sources of funds	395.8	559.8	579.5	726.9	567.7	532.1	483.8	675.2	638.5	815.3	585.9	549.5
26 Private domestic deposits and RPs	215.4	316.9	213.2	271.4	128.3	353.5	191.4	235.0	252.2	290.6	55.2	199.2
27 Credit market borrowing	31.5	77.0	97.4	117.2	114.1	73.5	78.3	116.5	106.2	128.1	138.0	90.2
28 Other sources	148.9	165.9	268.9	338.3	325.3	105.1	214.1	323.6	280.1	396.5	392.7	260.0
29 Foreign funds	14.6	8.8	19.7	12.9	45.3	1.7	10.8	28.6	11.9	14.0	24.5	66.0
30 Treasury balances	-5.3	4.0	10.3	1.7	5.0	10.8	13.9	6.6	-4.2	7.6	4.3	5.7
31 Insurance and pension reserves	109.7	118.6	141.0	152.8	207.8	74.6	118.6	163.4	136.6	168.9	217.7	197.9
32 Other, net	30.0	34.5	98.1	170.9	67.2	18.0	71.4	124.7	135.8	206.1	146.2	-9.6
Private domestic nonfinancial investors												
33 Direct lending in credit markets	157.0	196.7	273.2	89.4	170.5	207.1	212.5	333.9	39.7	139.2	131.3	210.2
34 U.S. government securities	99.3	123.6	145.3	47.1	54.8	84.3	156.2	134.5	42.2	51.9	67.3	42.8
35 State and local obligations	40.3	30.4	47.6	-5.4	52.2	50.4	14.8	80.4	-67.6	56.8	19.5	84.8
36 Corporate and foreign bonds	-11.6	5.2	11.8	34.7	50.2	36.9	15.4	8.2	68.8	.7	12.1	88.3
37 Open market paper	12.0	9.3	43.9	-4.8	5.3	3.0	3.5	84.2	-17.3	7.7	24.2	-13.5
38 Other	17.0	28.1	24.6	17.9	8.0	32.5	22.6	26.6	13.6	22.1	8.2	7.8
39 Deposits and currency	232.8	320.4	223.5	291.8	141.1	354.0	198.3	248.7	261.9	321.6	40.3	239.8
40 Currency	14.3	8.6	12.4	14.4	15.6	3.6	15.9	8.8	10.7	18.2	9.6	21.6
41 Checkable deposits	28.8	28.0	41.5	100.1	-9.3	29.9	13.8	69.2	82.5	117.8	-21.5	2.8
42 Small time and savings accounts	215.4	150.7	138.6	120.8	69.3	169.9	162.1	115.1	112.6	129.0	52.1	86.5
43 Money market fund shares	-39.0	49.0	8.9	43.8	22.3	73.4	10.6	7.1	46.9	40.6	-3.1	47.6
44 Large time deposits	-8.3	84.3	7.6	-11.6	18.2	79.1	-7.3	22.5	.2	-23.3	5.0	29.3
45 Security RPs	18.5	5.0	16.6	18.3	27.9	1.2	12.2	21.1	10.0	26.5	22.7	33.0
46 Deposits in foreign countries	3.1	-5.1	-2.1	5.9	-2.8	-3.1	-9.0	4.9	-.9	12.8	-24.5	19.0
47 **Total of credit market instruments, deposits, and currency**	**389.9**	**517.1**	**496.7**	**381.2**	**311.6**	**561.1**	**410.7**	**582.6**	**301.6**	**460.9**	**171.6**	**450.1**
48 Public holdings as percent of total	20.1	20.7	23.6	38.0	33.9	23.7	27.3	21.0	37.8	38.2	38.3	30.0
49 Private financial intermediation (in percent)	75.9	82.4	76.7	104.0	91.0	79.9	78.3	75.6	111.6	98.7	101.2	82.1
50 Total foreign funds	38.2	66.7	82.0	115.5	113.9	77.6	57.7	106.4	124.4	106.7	102.6	125.2
MEMO: Corporate equities not included above												
51 **Total net issues**	**61.8**	**-36.4**	**19.9**	**91.6**	**-9.3**	**-24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**-103.2**
52 Mutual fund shares	27.2	29.3	85.7	163.3	64.5	32.2	64.2	107.1	155.5	171.1	147.2	-18.2
53 Other equities	34.6	-65.7	-65.8	-71.7	-73.8	-57.1	-61.2	-70.4	-54.7	-88.7	-62.7	-85.0
54 Acquisitions by financial institutions	51.1	19.7	43.4	50.6	45.9	39.7	59.5	27.3	46.5	54.6	72.6	19.2
55 Other net purchases	10.7	-56.1	-22.9	41.0	-55.2	-64.6	-55.8	9.5	54.3	27.7	11.9	-122.4

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
26. Line 39 less lines 40 and 46.
27. Excludes equity issues and investment company shares. Includes line 19.
29. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
30. Demand deposits and note balances at commercial banks.
31. Excludes net investment of these reserves in corporate equities.
32. Mainly retained earnings and net miscellaneous liabilities.
33. Line 13 less line 20 plus line 27.
34–38. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.
40. Mainly an offset to line 9.
47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.
48. Line 2/line 1.
49. Line 20/line 13.
50. Sum of lines 10 and 29.
51, 53. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures[1]

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1985	1986	1987	1987							1988	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.r	Jan.r	Feb.
1 **Industrial production**	**123.8**	**125.1**	**129.8**	**129.1**	**130.6**	**131.2**	**131.0**	**132.5**	**133.2r**	**133.8**	**134.2**	**134.4**
Market groupings												
2 Products, total	130.8	133.2	138.3	137.8	139.5	139.9	139.4	140.9	141.0r	141.1	141.9	142.4
3 Final, total	131.1	132.3	136.8	136.2	137.9	138.4	137.8	139.3	139.2r	139.6	140.5	140.9
4 Consumer goods	120.2	124.5	127.7	127.2	128.9	129.4	127.7	129.0	129.4r	129.5	130.4	130.6
5 Equipment	145.4	142.7	148.8	148.1	149.7	150.2	151.2	153.0	152.2r	153.0	153.9	154.6
6 Intermediate	130.0	136.4	143.5	143.3	145.0	145.3	144.9	146.1	147.3r	146.3	146.9	147.7
7 Materials	114.2	113.9	118.2	117.2	118.5	119.4	119.7	121.2	122.5r	123.9	123.6	123.4
Industry groupings												
8 Manufacturing	126.4	129.1	134.6	134.0	135.6	135.9	135.7	137.3	137.9	138.8	139.1	139.3
Capacity utilization (percent)[2]												
9 Manufacturing	80.1	79.8	81.0	80.8	81.5	81.5	81.3	82.0	82.2	82.5	82.5	82.5
10 Industrial materials industries	80.2	78.5	80.5	79.8	80.6	81.1	81.2	82.1	82.9r	83.7	83.4	83.1
11 Construction contracts (1982 = 100)[3]	136.0	158.0	162.0	167.0	165.0	174.0	160.0	164.0	157.0	157.0	145.0	159.0
12 Nonagricultural employment, total[4]	118.3	120.8	123.8	123.5	123.8	124.0	124.2	124.9	125.2	125.6	125.9	126.5
13 Goods-producing, total	102.4	102.4	102.2	101.7	102.1	102.2	102.4	103.0	103.4	103.8	103.5	104.1
14 Manufacturing, total	97.8	96.5	97.1	96.6	97.0	97.2	97.4	97.8	98.2	98.5	98.5	98.6
15 Manufacturing, production-worker	92.6	91.2	92.1	91.6	92.1	92.2	92.5	92.9	93.3	93.6	93.7	93.9
16 Service-producing	125.0	128.9	132.9	132.6	132.9	133.1	133.4	134.1	134.4	134.8	135.2	135.9
17 Personal income, total	207.0	219.9	233.1	231.1	232.6	233.9	235.3	239.8	238.8	240.7	241.4	243.5
18 Wages and salary disbursements	198.7	210.2	222.6	221.2	222.3	224.2	225.4	227.1	228.6	229.5	230.8	232.4
19 Manufacturing	172.8	176.4	181.5	180.0	180.1	182.0	183.7	184.7	185.7	186.0	186.6	187.1
20 Disposable personal income[5]	206.0	219.1	230.7	228.9	230.4	231.6	232.9	237.8r	236.4r	238.1	239.5	242.2
21 Retail sales[6]	190.6	199.9	208.7	210.0r	211.2r	215.7r	212.2r	210.5r	211.2r	213.5	213.5	214.3
Prices[7]												
22 Consumer (1982 = 100)	107.6	109.6	113.6	113.5	113.8	114.4	115.0	115.3	115.4	115.4	115.7	116.0
23 Producer finished goods (1982 = 100)	104.7	103.2	105.4	105.5	106.0	105.9	105.7	106.3	106.2	105.7	106.2	105.9

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

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

4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5,and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1985	1986	1987	1987						1988	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.	Feb.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**180,440**	**182,822**	**185,010**	**185,127**	**185,264**	**185,428**	**185,575**	**185,737**	**185,882**	**186,083**	**186,219**
2 Labor force (including Armed Forces)[1]	117,695	120,078	122,122	122,132	122,568	122,230	122,651	122,861	122,984	123,436	123,598
3 Civilian labor force	115,461	117,834	119,865	119,890	120,306	119,963	120,387	120,594	120,722	121,175	121,348
Employment											
4 Nonagricultural industries[2]	103,971	106,434	109,232	109,427	109,907	109,688	109,961	110,332	110,529	110,836	111,182
5 Agriculture	3,179	3,163	3,208	3,212	3,143	3,184	3,249	3,172	3,215	3,293	3,228
Unemployment											
6 Number	8,312	8,237	7,425	7,251	7,256	7,091	7,177	7,090	6,978	7,046	6,938
7 Rate (percent of civilian labor force)	7.2	7.0	6.2	6.0	6.0	5.9	6.0	5.9	5.8	5.8	5.7
8 Not in labor force	62,745	62,744	62,888	62,995	62,696	63,198	62,924	62,876	62,898	62,647	62,621
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**97,519**	**99,610**	**102,105**	**102,126**	**102,275**	**102,434**	**102,983**	**103,285**	**103,612**	**103,786**[r]	**104,317**
10 Manufacturing	19,260	18,994	19,112	19,104	19,129	19,169	19,247	19,336	19,382	19,400[r]	19,420
11 Mining	927	783	742	744	751	759	764	759	756	745[r]	746
12 Contract construction	4,673	4,904	5,032	5,002	5,006	4,989	5,053	5,074	5,121	5,059[r]	5,166
13 Transportation and public utilities	5,238	5,244	5,377	5,363	5,377	5,416	5,436	5,459	5,473	5,486[r]	5,497
14 Trade	23,073	23,580	24,056	24,071	24,063	24,129	24,239	24,294	24,329	24,515[r]	24,642
15 Finance	5,955	6,297	6,588	6,608	6,624	6,629	6,650	6,657	6,668	6,681[r]	6,677
16 Service	22,000	23,099	24,136	24,214	24,279	24,295	24,406	24,493	24,612	24,647[r]	24,848
17 Government	16,394	16,710	17,063	17,020	17,046	17,048	17,188	17,213	17,271	17,253[r]	17,321

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).
2. Includes self-employed, unpaid family, and domestic service workers.
3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1987				1987				1987			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**126.9**	**128.2**	**130.9**	**133.0**	**159.5**	**160.4**	**161.3**	**162.2**	**79.5**	**79.9**	**81.2**	**82.0**
2 Mining	98.8	99.0	100.6	103.2	130.4	129.7	129.0	128.4	75.8	76.3	78.0	80.3
3 Utilities	108.1	108.3	111.6	112.5	137.7	138.3	138.8	139.4	78.5	78.3	80.5	80.7
4 **Manufacturing**	**131.6**	**133.2**	**135.7**	**137.9**	**164.5**	**165.6**	**166.7**	**167.7**	**80.0**	**80.5**	**81.4**	**82.2**
5 Primary processing	114.3	116.1	119.2	122.1	138.2	139.0	139.8	140.6	82.7	83.5	85.3	86.9
6 Advanced processing	142.0	143.5	145.8	147.5	180.3	181.6	182.9	184.1	78.7	79.0	79.7	80.1
7 **Materials**	**115.0**	**116.5**	**119.1**	**121.9**	**146.1**	**146.7**	**147.2**	**147.8**	**78.7**	**79.4**	**81.0**	**82.5**
8 Durable goods	121.4	122.9	125.5	129.6	162.3	163.1	163.9	164.7	74.8	75.4	76.7	78.7
9 Metal materials	74.7	77.0	83.6	91.1	110.6	110.0	109.4	108.8	67.5	70.0	76.5	83.8
10 Nondurable goods	121.2	124.0	128.2	129.3	145.6	143.8	144.7	145.6	84.8	86.2	88.6	91.0
11 Textile, paper, and chemical	122.3	125.1	130.5	132.3	142.4	143.4	144.4	145.4	85.9	87.2	90.4	......
12 Paper	136.4	137.7	144.5	......	142.8	143.9	145.1	......	95.5	95.7	......	......
13 Chemical	122.9	125.3	130.7	......	148.8	149.8	150.9	......	82.6	83.6	......	......
14 Energy materials	98.3	98.7	100.0	101.8	120.3	120.2	120.1	119.9	81.7	82.1	83.3	84.9

Series	Previous cycle[1]		Latest cycle[2]		1987	1987								1988
	High	Low	High	Low	Feb.	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.[r]	Feb.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**79.7**	**80.3**	**81.1**	**81.4**	**81.1**	**81.9**	**82.1**	**82.4**	**82.4**	**82.4**
16 Mining	92.8	87.8	95.2	76.9	75.8	76.6	76.8	78.2	79.1	80.6	81.5	81.5	81.1	80.6
17 Utilities	95.6	82.9	88.5	78.0	78.8	79.0	80.2	81.3	80.0	80.5	81.2	80.4	81.7	82.2
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**80.0**	**80.8**	**81.5**	**81.5**	**81.3**	**82.0**	**82.2**	**82.5**	**82.5**	**82.5**
19 Primary processing	91.9	68.3	89.1	65.1	82.4	84.0	85.4	85.3	85.1	86.2	87.0	87.8	87.1	87.1
20 Advanced processing	86.0	71.1	85.1	69.5	79.0	79.2	79.8	79.9	79.5	80.1	80.0	80.1	80.5	80.5
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**78.7**	**79.8**	**80.6**	**81.1**	**81.2**	**82.1**	**82.9**	**83.7**	**83.4**	**83.1**
22 Durable goods	91.8	64.4	89.8	60.9	74.7	75.9	76.5	76.6	77.0	78.3	79.0	80.2	79.8	79.4
23 Metal materials	99.2	67.1	93.6	45.7	67.8	71.5	73.9	77.5	78.3	82.4	83.3	87.6	81.9	81.3
24 Nondurable goods	91.1	66.7	88.1	70.7	84.6	86.1	88.4	88.6	88.7	88.2	89.0	90.5	89.6	89.4
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	85.4	87.1	90.0	90.5	90.7	90.4	91.0	92.7	91.7	91.4
26 Paper	98.4	70.6	97.3	79.9	95.6	96.3	100.5	99.9	98.5	97.4	98.7	101.6	100.0	......
27 Chemical	92.5	64.4	87.9	63.5	82.3	83.1	85.1	86.4	87.4	88.0	88.6	90.8	89.8	......
28 Energy materials	94.6	86.9	94.0	82.3	81.9	82.8	82.4	84.0	83.5	84.9	85.7	85.1	85.7	85.5

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE. These data also appear in the Board's G.3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Groups	1977 proportion	1987 avg.	1987											1988	
			Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.	Jan.p	Feb.e
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**129.8**	**127.2**	**127.3**	**127.4**	**128.4**	**129.1**	**130.6**	**131.2**	**131.0**	**132.5**	**133.2**	**133.8**	**134.2**	**134.4**
2 Products	57.72	138.3	136.1	136.2	137.2	137.2	137.8	139.5	139.9	139.4	140.9	141.0	141.1	141.9	142.4
3 Final products	44.77	136.8	135.0	135.0	134.5	135.8	136.2	137.9	138.4	137.8	139.3	139.2	139.6	140.5	140.9
4 Consumer goods	25.52	127.7	127.5	127.5	126.6	128.2	127.2	128.9	129.4	127.7	129.0	129.4	129.5	130.4	130.6
5 Equipment	19.25	148.8	144.9	145.0	144.9	145.8	148.1	149.7	150.2	151.2	153.0	152.2	153.0	153.9	154.6
6 Intermediate products	12.94	143.4	139.7	140.4	139.9	142.1	143.3	145.0	145.3	144.9	146.1	147.3	146.3	146.9	147.7
7 Materials	42.28	118.2	115.1	115.2	116.2	116.3	117.2	118.5	119.4	119.7	121.2	122.5	123.9	123.6	123.4
Consumer goods															
8 Durable consumer goods	6.89	120.2	122.4	121.2	118.1	120.2	117.4	120.4	121.2	118.6	124.3	123.9	120.3	121.3	121.1
9 Automotive products	2.98	118.5	123.5	121.2	115.7	118.0	114.9	117.5	118.0	114.2	124.3	121.3	115.4	118.2	117.8
10 Autos and trucks	1.79	115.1	125.2	121.6	111.5	113.1	107.9	112.3	112.4	107.2	122.2	118.7	110.2	112.8	111.8
11 Autos, consumer	1.16	90.7	105.3	100.9	91.8	91.0	87.4	86.4	76.8	79.1	94.7	91.9	83.7	77.5	79.5
12 Trucks, consumer	.63	160.5	162.1	159.9	148.1	154.2	146.0	160.4	178.4	159.4	173.2	168.5	159.5	....	....
13 Auto parts and allied goods	1.19	123.5	121.0	120.5	121.9	125.3	125.4	125.3	126.6	124.8	127.5	125.2	123.3	126.4	126.9
14 Home goods	3.91	121.6	121.6	121.2	119.9	121.8	119.3	122.5	123.6	121.9	124.3	125.8	123.9	123.7	123.6
15 Appliances, A/C and TV	1.24	141.5	145.2	142.9	137.7	142.2	133.4	141.7	147.1	141.8	145.7	150.1	142.7	141.7	141.1
16 Appliances and TV	1.19	142.1	146.7	143.8	139.2	142.3	133.4	142.6	145.5	140.6	146.1	150.5	142.6	140.4	....
17 Carpeting and furniture	.96	130.7	130.8	131.3	133.5	133.3	132.3	134.1	132.0	131.6	132.9	133.5	133.9	134.0	....
18 Miscellaneous home goods	1.71	102.0	99.3	99.8	99.4	100.7	101.8	102.2	102.0	102.2	104.1	103.9	104.8	104.9	....
19 Nondurable consumer goods	18.63	130.5	129.4	129.8	129.8	131.1	130.9	132.1	132.5	131.0	130.8	131.5	132.9	133.7	134.1
20 Consumer staples	15.29	137.3	135.9	136.5	136.4	137.7	137.6	138.9	139.2	137.8	137.4	138.3	140.2	141.1	141.8
21 Consumer foods and tobacco	7.80	136.2	134.0	134.8	134.4	135.6	136.0	137.2	137.4	137.0	137.5	137.3	138.6	138.9	....
22 Nonfood staples	7.49	138.5	137.9	138.2	138.5	139.9	139.2	140.6	141.2	138.6	137.2	139.4	141.8	143.4	144.4
23 Consumer chemical products	2.75	162.9	164.7	165.7	164.7	165.9	164.4	165.7	167.4	163.6	160.0	163.5	167.7	170.5	....
24 Consumer paper products	1.88	151.8	147.8	147.5	148.9	152.9	153.1	153.8	153.9	153.2	151.8	152.8	155.3	155.3	....
25 Consumer energy	2.86	106.3	105.7	105.8	106.5	106.4	105.9	108.0	107.7	105.0	105.8	107.4	108.1	109.6	....
26 Consumer fuel	1.44	93.1	92.5	94.1	94.5	92.1	91.9	92.7	91.4	91.6	92.4	93.2	95.4	96.1	....
27 Residential utilities	1.42	119.8	119.2	117.7	118.7	121.0	120.2	123.6	124.3	118.7	119.4	121.8	120.9	....	....
Equipment															
28 Business and defense equipment	18.01	153.6	150.1	150.1	150.0	150.8	153.2	154.4	154.5	155.2	157.2	156.6	157.7	158.8	159.5
29 Business equipment	14.34	144.5	140.8	140.8	140.8	141.7	144.2	145.6	145.6	146.3	148.7	148.3	149.7	150.8	151.8
30 Construction, mining, and farm	2.08	62.2	56.8	58.1	58.6	61.2	63.0	65.0	66.4	66.1	66.5	66.3	67.3	68.3	69.2
31 Manufacturing	3.27	117.9	111.5	110.9	111.1	111.5	117.2	120.4	120.9	122.0	120.5	120.6	122.2	124.0	124.9
32 Power	1.27	82.6	81.2	81.7	82.4	84.0	84.0	81.8	82.8	81.1	83.0	83.1	84.2	86.0	86.7
33 Commercial	5.22	226.5	218.4	219.7	220.9	222.0	226.7	227.9	227.7	229.1	232.4	232.1	235.2	237.5	239.2
34 Transit	2.49	108.4	117.4	114.0	110.4	110.1	105.4	106.1	104.7	105.1	112.5	111.2	109.1	106.3	106.3
35 Defense and space equipment	3.67	188.9	186.5	186.6	186.1	186.5	188.6	188.7	189.1	189.8	190.3	188.7	188.8	190.0	189.9
Intermediate products															
36 Construction supplies	5.95	131.5	128.4	128.5	127.3	128.3	131.5	133.1	132.5	132.3	133.3	134.2	133.7	133.8	134.9
37 Business supplies	6.99	153.5	149.4	150.5	150.5	153.8	153.4	155.2	156.3	155.6	157.1	158.4	157.0	158.1	....
38 General business supplies	5.67	158.6	154.1	155.2	155.5	158.2	158.5	160.5	161.0	160.9	162.3	164.3	163.0	164.3	....
39 Commercial energy products	1.31	131.1	128.8	130.3	129.0	135.0	131.1	132.3	135.8	132.7	134.6	132.9	131.1	131.4	....
Materials															
40 Durable goods materials	20.50	125.0	121.5	121.8	122.2	121.6	124.0	125.2	125.5	126.4	128.7	130.2	132.3	131.9	131.5
41 Durable consumer parts	4.92	100.9	100.0	98.9	96.2	95.2	99.2	98.5	99.6	99.0	102.3	103.1	104.8	105.0	103.8
42 Equipment parts	5.94	159.0	155.6	155.8	157.1	156.0	158.3	159.3	159.5	161.1	162.2	163.2	165.4	167.1	167.5
43 Durable materials n.e.c.	9.64	116.4	111.5	112.6	114.1	113.9	115.5	117.7	117.9	118.9	121.6	123.6	126.0	123.9	123.5
44 Basic metal materials	4.64	86.7	80.3	80.8	81.8	81.9	83.6	86.6	90.4	91.3	95.3	96.5	101.0	94.6	93.8
45 Nondurable goods materials	10.09	125.8	122.5	122.8	125.4	125.3	124.1	127.6	128.3	128.6	128.2	129.6	132.0	131.0	131.2
46 Textile, paper, and chemical materials	7.53	127.6	123.6	124.0	126.9	126.5	125.1	129.6	130.6	131.2	131.0	132.3	135.1	134.0	134.1
47 Textile materials	1.52	111.7	115.8	118.5	125.0	....	111.9	117.8	116.7	116.0	113.0	112.7	111.3	111.4	....
48 Pulp and paper materials	1.55	141.0	136.7	134.7	137.4	137.4	139.0	145.4	145.0	143.3	142.0	144.4	149.0	147.1	....
49 Chemical materials	4.46	128.4	121.8	122.1	125.0	125.0	124.9	128.1	130.4	132.2	133.4	134.7	138.4	137.2	....
50 Miscellaneous nondurable materials	2.57	120.4	119.0	119.2	121.1	122.0	120.9	122.0	121.4	120.9	119.7	121.7	123.0	....	....
51 Energy materials	11.69	99.8	97.6	97.0	97.5	99.3	99.4	99.0	100.9	100.2	101.8	102.8	102.0	102.7	102.3
52 Primary energy	7.57	105.0	102.6	101.5	102.3	103.6	104.0	102.5	104.6	104.6	106.8	108.4	107.7	107.6	....
53 Converted fuel materials	4.12	90.3	88.5	88.9	88.7	91.4	91.0	92.5	94.1	92.2	92.7	92.6	91.6	93.6	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1987 avg.	1987 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	1988 Jan.[p]	Feb.[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	104.3	102.4	101.9	101.4	103.1	103.0	103.7	105.4	105.4	106.8	107.9	107.4	107.7	107.5
2 Mining	.....	9.83	100.7	98.8	98.3	98.6	99.2	99.2	99.2	100.9	101.9	103.6	104.6	104.5	103.7	102.9
3 Utilities	.....	5.96	110.3	108.5	107.9	106.0	109.6	109.4	111.2	112.9	111.2	112.1	113.2	112.2	114.2	115.0
4 Manufacturing	.....	84.21	134.6	131.6	132.4	132.4	133.2	134.0	135.6	135.9	135.7	137.3	137.9	138.8	139.1	139.3
5 Nondurable	.....	35.11	136.7	132.9	133.7	134.6	135.7	136.9	138.5	138.8	138.6	138.1	139.6	140.7	141.2	141.4
6 Durable	.....	49.10	133.1	130.8	131.5	130.9	131.4	132.0	133.5	133.8	133.7	136.8	136.7	137.4	137.5	137.9
Mining																
7 Metal	10	.50	77.5	73.6	71.2	65.7	71.7	70.7	71.4	79.3	86.5	85.6	90.4	95.1	......	......
8 Coal	11.12	1.60	131.8	131.7	122.3	121.9	127.2	128.8	127.9	130.5	133.3	140.3	142.9	140.6	140.2	133.0
9 Oil and gas extraction	13	7.07	92.7	90.9	92.4	93.1	92.1	91.8	91.8	93.0	93.3	94.1	94.2	94.1	93.6	93.9
10 Stone and earth minerals	14	.66	128.2	122.1	123.8	125.4	127.6	128.5	130.7	130.3	130.0	131.0	134.1	135.6	133.7	......
Nondurable manufactures																
11 Foods	20	7.96	137.7	136.4	137.3	136.0	137.4	137.7	138.5	138.8	139.5	138.0	138.9	139.4	140.2	......
12 Tobacco products	21	.62	103.4	99.9	101.1	99.6	106.6	107.0	......	110.4	101.7	103.7	106.5	110.5	......	......
13 Textile mill products	22	2.29	115.8	110.8	112.6	116.6	115.7	117.2	118.3	119.8	118.2	116.8	117.3	117.0	116.8	......
14 Apparel products	23	2.79	107.4	106.5	105.4	105.3	106.4	107.7	109.7	108.4	107.6	108.0	109.4	107.8	......	......
15 Paper and products	26	3.15	144.4	139.9	139.9	140.5	141.3	142.6	148.8	148.9	147.4	146.0	148.3	150.6	149.2	......
16 Printing and publishing	27	4.54	172.0	164.4	167.6	169.2	171.4	174.1	174.0	174.7	174.9	175.2	175.7	175.6	177.4	178.7
17 Chemicals and products	28	8.05	140.1	135.7	135.3	137.3	138.1	139.3	140.8	142.3	142.4	141.5	144.4	147.1	148.2	......
18 Petroleum products	29	2.40	93.5	91.6	92.1	94.0	92.6	92.3	94.1	92.9	93.5	94.6	93.3	96.1	97.3	96.5
19 Rubber and plastic products	30	2.80	163.6	156.2	158.6	160.5	162.2	165.4	167.2	164.8	165.2	166.7	169.9	170.6	170.5	......
20 Leather and products	31	.53	60.0	59.8	59.4	60.2	61.4	60.8	59.2	61.3	60.7	59.6	60.7	57.5	58.3	......
Durable manufactures																
21 Lumber and products	24	2.30	130.3	129.6	128.9	127.8	130.3	131.1	132.8	131.1	126.9	129.8	134.0	133.6	130.4	......
22 Furniture and fixtures	25	1.27	152.8	145.0	149.9	148.2	150.5	153.9	156.2	155.2	155.9	156.0	158.5	159.4	159.1	......
23 Clay, glass, stone products	32	2.72	119.1	118.8	119.8	120.6	117.2	117.9	118.8	116.5	118.6	118.9	120.5	120.1	119.3	......
24 Primary metals	33	5.33	81.5	75.1	77.0	76.1	77.0	78.8	81.4	85.1	84.5	90.6	90.2	92.3	88.7	88.4
25 Iron and steel	331.2	3.49	70.8	62.3	65.4	65.0	65.7	68.3	70.9	76.0	74.6	82.0	79.7	84.6	81.0	......
26 Fabricated metal products	34	6.46	111.0	108.3	110.5	109.9	108.5	111.1	111.1	110.1	111.1	113.5	113.6	115.8	116.1	116.6
27 Nonelectrical machinery	35	9.54	152.7	145.5	148.5	150.4	149.7	151.8	155.3	154.3	156.6	158.0	157.2	161.0	162.1	162.9
28 Electrical machinery	36	7.15	172.3	171.0	168.5	168.4	171.1	170.5	172.5	174.3	173.4	175.5	175.6	175.8	176.9	176.5
29 Transportation equipment	37	9.13	129.2	132.7	132.2	127.8	129.4	126.5	127.6	128.1	125.5	132.0	130.4	128.1	128.7	128.6
30 Motor vehicles and parts	371	5.25	111.8	117.7	116.5	109.8	112.0	107.4	109.4	109.1	105.6	116.0	114.0	110.2	110.0	109.5
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.8	153.0	153.4	152.3	153.1	152.4	152.3	153.9	152.5	153.7	152.7	152.4	154.0	154.5
32 Instruments	38	2.66	143.9	142.0	140.3	142.8	142.1	144.5	143.8	146.3	145.6	146.7	147.8	144.9	148.5	150.0
33 Miscellaneous manufactures	39	1.46	102.6	101.6	103.9	101.4	101.9	101.2	100.5	102.2	102.1	104.6	104.5	105.8	106.2	......
Utilities																
34 Electric	.....	4.17	126.6	122.3	123.6	122.3	128.8	128.8	131.0	132.0	127.5	126.8	127.5	125.6	127.6	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,735.8**	**1,718.7**	**1,725.2**	**1,710.0**	**1,723.0**	**1,720.4**	**1,732.5**	**1,741.7**	**1,735.9**	**1,774.1**	**1,772.4**	**1,769.9**	**1,783.5**	**1,788.8**
36 Final	.....	405.7	1,333.8	1,329.2	1,330.3	1,316.5	1,324.7	1,320.1	1,326.6	1,334.9	1,330.3	1,360.9	1,359.9	1,357.7	1,370.4	1,377.7
37 Consumer goods	.....	272.7	866.0	865.3	868.1	857.1	862.8	855.1	863.2	866.4	856.9	876.6	879.8	879.8	889.4	892.3
38 Equipment	.....	133.0	467.8	463.9	462.2	459.4	461.9	465.0	463.5	468.5	473.4	484.4	480.1	477.9	481.0	485.5
39 Intermediate	.....	111.9	402.0	389.5	394.9	393.6	398.4	400.3	405.9	406.8	405.6	413.2	412.5	412.2	413.0	411.0

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1985	1986	1987r	1987 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.r	Dec.r	1988 Jan.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,733	1,750	1,524	1,598	1,493	1,517	1,487	1,502	1,502	1,463	1,469	1,361	1,257
2 1-family	957	1,071	1,030	1,058	1,009	1,039	993	1,023	992	977	983	974	920
3 2-or-more-family	777	679	495	540	484	478	494	479	510	486	486	387	337
4 Started	1,742	1,805	1,621	1,635	1,599	1,583	1,594	1,583	1,679	1,538	1,661	1,399	1,372
5 1-family	1,072	1,179	1,146	1,201	1,125	1,086	1,142	1,109	1,211	1,105	1,129	1,035	1,002
6 2-or-more-family	669	626	474	434	474	497	452	474	468	433	532	364	370
7 Under construction, end of period[1]	1,063	1,074	991	1,077r	1,069r	1,060r	1,052r	1,044r	1,046r	1,044r	1,042	1,023	1,015
8 1-family	539	583	592	627r	626r	622r	621r	621r	627r	627r	625	623	618
9 2-or-more-family	524	490	399	450r	443r	438r	431r	423r	419r	417r	417	400	397
10 Completed	1,703	1,756	1,667	1,786r	1,687r	1,612r	1,680r	1,633r	1,591r	1,565r	1,571	1,611	1,527
11 1-family	1,072	1,120	1,122	1,165r	1,178r	1,111r	1,112r	1,069r	1,100r	1,114r	1,088	1,104	1,081
12 2-or-more-family	631	637	545	621r	509r	501r	568r	564r	491r	451r	483	507	446
13 Mobile homes shipped	284	244	233	229	224	234	243	234	240	234	222	227	200
Merchant builder activity in 1-family units													
14 Number sold	688	748	672	728r	649	640r	672	673r	644	653r	625	582	522
15 Number for sale, end of period[1]	350	361	370	359	356r	359	359	361	361	360	362	365	369
Price (thousands of dollars)[2]													
Median													
16 Units sold	84.3	92.2	104.5	96.5	104.9	109.0	105.0	106.8	106.5	106.5r	117.0	110.0	118.0
Average													
17 Units sold	101.0	112.2	127.9	118.1	126.6	135.8	128.6	128.5	133.5	125.8r	139.2	135.5	145.7
EXISTING UNITS (1-family)													
18 Number sold	3,217	3,566	3,530	3,590r	3,740r	3,580r	3,470r	3,410	3,430r	3,470r	3,370	3,330	3,170
Price of units sold (thousands of dollars)[2]													
19 Median	75.4	80.3	85.6	86.0r	86.0r	85.9r	88.3r	86.5r	85.5r	84.6r	85.0	85.4	87.4
20 Average	90.6	98.3	106.2	106.2r	107.5r	107.1r	109.8r	107.0r	106.9r	106.1r	106.6	107.1	108.7
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 **Total put in place**	**355,995**	**388,815**	**398,944**	**396,222**	**396,680**	**397,191**	**398,465**	**402,872**	**402,782**	**403,482**	**405,117**	**406,779**	**395,239**
22 Private	291,665	316,589	323,622	320,483	321,414	324,256	323,847	329,831	324,857	326,658	327,749	328,727	320,974
23 Residential	158,475	187,147	197,348	199,523	195,871	200,864	198,005	200,241	196,969	198,803	193,866	196,468	191,343
24 Nonresidential, total	133,190	129,442	126,274	120,960	125,543	123,392	125,842	129,590	127,888	127,855	133,883	132,259	129,631
Buildings													
25 Industrial	15,769	13,747	13,095	11,492	13,376	13,023	13,005	13,659	14,387	13,561	14,363	13,591	13,351
26 Commercial	59,629	56,762	53,201	50,924	53,224	51,831	52,537	54,055	52,800	53,788	57,657	54,979	54,107
27 Other	12,619	13,216	15,254	14,950	14,926	14,769	15,317	14,888	15,079	15,567	16,176	17,242	16,448
28 Public utilities and other	45,236	45,824	44,728	43,594	44,017	43,769	44,983	46,988	45,622	44,939	45,687	46,447	45,725
29 Public	64,326	72,225	75,319	75,739	75,266	72,935	74,618	73,041	77,924	76,824	77,367	78,052	74,266
30 Military	3,283	3,919	4,204	3,403	4,397	4,352	5,009	4,193	6,083	4,308	4,738	3,164	4,634
31 Highway	21,756	23,360	23,248	22,673	22,607	21,704	22,441	22,005	23,489	24,975	24,713	25,831	24,826
32 Conservation and development	4,746	4,668	5,222	5,551	4,839	5,498	5,328	5,127	4,978	5,491	5,219	6,114	4,768
33 Other	34,541	40,278	42,645	44,112	43,423	41,381	41,840	41,716	43,374	42,050	42,697	42,943	40,038

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

NOTE. Census Bureau estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 16,000 jurisdictions beginning with 1978.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Feb. 1988 (1982 = 100)[1]
	1987 Feb.	1988 Feb.	1987				1987			1988		
			Mar.	June	Sept.	Dec.	Oct.[r]	Nov.[r]	Dec.	Jan.	Feb.	
CONSUMER PRICES[2]												
1 **All items**	**2.1**	**3.9**	**6.3**	**4.3**	**3.9**	**3.2**	**.3**	**.3**	**.2**	**.3**	**.2**	**116.0**
2 Food	4.7	2.8	3.6	5.8	2.1	2.8	.2	.1	.4	.3	−.3	115.7
3 Energy items	−12.1	1.6	25.5	6.6	6.0	−3.9	−.6	.3	−.8	−.7	−.6	87.0
4 All items less food and energy	3.8	4.3	4.9	3.8	3.8	4.4	.5	.3	.2	.5	.2	121.1
5 Commodities	1.6	3.4	4.8	3.7	2.9	2.5	.4	.4	−.2	.4	.1	113.3
6 Services	5.0	4.8	4.8	4.4	4.3	5.0	.6	.2	.4	.6	.4	125.7
PRODUCER PRICES												
7 Finished goods	.1	1.7	4.3	3.5	3.8	−2.6	−.3	.0	−.4	.4	−.2	105.9
8 Consumer foods	3.2	1.0	−2.5	9.6	−1.8	−5.7	−.3	.2	−1.4	1.7	−1.1	109.4
9 Consumer energy	−22.2	−1.8	40.6	2.0	16.5	−12.5	−.9	−.8	−1.6	−4.5	−.8	58.4
10 Other consumer goods	2.7	3.3	2.9	1.8	4.6	1.4	.0	.0	.3	.6	.3	116.7
11 Capital equipment	2.1	1.5	1.1	1.1	4.0	−.7	−.4	.1	.2	.2	.2	112.9
12 Intermediate materials[3]	−1.6	4.5	6.7	5.3	5.6	4.8	.5	.5	.2	.3	.0	104.2
13 Excluding energy	1.0	5.7	4.2	4.2	5.3	7.6	.7	.5	.5	.9	.2	111.9
Crude materials												
14 Foods	1.2	7.3	−2.5	25.2	−4.8	−5.2	.6	−2.8	.8	.9	2.3	99.6
15 Energy	−11.9	−3.3	50.0	11.3	5.9	−15.7	−1.7	−1.1	−1.5	−3.8	−.3	70.5
16 Other	2.6	23.0	8.7	27.2	39.4	16.9	3.1	.4	.5	1.3	.8	130.6

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1985	1986	1987r	1986	1987			
				Q4	Q1	Q2	Q3	Q4r
GROSS NATIONAL PRODUCT								
1 **Total**	**4,010.3**	**4,235.0**	**4,488.5**	**4,288.1**	**4,377.7**	**4,445.1**	**4,524.0**	**4,607.4**
By source								
2 Personal consumption expenditures	2,629.4	2,799.8	2,967.8	2,858.6	2,893.8	2,943.7	3,011.3	3,022.6
3 Durable goods	368.7	402.4	413.7	419.8	396.1	409.0	436.8	413.0
4 Nondurable goods	913.1	939.4	982.9	946.3	969.9	982.1	986.4	993.1
5 Services	1,347.5	1,458.0	1,571.2	1,492.4	1,527.7	1,552.6	1,588.1	1,616.5
6 Gross private domestic investment	641.6	671.0	717.5	660.2	699.9	702.6	707.4	760.2
7 Fixed investment	631.6	655.2	671.5	666.6	648.2	662.3	684.5	690.8
8 Nonresidential	442.6	436.9	443.4	439.7	422.8	434.6	456.6	459.6
9 Structures	152.5	137.4	134.2	132.9	128.7	129.7	137.1	141.1
10 Producers' durable equipment	290.1	299.5	309.2	306.7	294.1	304.9	319.5	318.5
11 Residential structures	189.0	218.3	228.1	226.9	225.4	227.7	227.9	231.2
12 Change in business inventories	10.0	15.7	46.1	−6.4	51.6	40.3	22.9	69.4
13 Nonfarm	13.6	16.8	36.2	5.1	48.7	27.3	11.1	57.5
14 Net exports of goods and services	−79.2	−105.5	−119.6	−116.9	−112.2	−118.4	−123.7	−124.3
15 Exports	369.9	376.2	427.8	383.3	397.3	416.5	439.2	458.1
16 Imports	449.2	481.7	547.4	500.2	509.5	534.8	562.9	582.4
17 Government purchases of goods and services	818.6	869.7	922.8	886.3	896.2	917.1	929.0	948.8
18 Federal	353.9	366.2	379.4	368.6	366.9	379.6	382.1	388.9
19 State and local	464.7	503.5	543.4	517.7	529.3	537.6	546.9	559.9
By major type of product								
20 Final sales, total	4,000.3	4,219.3	4,442.5	4,294.6	4,326.0	4,404.8	4,501.1	4,537.9
21 Goods	1,637.9	1,693.8	1,782.2	1,698.9	1,738.7	1,763.5	1,798.3	1,828.4
22 Durable	704.3	726.8	773.3	737.3	747.0	756.7	785.7	803.8
23 Nondurable	933.6	967.0	1,008.9	961.6	991.7	1,006.8	1,012.6	1,024.6
24 Services	1,969.2	2,116.2	2,271.2	2,160.0	2,212.0	2,252.2	2,289.3	2,331.5
25 Structures	403.1	425.0	435.0	429.3	426.9	429.4	436.4	447.5
26 Change in business inventories	10.0	15.7	46.1	−6.4	51.6	40.3	22.9	69.4
27 Durable goods	7.3	4.8	25.3	−4.5	35.2	22.1	−1.9	46.0
28 Nondurable goods	2.7	10.9	20.7	−1.9	16.5	18.2	24.8	23.4
29 MEMO								
Total GNP in 1982 dollars	**3,607.5**	**3,713.3**	**3,821.0**	**3,731.5**	**3,772.2**	**3,795.3**	**3,835.9**	**3,880.8**
NATIONAL INCOME								
30 **Total**	**3,229.9**	**3,422.0**	**3,635.3**	**3,471.0**	**3,548.3**	**3,593.3**	**3,659.0**	**3,740.6**
31 Compensation of employees	2,370.8	2,504.9	2,647.6	2,552.0	2,589.9	2,623.4	2,663.5	2,713.5
32 Wages and salaries	1,974.7	2,089.1	2,212.7	2,128.5	2,163.3	2,191.4	2,226.5	2,269.9
33 Government and government enterprises	372.3	394.8	421.4	403.8	412.2	418.1	424.5	430.9
34 Other	1,602.6	1,694.3	1,791.3	1,724.7	1,751.1	1,773.3	1,801.9	1,839.0
35 Supplement to wages and salaries	396.1	415.8	434.8	423.5	426.6	432.0	437.0	443.6
36 Employer contributions for social insurance	203.8	214.7	224.6	219.1	220.0	222.5	225.9	230.1
37 Other labor income	192.3	201.1	210.2	204.4	206.7	209.5	211.1	213.5
38 Proprietors' income[1]	257.3	289.8	327.4	297.8	320.9	323.1	322.7	342.7
39 Business and professional[1]	227.6	252.6	279.0	261.2	269.7	275.8	282.1	288.4
40 Farm[1]	29.7	37.2	48.4	36.6	51.3	47.3	40.6	54.3
41 Rental income of persons[2]	9.0	16.7	19.3	18.4	20.0	18.9	17.3	20.9
42 Corporate profits[1]	277.6	284.4	304.0	281.1	294.0	296.8	314.9	310.2
43 Profits before tax[3]	224.8	231.9	273.3	247.9	257.0	268.7	284.9	282.8
44 Inventory valuation adjustment	−.7	6.5	−17.5	−8.9	−11.3	−20.0	−17.6	−21.3
45 Capital consumption adjustment	53.5	46.0	48.2	42.1	48.2	48.0	47.7	48.7
46 Net interest	315.3	326.1	337.1	321.7	323.6	331.1	340.6	353.3

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1985	1986	1987r	1986	1987			
				Q4	Q1	Q2	Q3	Q4r
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,327.0**	**3,534.3**	**3,746.5**	**3,593.6**	**3,662.0**	**3,708.6**	**3,761.0**	**3,854.4**
2 Wage and salary disbursements	1,974.9	2,089.1	2,212.7	2,128.5	2,163.3	2,191.4	2,226.1	2,270.2
3 Commodity-producing industries	609.2	623.3	641.1	628.4	632.9	635.0	641.8	654.7
4 Manufacturing	460.9	470.5	484.0	474.5	477.2	479.0	485.1	494.7
5 Distributive industries	473.0	497.1	522.9	504.7	511.5	518.9	526.3	535.0
6 Service industries	520.4	573.9	627.3	591.6	606.7	619.3	633.9	649.3
7 Government and government enterprises	372.3	394.8	421.4	403.8	412.2	418.1	424.2	431.2
8 Other labor income	192.3	201.1	210.2	204.4	206.7	209.5	211.1	213.5
9 Proprietors' income[1]	257.3	289.8	327.4	297.8	320.9	323.1	322.7	342.7
10 Business and professional[1]	227.6	252.6	279.0	261.2	269.7	275.8	282.1	288.4
11 Farm[1]	29.7	37.2	48.4	36.6	51.3	47.3	40.6	54.3
12 Rental income of persons[2]	9.0	16.7	19.3	18.4	20.0	18.9	17.3	20.9
13 Dividends	76.3	81.2	87.5	82.9	84.5	86.3	88.7	90.5
14 Personal interest income	476.5	497.6	516.2	496.8	499.8	506.3	520.0	538.8
15 Transfer payments	489.7	518.3	543.1	526.6	533.7	541.5	545.8	551.4
16 Old-age survivors, disability, and health insurance benefits	253.4	269.2	282.8	273.5	278.0	282.3	284.4	286.5
17 LESS: Personal contributions for social insurance	148.9	159.6	169.9	161.8	166.7	168.4	170.7	173.6
18 EQUALS: Personal income	3,327.0	3,534.3	3,746.5	3,593.6	3,662.0	3,708.6	3,761.0	3,854.4
19 LESS: Personal tax and nontax payments	485.9	512.2	564.8	532.0	536.1	578.0	565.7	579.4
20 EQUALS: Disposable personal income	2,841.1	3,022.1	3,181.7	3,061.6	3,125.9	3,130.6	3,195.3	3,275.0
21 LESS: Personal outlays	2,714.1	2,891.5	3,062.7	2,952.6	2,987.5	3,037.4	3,106.5	3,119.3
22 EQUALS: Personal saving	127.1	130.6	119.0	109.0	138.4	93.2	88.8	155.7
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,073.7	15,369.6	15,672.6	15,387.6	15,523.4	15,586.4	15,714.4	15,859.4
24 Personal consumption expenditures	9,830.2	10,142.8	10,242.8	10,228.8	10,188.9	10,215.6	10,326.5	10,235.4
25 Disposable personal income	10,622.0	10,947.0	10,980.0	10,956.0	11,008.0	10,865.0	10,958.0	11,090.0
26 Saving rate (percent)	4.5	4.3	3.7	3.6	4.4	3.0	2.8	4.8
GROSS SAVING								
27 **Gross saving**	**531.3**	**532.0**	**564.5**	**515.3**	**554.3**	**551.3**	**559.3**	**593.1**
28 Gross private saving	664.2	679.8	672.3	653.4	683.8	639.9	648.7	716.8
29 Personal saving	127.1	130.6	119.0	109.0	138.4	93.2	88.8	155.7
30 Undistributed corporate profits[1]	99.6	92.6	74.2	78.5	75.6	70.1	76.8	74.3
31 Corporate inventory valuation adjustment	−.7	6.5	−17.5	−8.9	−11.3	−20.0	−17.6	−21.3
Capital consumption allowances								
32 Corporate	269.1	282.8	296.2	289.3	291.8	294.5	297.8	300.9
33 Noncorporate	168.5	173.8	182.8	176.6	178.0	182.1	185.3	186.0
34 Government surplus, or deficit (−), national income and product accounts	−132.9	−147.8	−107.8	−138.1	−129.5	−88.6	−89.3	−123.8
35 Federal	−196.0	−204.7	−151.7	−188.7	−170.5	−139.2	−135.8	−161.4
36 State and local	63.1	56.8	43.9	50.6	41.0	50.6	46.5	37.6
37 **Gross investment**	**525.7**	**527.1**	**560.6**	**503.7**	**552.1**	**548.1**	**548.4**	**593.8**
38 Gross private domestic	641.6	671.0	717.5	660.2	699.9	702.6	707.4	760.2
39 Net foreign	−115.9	−143.9	−156.9	−156.5	−147.7	−154.5	−159.0	−166.4
40 **Statistical discrepancy**	**−5.6**	**−4.9**	**−3.9**	**−11.6**	**−2.2**	**−3.1**	**−10.9**	**.8**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1985	1986	1987	1986	1987			
				Q4	Q1[r]	Q2[r]	Q3	Q4[p]
1 Balance on current account	−116,394	−141,352	−160,682	−37,977	−36,909	−41,338	−43,442	−38,993
2 Not seasonally adjusted	....	....	....	−36,398	−33,435	−42,028	−48,317	−36,902
3 Merchandise trade balance[2]	−122,148	−144,339	−159,201	−38,595	−38,920	−39,742	−40,365	−40,174
4 Merchandise exports	215,935	224,361	250,814	57,021	56,769	59,875	65,110	69,060
5 Merchandise imports	−338,083	−368,700	−410,015	−95,616	−95,689	−99,617	−105,475	−109,234
6 Military transactions, net	−3,338	−3,662	−2,078	−495	−37	29	−735	−1,335
7 Investment income, net[3]	25,398	20,844	14,483	4,492	5,513	1,589	294	7,088
8 Other service transactions, net	−1,005	1,463	−418	759	−390	−150	289	−168
9 Remittances, pensions, and other transfers	−4,079	−3,885	−3,526	−1,151	−989	−837	−833	−868
10 U.S. government grants (excluding military)	−11,222	−11,772	−9,942	−2,987	−2,086	−2,227	−2,092	−3,536
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,831	−1,920	1,219	15	225	−177	355	816
12 Change in U.S. official reserve assets (increase, −)	−3,858	312	9,150	132	1,956	3,419	32	3,743
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−897	−246	−509	−31	76	−171	−210	−205
15 Reserve position in International Monetary Fund	908	1,500	2,070	283	606	335	407	722
16 Foreign currencies	−3,869	−942	7,590	−120	1,274	3,255	−165	3,226
17 Change in U.S. private assets abroad (increase, −)[3]	−24,711	−94,374	−74,166	−32,351	13,170	−18,320	−27,559	−41,457
18 Bank-reported claims	−1,323	−59,039	−33,431	−31,800	25,686	−15,685	−20,107	−23,325
19 Nonbank-reported claims	1,361	−3,986	....	170	−1,163	2,603	−327	....
20 U.S. purchase of foreign securities, net	−7,481	−3,302	−3,654	3,113	−1,345	384	−923	−1,770
21 U.S. direct investments abroad, net[3]	−17,268	−28,047	−38,194	−3,834	−10,008	−5,622	−6,202	−16,362
22 Change in foreign official assets in the United States (increase, +)	−1,140	34,698	44,289	1,003	13,953	10,070	363	19,904
23 U.S. Treasury securities	−838	34,515	43,301	4,572	12,145	11,084	860	19,212
24 Other U.S. government obligations	−301	−1,214	1,570	−117	−62	256	714	662
25 Other U.S. government liabilities[4]	823	1,723	−3,227	−607	−1,381	−1,504	−377	35
26 Other U.S. liabilities reported by U.S. banks	645	554	3,705	−2,435	3,611	547	−211	−242
27 Other foreign official assets[5]	−1,469	−880	−1,060	−410	−360	−313	−624	237
28 Change in foreign private assets in the United States (increase, +)[3]	131,012	178,689	158,296	57,428	12,802	39,494	67,026	38,974
29 U.S. bank-reported liabilities	41,045	77,350	77,857	34,604	−13,614	14,823	44,358	32,290
30 U.S. nonbank-reported liabilities	−450	−2,791	....	1,035	1,761	1,526	525	....
31 Foreign private purchases of U.S. Treasury securities, net	20,433	8,275	−6,088	−3,074	−1,570	−2,211	−2,855	548
32 Foreign purchases of other U.S. securities, net	50,962	70,802	42,134	12,269	18,499	15,870	12,693	−4,928
33 Foreign direct investments in the United States, net[3]	19,022	25,053	40,581	12,594	7,726	9,486	12,305	11,064
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	17,920	23,947	21,892	11,750	−5,197	6,852	3,226	17,013
36 Owing to seasonal adjustments	....	....	....	3,904	2,959	−1,700	−4,833	3,577
37 Statistical discrepancy in recorded data before seasonal adjustment	17,920	23,947	21,892	7,846	−8,156	8,552	8,059	13,437
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,858	312	9,150	132	1,956	3,419	32	3,743
39 Foreign official assets in the United States (increase, +) excluding line 25	−1,963	32,975	47,516	1,610	15,334	11,574	739	19,869
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−6,709	−8,508	−10,006	−5,195	−2,901	−2,651	−1,721	−2,733
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	46	101	94	53	8	26	13	47

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1985	1986	1987	1987						1988
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	218,815	226,808	252,866	21,008	20,222	20,986	21,752	23,799	24,801	22,330
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	352,463	382,964	424,082	37,483	35,905	35,062	39,383	37,016	37,003	34,767
3 **Trade balance**	**−133,648**	**−156,156**	**−171,217**	**−16,475**	**−15,683**	**−14,076**	**−17,631**	**−13,218**	**−12,202**	**−12,437**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (*which are combined with other military transactions and reported separately in* the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1984	1985	1986	1987					1988	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 **Total**	**34,934**	**43,186**	**48,511**	**45,944**	**45,070**	**46,200**	**46,779**	**45,798**	**42,955**	**43,064**
2 Gold stock, including Exchange Stabilization Fund[1]	11,096	11,090	11,064	11,068	11,075	11,085	11,082	11,078	11,068	11,063
3 Special drawing rights[2,3]	5,641	7,293	8,395	9,174	9,078	9,373	9,937	10,283	9,765	9,761
4 Reserve position in International Monetary Fund[2]	11,541	11,947	11,730	11,116	10,918	11,157	11,369	11,349	10,804	10,445
5 Foreign currencies[4]	6,656	12,856	17,322	14,586	13,999	14,585	14,391	13,088	11,318	11,795

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

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

Millions of dollars, end of period

Assets	1984	1985	1986	1987					1988	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
1 Deposits	267	480	287	294	456	236	351	244	355	343
Assets held in custody										
2 U.S. Treasury securities[2]	118,000	121,004	155,835	179,484	179,097	182,072	187,767	195,126	206,675	215,308
3 Earmarked gold[3]	14,242	14,245	14,048	14,022	14,015	13,998	13,965	13,919	13,882	13,824

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1984	1985	1986	1987						1988
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
	All foreign countries									
1 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**470,391**	**473,540**	**489,929[r]**	**521,229[r]**	**525,344**	**518,540**	**502,980**
2 Claims on United States	113,393	119,706	114,563	123,687	124,737	137,452[r]	138,221[r]	140,439	138,132	132,026
3 Parent bank	78,109	87,201	83,492	89,793	89,958	101,869[r]	99,450[r]	102,814	105,943	95,482
4 Other banks in United States	13,664	13,057	13,685	14,303	14,739	15,949	17,826	16,701	16,416	14,910
5 Nonbanks	21,620	19,448	17,386	19,591	20,040	19,634	20,945	20,924	15,773	21,634
6 Claims on foreigners	320,162	315,676	312,955	314,078	314,727	319,368[r]	347,177[r]	346,351	341,926	332,799
7 Other branches of parent bank	95,184	91,399	96,281	96,582	97,988	103,277	116,553[r]	116,501	122,057	114,595
8 Banks	100,397	102,960	105,237	110,124	108,068	108,232[r]	118,094[r]	115,415	108,642	107,835
9 Public borrowers	23,343	23,478	23,706	21,412	21,537	21,464[r]	21,942[r]	22,229	21,654	21,192
10 Nonbank foreigners	101,238	97,839	87,731	85,960	87,134	86,395	90,588[r]	92,206	89,573	89,177
11 Other assets	20,101	22,630	29,110	32,626	34,076	33,109	35,831[r]	38,554	38,482	38,155
12 **Total payable in U.S. dollars**	**350,636**	**336,520**	**317,487**	**322,300**	**322,286**	**340,890[r]**	**354,491[r]**	**353,022**	**350,547**	**335,554**
13 Claims on United States	111,426	116,638	110,620	118,563	118,964	131,918[r]	131,659[r]	133,731	132,121	125,470
14 Parent bank	77,229	85,971	82,082	87,779	87,844	100,010[r]	97,257[r]	100,123	103,349	92,393
15 Other banks in United States	13,500	12,454	12,830	12,794	12,830	13,942	15,627	14,632	14,657	13,439
16 Nonbanks	20,697	18,213	15,708	17,990	18,290	17,966	18,775	18,976	14,115	19,638
17 Claims on foreigners	228,600	210,129	195,063	190,590	189,958	195,078[r]	209,097[r]	203,914	202,282	195,407
18 Other branches of parent bank	78,746	72,727	72,197	72,515	73,327	77,699	86,693[r]	85,548	88,186	83,793
19 Banks	76,940	71,868	66,421	65,673	64,106	64,508[r]	68,931[r]	65,771	63,706	61,359
20 Public borrowers	17,626	17,260	16,708	15,062	15,115	14,943[r]	14,988[r]	14,952	14,730	14,693
21 Nonbank foreigners	55,288	48,274	39,737	37,340	37,410	37,928	38,485[r]	37,643	35,660	35,562
22 Other assets	10,610	9,753	11,804	13,147	13,364	13,894	13,735[r]	15,377	16,144	14,677
	United Kingdom									
23 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**149,760**	**148,039**	**149,633**	**163,472**	**167,726**	**159,186**	**160,244**
24 Claims on United States	27,675	33,157	24,599	32,694	31,377	32,581	33,904	35,406	32,518	32,464
25 Parent bank	21,862	26,970	19,085	27,288	25,627	27,128	27,710	29,553	27,350	26,923
26 Other banks in United States	1,429	1,106	1,612	1,537	1,585	1,349	1,870	1,694	1,259	1,558
27 Nonbanks	4,384	5,081	3,902	3,869	4,165	4,104	4,324	4,159	3,909	3,983
28 Claims on foreigners	111,828	110,217	109,508	108,732	108,293	108,562	120,079	121,473	115,700	118,407
29 Other branches of parent bank	37,953	31,576	33,422	31,241	30,794	33,334	37,402	39,138	39,903	39,702
30 Banks	37,443	39,250	39,468	41,219	40,082	38,390	42,929	41,649	36,735	39,697
31 Public borrowers	5,334	5,644	4,990	4,617	4,761	4,725	4,881	5,272	4,752	4,639
32 Nonbank foreigners	31,098	33,747	31,628	31,655	32,656	32,113	34,867	35,414	34,310	34,369
33 Other assets	4,882	5,225	6,810	8,334	8,369	8,490	9,489	10,847	10,968	9,373
34 **Total payable in U.S. dollars**	**112,809**	**108,626**	**95,028**	**99,170**	**96,510**	**99,656**	**105,515**	**107,289**	**101,065**	**102,075**
35 Claims on United States	26,868	32,092	23,193	31,076	29,519	30,791	31,820	33,409	30,439	30,083
36 Parent bank	21,495	26,568	18,526	26,661	24,853	26,423	26,850	28,685	26,304	25,781
37 Other banks in United States	1,363	1,005	1,475	1,294	1,309	1,105	1,504	1,408	1,044	1,132
38 Nonbanks	4,010	4,519	3,192	3,121	3,357	3,263	3,466	3,316	3,091	3,170
39 Claims on foreigners	82,945	73,475	68,138	64,024	63,265	64,561	69,276	68,864	64,560	67,458
40 Other branches of parent bank	33,607	26,011	26,361	23,827	23,155	25,600	27,810	29,166	28,635	29,336
41 Banks	26,805	26,139	23,251	22,975	22,646	21,522	22,941	21,833	19,188	20,814
42 Public borrowers	4,030	3,999	3,677	3,400	3,473	3,377	3,426	3,472	3,313	3,313
43 Nonbank foreigners	18,503	17,326	14,849	13,822	13,991	14,062	15,099	14,393	13,424	13,995
44 Other assets	2,996	3,059	3,697	4,070	3,726	4,304	4,419	5,016	6,066	4,534
	Bahamas and Caymans									
45 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**140,512**	**139,986**	**152,146[r]**	**156,951[r]**	**155,100**	**160,321**	**148,718**
46 Claims on United States	77,296	74,864	78,048	72,772	72,558	81,913[r]	83,383[r]	82,366	85,318	79,893
47 Parent bank	49,449	50,553	54,575	46,256	45,697	53,902[r]	53,289[r]	52,759	60,048	51,249
48 Other banks in United States	11,544	11,204	11,156	11,824	12,111	13,538	14,721	13,980	14,277	12,472
49 Nonbanks	16,303	13,107	12,317	14,692	14,750	14,473	15,373	15,627	10,993	16,172
50 Claims on foreigners	65,598	63,882	60,005	63,027	62,336	65,622[r]	68,713[r]	67,658	70,162	63,469
51 Other branches of parent bank	17,661	19,042	17,296	17,493	18,228	18,698	18,936	18,905	21,277	19,777
52 Banks	30,246	28,192	27,476	30,372	29,160	31,692[r]	35,014[r]	33,479	33,751	29,365
53 Public borrowers	6,089	6,458	7,051	7,046	6,873	6,988[r]	7,018[r]	7,196	7,428	7,257
54 Nonbank foreigners	11,602	10,190	8,182	8,116	8,075	8,244	7,745	8,078	7,706	7,070
55 Other assets	3,917	3,309	4,539	4,713	5,092	4,611	4,855	5,076	4,841	5,356
56 **Total payable in U.S. dollars**	**141,562**	**136,794**	**136,813**	**131,636**	**130,986**	**142,622[r]**	**145,841[r]**	**144,525**	**151,434**	**141,135**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 Continued

Liability account	1984	1985	1986	1987						1988
				July	Aug.	Sept.	Oct.	Nov.r	Dec.	Jan.p
	All foreign countries									
57 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**470,391**	**473,540**	**489,929r**	**521,229r**	**525,344**	**518,540**	**502,980**
58 Negotiable CDs	37,725	34,607	31,629	32,993	33,648	35,724	36,796	34,690	30,929	29,272
59 To United States	147,583	156,281	152,465	144,267	141,913	153,863r	156,649r	156,079	161,273	150,640
60 Parent bank	78,739	84,657	83,394	72,376	74,361	80,573r	79,592	83,308	86,326	78,502
61 Other banks in United States	18,409	16,894	15,646	15,005	15,289	17,246r	18,868r	18,868	20,558	15,886
62 Nonbanks	50,435	54,730	53,425	56,886	52,263	56,044r	58,189r	53,903	54,389	56,252
63 To foreigners	247,907	245,939	253,775	274,407	278,883	280,791r	306,790r	312,229	304,398	301,456
64 Other branches of parent bank	93,909	89,529	95,146	95,376	97,908	103,961r	114,785r	116,972	124,005	116,241
65 Banks	78,203	76,814	77,809	87,734	87,449	85,552r	98,027r	97,342	87,603	89,310
66 Official institutions	20,281	19,520	17,835	21,528	21,016	20,144r	20,281r	21,819	19,502	21,089
67 Nonbank foreigners	55,514	60,076	62,985	69,769	72,510	71,134r	73,697r	76,096	73,288	74,816
68 Other liabilities	20,441	21,185	18,759	18,724	19,096	19,551r	20,994	22,346	21,940	21,612
69 **Total payable in U.S. dollars**	**367,145**	**353,712**	**336,406**	**334,218**	**333,377r**	**352,115r**	**365,613r**	**361,432**	**361,131**	**344,575**
70 Negotiable CDs	35,227	31,063	28,466	28,781	29,634	30,933	32,117	30,075	26,768	24,785
71 To United States	143,571	150,905	144,483	135,564	132,907	143,812r	145,377r	143,099	148,349	139,182
72 Parent bank	76,254	81,631	79,305	67,707	69,581	75,296r	74,111	77,227	80,527	73,009
73 Other banks in United States	17,935	16,264	14,609	13,895	14,086	15,829r	17,313r	17,194	19,154	14,518
74 Nonbanks	49,382	53,010	50,569	53,962	49,240	52,687r	53,953r	48,678	48,668	51,655
75 To foreigners	178,260	163,583	156,806	162,766	163,427r	169,482r	179,329r	179,355	177,503	172,068
76 Other branches of parent bank	77,770	71,078	71,181	70,911	72,620	78,076r	84,376r	84,572	89,873	84,112
77 Banks	45,123	37,365	33,850	35,250	34,808r	35,242r	40,138r	38,832	35,474	33,305
78 Official institutions	15,773	14,359	12,371	15,806	15,527	14,237r	13,369r	14,161	12,389	12,716
79 Nonbank foreigners	39,594	40,781	39,404	40,799	40,472	41,927r	41,446r	41,790	39,767	41,935
80 Other liabilities	10,087	8,161	6,651	7,107	7,409	7,888r	8,790	8,903	8,511	8,540
	United Kingdom									
81 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**149,760**	**148,039**	**149,633**	**163,472**	**167,726**	**159,186**	**160,244**
82 Negotiable CDs	34,413	31,260	27,781	28,590	29,363	31,451	32,523	30,475	26,988	25,184
83 To United States	25,250	29,422	24,657	24,347	22,202	22,462	22,868	24,961	23,470	25,209
84 Parent bank	14,651	19,330	14,469	14,010	13,234	13,357	12,251	14,018	13,223	14,177
85 Other banks in United States	3,125	2,974	2,649	2,021	1,875	2,073	2,382	2,103	1,740	1,596
86 Nonbanks	7,474	7,118	7,539	8,316	7,093	7,032	8,235	8,840	8,507	9,436
87 To foreigners	77,424	78,525	79,498	87,942	87,745	86,813	98,215	101,686	98,689	100,001
88 Other branches of parent bank	21,631	23,389	25,036	23,572	23,379	26,094	29,718	30,727	33,078	33,344
89 Banks	30,436	28,581	30,877	35,647	34,414	31,681	38,502	37,690	34,290	34,820
90 Official institutions	10,154	9,676	6,836	9,241	9,670	10,387	10,248	12,000	11,015	11,571
91 Nonbank foreigners	15,203	16,879	16,749	19,482	20,282	18,651	19,747	21,269	20,306	20,266
92 Other liabilities	7,298	9,392	8,981	8,881	8,729	8,907	9,866	10,604	10,039	9,850
93 **Total payable in U.S. dollars**	**117,497**	**112,697**	**99,707**	**101,593**	**99,163r**	**102,202**	**108,440**	**108,481**	**102,550**	**105,138**
94 Negotiable CDs	33,070	29,337	26,169	26,397	27,264	28,776	29,991	27,999	24,926	22,875
95 To United States	24,105	27,756	22,075	21,689	19,578	19,528	18,819	19,800	17,752	20,799
96 Parent bank	14,339	18,956	14,021	13,399	12,608	12,609	11,283	12,792	12,026	13,307
97 Other banks in United States	2,980	2,826	2,325	1,776	1,694	1,883	2,080	1,789	1,512	1,398
98 Nonbanks	6,786	5,974	5,729	6,514	5,276	5,036	5,456	5,219	4,214	6,094
99 To foreigners	56,923	51,980	48,138	50,294	49,183r	50,386	55,209	56,443	55,919	57,620
100 Other branches of parent bank	18,294	18,493	17,951	16,171	15,565	17,994	20,018	20,826	22,334	22,870
101 Banks	18,356	14,344	15,203	16,330	15,471r	14,359	17,786	17,024	15,580	16,119
102 Official institutions	8,871	7,661	4,934	7,203	7,872	8,060	7,115	7,970	7,530	7,993
103 Nonbank foreigners	11,402	11,482	10,050	10,590	10,275	9,973	10,290	10,623	10,475	10,638
104 Other liabilities	3,399	3,624	3,325	3,213	3,138	3,512	4,421	4,239	3,953	3,844
	Bahamas and Caymans									
105 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**140,512**	**139,986**	**152,146r**	**156,951r**	**155,100**	**160,321**	**148,718**
106 Negotiable CDs	615	610	847	1,119	975	886	890	861	885	851
107 To United States	102,955	104,556	106,081	100,073	98,085	108,205r	111,976r	108,039	113,950	105,149
108 Parent bank	47,162	45,554	49,481	40,675	41,730	46,759r	48,793	49,568	52,075	46,729
109 Other banks in United States	13,938	12,778	11,715	11,989	12,276	13,596r	14,872r	15,204	17,224	13,017
110 Nonbanks	41,855	46,224	44,885	47,409	44,079	47,850r	48,311r	43,267	44,651	45,403
111 To foreigners	40,320	35,053	34,400	37,988	39,437	41,417r	42,295r	44,398	43,815	40,820
112 Other branches of parent bank	16,782	14,075	12,631	14,803	16,465	16,965r	17,090r	17,812	18,745	18,627
113 Banks	12,405	10,669	8,617	9,395	9,514	10,435r	11,589r	12,611	11,209	9,344
114 Official institutions	2,054	1,776	2,719	3,263	2,935	1,814r	2,158r	2,064	1,504	1,377
115 Nonbank foreigners	9,079	8,533	10,433	10,527	10,523	12,203r	11,458r	11,911	12,357	11,472
116 Other liabilities	2,921	1,836	1,264	1,332	1,489	1,638r	1,790	1,802	1,671	1,898
117 **Total payable in U.S. dollars**	**143,582**	**138,322**	**138,774**	**135,376**	**134,354**	**145,402r**	**149,472r**	**146,485**	**152,927**	**141,750**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987r						
			July	Aug.	Sept.	Oct.	Nov.r	Dec.	Jan.p
1 **Total**[1]	**178,380**	**211,782**	**232,370**	**237,728**	**239,534**	**252,476**	**254,058**	**259,624**	**266,376**
By type									
2 Liabilities reported by banks in the United States[2]	26,734	27,868	31,513	29,638	31,869	38,273	34,247	31,821	32,094
3 U.S. Treasury bills and certificates[3]	53,252	75,650	73,435	78,210	75,701	78,819	82,542	88,829	90,635
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,368	112,490	115,101	116,462	118,898	120,752	122,545	127,425
5 Nonmarketable[4]	3,550	1,300	500	300	300	300	300	300	300
6 U.S. securities other than U.S. Treasury securities[5]	17,690	15,596	14,432	14,479	15,202	16,186	16,217	16,129	15,922
By area									
7 Western Europe[1]	74,447	88,623	107,823	106,873	108,248	116,360	117,628	124,608	127,174
8 Canada	1,315	2,004	3,559	4,189	4,529	5,152	4,884	4,961	6,117
9 Latin America and Caribbean	11,148	8,372	7,904	8,712	8,561	9,217	8,924	8,308	7,922
10 Asia	86,448	105,868	105,505	109,529	109,482	114,160	116,405	116,198	119,258
11 Africa	1,824	1,503	1,590	1,837	1,618	1,474	1,562	1,402	1,458
12 Other countries[6]	3,199	5,412	5,989	6,589	7,094	6,109	4,655	4,147	4,446

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1983	1984	1985	1986	1987		
				Dec.	Mar.	June	Sept.
1 Banks' own liabilities	5,219	8,586	15,368	29,702	37,873	38,470	45,515
2 Banks' own claims	7,231	11,984	16,294	26,180	34,153	34,006	41,159
3 Deposits	2,731	4,998	8,437	14,129	16,102	12,735	15,404
4 Other claims	4,501	6,986	7,857	12,052	18,050	21,271	25,755
5 Claims of banks' domestic customers[2]	1,059	569	580	2,507	2,012	889	1,067

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 Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1984	1985	1986	1987						1988
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **All foreigners**	**407,306**	**435,726**	**540,996**	**545,630**	**555,185**	**584,448**	**605,009**	**605,091**	**619,305**	**600,661**
2 Banks' own liabilities	306,898	341,070	406,485	410,881	415,824	446,520	462,879	457,651	470,121	445,763
3 Demand deposits	19,571	21,107	23,789	20,219	22,117	21,150	23,201	23,736	22,826	21,442
4 Time deposits[1]	110,413	117,278	130,891	134,127	137,861	148,354	152,292	147,253	148,155	138,902
5 Other[2]	26,268	29,305	42,705	44,721	42,317	48,903	52,797	52,515	51,963	51,814
6 Own foreign offices[3]	150,646	173,381	209,100	211,814	213,530	228,113	234,589	234,147	247,177	233,605
7 Banks' custody liabilities[4]	100,408	94,656	134,511	134,749	139,361	137,928	142,130	147,440	149,184	154,898
8 U.S. Treasury bills and certificates[5]	76,368	69,133	90,398	88,193	92,705	89,747	91,374	96,612	101,794	103,861
9 Other negotiable and readily transferable instruments[6]	18,747	17,964	15,417	15,632	15,259	16,042	15,933	16,737	16,712	16,557
10 Other	5,293	7,558	28,696	30,924	31,397	32,139	34,823	34,090	30,678	34,480
11 **Nonmonetary international and regional organizations**[7]	**4,454**	**5,821**	**5,807**	**5,946**	**5,332**	**7,845**	**3,594**	**5,608**	**5,036**	**5,748**
12 Banks' own liabilities	2,014	2,621	3,958	2,367	2,498	4,674	1,680	2,994	3,274	3,925
13 Demand deposits	254	85	199	76	44	80	107	74	249	790
14 Time deposits[1]	1,267	2,067	2,065	599	807	1,235	986	1,094	1,523	1,681
15 Other[2]	493	469	1,693	1,692	1,647	3,358	586	1,826	1,502	1,453
16 Banks' custody liabilities[4]	2,440	3,200	1,849	3,579	2,834	3,171	1,914	2,614	1,761	1,823
17 U.S. Treasury bills and certificates	916	1,736	259	2,339	1,635	1,793	285	747	265	613
18 Other negotiable and readily transferable instruments[6]	1,524	1,464	1,590	1,240	1,193	1,378	1,624	1,811	1,497	1,210
19 Other	0	0	0	0	6	0	6	55	0	0
20 **Official institutions**[8]	**86,065**	**79,985**	**103,569**	**104,948**	**107,848**	**107,570**	**117,092**	**116,790**	**120,650**	**122,729**
21 Banks' own liabilities	19,039	20,835	25,427	28,343	26,342	28,169	34,720	31,054	28,685	29,467
22 Demand deposits	1,823	2,077	2,267	1,711	1,907	1,800	1,905	1,810	1,948	1,605
23 Time deposits[1]	9,374	10,949	10,497	13,567	13,489	14,246	16,574	13,705	12,428	11,617
24 Other[2]	7,842	7,809	12,663	13,065	10,946	12,123	16,241	15,539	14,309	16,245
25 Banks' custody liabilities[4]	67,026	59,150	78,142	76,605	81,505	79,401	82,372	85,735	91,965	93,262
26 U.S. Treasury bills and certificates[5]	59,976	53,252	75,650	73,435	78,210	75,701	78,819	82,542	88,829	90,635
27 Other negotiable and readily transferable instruments[6]	6,966	5,824	2,347	2,950	3,151	3,540	3,328	2,993	2,990	2,442
28 Other	84	75	145	220	144	160	225	200	146	185
29 **Banks**[9]	**248,893**	**275,589**	**351,745**	**358,378**	**362,883**	**388,625**	**405,027**	**400,517**	**413,717**	**391,387**
30 Banks' own liabilities	225,368	252,723	310,166	315,096	319,883	344,886	358,706	354,308	370,848	345,291
31 Unaffiliated foreign banks	74,722	79,341	101,066	103,283	106,353	116,772	124,117	120,162	123,671	111,686
32 Demand deposits	10,556	10,271	10,303	8,741	9,901	9,801	11,364	11,872	10,917	9,771
33 Time deposits[1]	47,095	49,510	64,232	66,865	69,588	77,743	79,995	76,671	79,934	71,212
34 Other[2]	17,071	19,561	26,531	27,677	26,864	29,228	32,758	31,619	32,820	30,703
35 Own foreign offices[3]	150,646	173,381	209,100	211,814	213,530	228,113	234,589	234,147	247,177	233,605
36 Banks' custody liabilities[4]	23,525	22,866	41,579	43,281	43,000	43,739	46,321	46,209	42,868	46,096
37 U.S. Treasury bills and certificates	11,448	9,832	9,984	9,142	9,100	9,206	8,961	9,480	9,185	8,979
38 Other negotiable and readily transferable instruments[6]	7,236	6,040	5,165	5,850	5,320	5,221	5,454	5,586	5,390	5,492
39 Other	4,841	6,994	26,431	28,289	28,581	29,312	31,906	31,143	28,294	31,625
40 **Other foreigners**	**67,894**	**74,331**	**79,875**	**76,359**	**79,122**	**80,408**	**79,296**	**82,176**	**79,902**	**80,796**
41 Banks' own liabilities	60,477	64,892	66,934	65,075	67,101	68,791	67,773	69,294	67,313	67,080
42 Demand deposits	6,938	8,673	11,019	9,691	10,264	9,468	9,825	9,981	9,711	9,275
43 Time deposits	52,678	54,752	54,097	53,096	53,977	55,130	54,736	55,782	54,270	54,392
44 Other[2]	861	1,467	1,818	2,287	2,860	4,193	3,211	3,531	3,332	3,413
45 Banks' custody liabilities[4]	7,417	9,439	12,941	11,284	12,022	11,617	11,523	12,882	12,589	13,717
46 U.S. Treasury bills and certificates	4,029	4,314	4,506	3,276	3,761	3,046	3,309	3,842	3,515	3,633
47 Other negotiable and readily transferable instruments[6]	3,021	4,636	6,315	5,592	5,594	5,904	5,527	6,347	6,836	7,414
48 Other	367	489	2,120	2,415	2,667	2,668	2,686	2,693	2,238	2,670
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,496	6,313	6,458	6,501	6,676	7,361	7,314	7,550

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
8. Foreign central banks, foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

	Area and country	1984	1985	1986	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.[p]
1	**Total**	**407,306**	**435,726**	**540,996**	**545,630**	**555,185**	**584,448**	**605,009**	**605,091[r]**	**619,305**	**600,661**
2	**Foreign countries**	**402,852**	**429,905**	**535,189**	**539,685**	**549,853**	**576,603**	**601,415**	**599,483[r]**	**614,269**	**594,912**
3	Europe	153,145	164,114	180,556	204,865	208,715	214,145	233,370	229,243[r]	234,983	225,325
4	Austria	615	693	1,181	795	1,066	1,281	1,166	1,262	920	992
5	Belgium-Luxembourg	4,114	5,243	6,729	9,154	9,754	10,460	10,743	10,909	9,295	9,386
6	Denmark	438	513	482	486	576	590	704	628	766	547
7	Finland	418	496	580	497	545	517	581	461[r]	377	401
8	France	12,701	15,541	22,862	25,486	27,003	27,899	28,255	27,522[r]	29,959	28,114
9	Germany	3,358	4,835	5,762	7,162	7,715	6,823	8,557	8,543[r]	7,061	7,509
10	Greece	699	666	700	667	636	690	738	698[r]	689	638
11	Italy	10,762	9,667	10,875	10,031	7,667	8,410	10,254	10,032[r]	12,063	11,255
12	Netherlands	4,731	4,212	5,600	5,447	5,461	6,106	6,773	6,490	5,013	5,278
13	Norway	1,548	948	735	562	593	663	1,179	1,074	1,362	1,191
14	Portugal	597	652	699	586	700	684	724	858	801	725
15	Spain	2,082	2,114	2,407	2,103	2,287	2,526	2,683	2,614	2,619	2,359
16	Sweden	1,676	1,422	884	1,235	1,387	1,639	1,567	2,882[r]	1,379	1,393
17	Switzerland	31,740	29,020	30,534	24,607	28,260	27,325	29,153	30,167[r]	33,806	31,985
18	Turkey	584	429	454	365	514	398	550	433	703	689
19	United Kingdom	68,671	76,728	85,334	107,641	107,369	109,269	119,478	115,362[r]	117,038	111,993
20	Yugoslavia	602	673	630	459	491	519	508	485	711	541
21	Other Western Europe[1]	7,192	9,635	3,326	6,410	6,016	7,808	9,060	8,184[r]	9,797	9,547
22	U.S.S.R.	79	105	80	550	45	51	87	36	31	37
23	Other Eastern Europe[2]	537	523	702	622	629	485	609	602[r]	594	744
24	Canada	16,059	17,427	26,345	21,232	22,556	26,066	25,733	28,681[r]	30,083	28,627
25	Latin America and Caribbean	153,381	167,856	210,318	200,119	201,441	214,364	217,763	214,281[r]	220,120	211,922
26	Argentina	4,394	6,032	4,757	5,122	5,074	4,674	5,075	5,277	4,994	5,070
27	Bahamas	56,897	57,657	73,619	62,518	62,470	71,502	72,768	70,929[r]	73,966	69,228
28	Bermuda	2,370	2,765	2,922	2,317	2,267	2,234	2,437	2,238[r]	2,749	2,194
29	Brazil	5,275	5,373	4,325	3,783	3,955	4,377	3,943	4,129[r]	4,031	4,391
30	British West Indies	36,773	42,674	72,263	73,678	73,722	78,116	79,702	78,191[r]	80,392	77,397
31	Chile	2,001	2,049	2,054	2,035	2,119	2,248	2,191	2,218	3,041	2,337
32	Colombia	2,514	3,104	4,285	4,424	4,426	4,195	4,190	4,305[r]	4,205	3,947
33	Cuba	10	11	7	8	7	7	12	9	12	8
34	Ecuador	1,092	1,239	1,236	1,088	1,101	1,097	1,115	1,087	1,082	1,115
35	Guatemala	896	1,071	1,123	1,109	1,087	1,072	1,053	1,032	1,080	1,098
36	Jamaica	183	122	136	146	171	156	140	150	160	150
37	Mexico	12,303	14,060	13,745	14,159	14,549	14,290	14,338	14,508	14,534	15,021
38	Netherlands Antilles	4,220	4,875	4,970	5,291	5,338	5,218	5,305	5,234	4,972	4,987
39	Panama	6,951	7,514	6,886	6,994	7,130	7,188	7,467	7,513	7,400	7,358
40	Peru	1,266	1,167	1,163	1,147	1,203	1,206	1,205	1,205	1,271	1,235
41	Uruguay	1,394	1,552	1,537	1,536	1,485	1,492	1,493	1,526	1,579	1,670
42	Venezuela	10,545	11,922	10,171	9,679	10,146	9,824	9,882	9,075[r]	9,035	9,174
43	Other	4,297	4,668	5,119	5,085	5,189	5,469	5,447	5,657	5,616	5,539
44	Asia	71,187	72,280	108,831	104,394	106,999	111,401	115,626	118,802[r]	121,029	121,137
	China										
45	Mainland	1,153	1,607	1,476	1,744	2,011	1,775	1,699	1,435	1,162	1,336
46	Taiwan	4,990	7,786	18,902	16,436	15,377	15,197	18,302	21,564	21,493	22,875
47	Hong Kong	6,581	8,067	9,393	8,595	9,015	8,637	9,579	10,541[r]	10,196	9,284
48	India	507	712	674	572	902	771	606	701	588	866
49	Indonesia	1,033	1,466	1,547	1,404	1,541	1,435	1,336	1,677	1,399	1,474
50	Israel	1,268	1,601	1,892	928	1,036	1,105	2,170	1,221[r]	2,677	1,317
51	Japan	21,640	23,077	47,410	48,145	49,872	52,945	53,212	52,709[r]	52,801	55,069
52	Korea	1,730	1,665	1,141	1,410	1,388	1,714	1,577	1,606[r]	1,600	1,739
53	Philippines	1,383	1,140	1,866	1,148	1,208	1,152	1,331	1,259	1,085	1,035
54	Thailand	1,257	1,358	1,119	1,096	1,190	1,118	1,275	1,483	1,345	1,445
55	Middle-East oil-exporting countries[3]	16,804	14,523	12,352	11,676	12,676	14,043	13,660	13,373	13,993	12,503
56	Other	12,841	9,276	11,058	11,241	10,782	11,507	10,878	11,232[r]	12,689	12,195
57	Africa	3,396	4,883	4,021	4,023	4,194	4,011	3,919	4,065[r]	3,942	3,757
58	Egypt	647	1,363	706	1,113	1,158	1,118	1,104	1,169	1,149	1,142
59	Morocco	118	163	92	75	74	81	70	75	194	71
60	South Africa	328	388	270	229	227	199	280	246	202	214
61	Zaire	153	163	74	64	69	81	71	82	67	89
62	Oil-exporting countries[4]	1,189	1,494	1,519	1,275	1,331	1,178	1,081	1,108	1,014	981
63	Other	961	1,312	1,360	1,267	1,335	1,354	1,313	1,386	1,316	1,261
64	Other countries	5,684	3,347	5,118	5,052	5,948	6,616	5,005	4,411[r]	4,112	4,144
65	Australia	5,300	2,779	4,196	4,333	5,019	5,641	4,011	3,711[r]	3,325	3,319
66	All other	384	568	922	718	929	975	994	701	787	825
67	Nonmonetary international and regional organizations	4,454	5,821	5,807	5,946	5,332	7,845	3,594	5,608[r]	5,036	5,748
68	International[5]	3,747	4,806	4,620	4,486	3,819	6,197	2,107	3,522[r]	3,402	4,185
69	Latin American regional	587	894	1,033	1,075	1,070	1,126	1,155	1,478	1,272	1,171
70	Other regional[6]	120	121	154	384	443	522	331	608	362	393

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Excludes "holdings of dollars" of the International Monetary Fund.
6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1984	1985	1986	1987						1988
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **Total**	**400,162**	**401,608**	**444,745**	**424,392**	**427,057**	**447,727**	**461,110**	**459,696**	**458,234**	**441,835**
2 **Foreign countries**	**399,363**	**400,577**	**441,724**	**421,289**	**423,993**	**443,043**	**458,280**	**452,526**	**453,651**	**439,024**
3 Europe	99,014	106,413	107,823	108,062	104,180	105,930	110,999	107,255	101,336	96,786
4 Austria	433	598	728	698	785	684	930	927	793	773
5 Belgium–Luxembourg	4,794	5,772	7,498	10,239	9,550	9,591	10,131	9,550	9,370	9,598
6 Denmark	648	706	688	604	868	747	795	881	718	852
7 Finland	898	823	987	1,037	1,031	1,266	1,089	1,030	1,011	891
8 France	9,157	9,124	11,356	11,673	12,530	12,781	14,350	13,512	13,472	11,677
9 Germany	1,306	1,267	1,816	2,009	1,333	1,485	2,092	1,554	2,055	1,915
10 Greece	817	991	648	433	375	406	430	452	463	573
11 Italy	9,119	8,848	9,043	6,784	6,407	6,541	7,418	7,286	7,474	6,526
12 Netherlands	1,356	1,258	3,296	4,429	3,078	3,247	3,976	3,813	2,619	2,902
13 Norway	675	706	672	830	803	722	812	938	934	843
14 Portugal	1,243	1,058	739	645	667	638	570	545	477	471
15 Spain	2,884	1,908	1,492	1,830	1,945	2,233	1,859	2,032	1,849	1,629
16 Sweden	2,230	2,219	1,964	2,287	2,473	2,752	2,533	2,640	2,254	2,106
17 Switzerland	2,123	3,171	3,352	2,464	2,664	2,612	2,825	2,880	2,658	2,572
18 Turkey	1,130	1,200	1,543	1,753	1,757	1,689	1,564	1,566	1,675	1,631
19 United Kingdom	56,185	62,566	58,335	56,544	54,144	54,710	55,860	53,960	49,907	48,351
20 Yugoslavia	1,886	1,964	1,835	1,764	1,742	1,741	1,750	1,697	1,700	1,695
21 Other Western Europe[1]	596	998	539	647	548	619	549	662	661	578
22 U.S.S.R.	142	130	345	420	521	549	473	437	394	386
23 Other Eastern Europe[2]	1,389	1,107	948	974	958	915	994	892	852	817
24 Canada	16,109	16,482	21,006	18,676	18,494	21,578	21,402	25,313	25,269	23,341
25 Latin America and Caribbean	207,862	202,674	208,825	200,728	202,384	214,716	216,783	211,887	213,211	206,797
26 Argentina	11,050	11,462	12,091	12,151	12,221	11,857	12,117	12,052	11,966	12,103
27 Bahamas	58,009	58,258	59,342	53,842	55,935	65,309	63,699	61,421	64,774	60,800
28 Bermuda	592	499	418	387	359	328	423	331	482	380
29 Brazil	26,315	25,283	25,716	25,999	26,594	26,056	25,820	25,472	25,289	25,338
30 British West Indies	38,205	38,881	46,284	44,626	43,290	47,512	51,473	49,556	48,759	47,039
31 Chile	6,839	6,603	6,558	6,500	6,510	6,469	6,388	6,429	6,304	6,332
32 Colombia	3,499	3,249	2,821	2,743	2,784	2,729	2,730	2,730	2,739	2,709
33 Cuba	0	0	0	0	0	0	0	0	1	0
34 Ecuador	2,420	2,390	2,439	2,396	2,384	2,367	2,449	2,334	2,284	2,338
35 Guatemala[3]	158	194	140	107	105	124	131	145	144	134
36 Jamaica[3]	252	224	198	268	202	198	191	184	188	202
37 Mexico	34,885	31,799	30,698	30,271	30,638	30,542	30,259	30,101	29,511	29,115
38 Netherlands Antilles	1,350	1,340	1,041	1,084	994	1,041	1,019	1,108	974	1,029
39 Panama	7,707	6,645	5,436	4,633	4,616	4,579	4,546	4,660	4,739	4,304
40 Peru	2,384	1,947	1,661	1,567	1,549	1,479	1,457	1,459	1,323	1,316
41 Uruguay	1,088	960	940	949	966	946	961	975	963	961
42 Venezuela	11,017	10,871	11,108	11,306	11,366	11,308	11,200	11,114	10,998	10,911
43 Other Latin America and Caribbean	2,091	2,067	1,936	1,902	1,872	1,872	1,920	1,818	1,773	1,786
44 Asia	66,316	66,212	96,126	86,516	91,429	93,322	100,440	100,195	105,986	105,008
China										
45 Mainland	710	639	787	929	919	894	543	870	956	886
46 Taiwan	1,849	1,535	2,681	2,487	2,772	2,980	4,224	4,784	4,577	3,994
47 Hong Kong	7,293	6,797	8,307	7,495	6,556	6,933	6,889	7,310	8,127	7,566
48 India	425	450	321	416	565	541	527	502	510	515
49 Indonesia	724	698	723	639	624	622	625	601	580	571
50 Israel	2,088	1,991	1,634	1,413	1,450	1,591	1,331	1,293	1,362	1,280
51 Japan	29,066	31,249	59,674	54,596	61,072	60,121	65,787	64,767	68,970	71,147
52 Korea	9,285	9,226	7,182	4,954	4,589	4,606	4,996	4,907	4,925	4,939
53 Philippines	2,555	2,224	2,217	2,211	2,148	2,126	2,082	2,040	2,070	1,961
54 Thailand	1,125	845	578	565	545	453	446	439	485	519
55 Middle East oil-exporting countries[4]	5,044	4,298	4,122	3,914	4,315	4,848	5,063	5,157	4,843	3,574
56 Other Asia	6,152	6,260	7,901	6,897	5,875	7,607	7,926	7,524	8,581	8,057
57 Africa	6,615	5,407	4,650	4,705	4,739	4,704	5,376	4,668	4,720	4,782
58 Egypt	728	721	567	572	586	541	538	526	521	510
59 Morocco	583	575	598	568	603	582	605	585	542	491
60 South Africa	2,795	1,942	1,550	1,479	1,497	1,504	1,546	1,494	1,507	1,517
61 Zaire	18	20	28	38	35	40	38	36	15	36
62 Oil-exporting countries[5]	842	630	694	866	862	888	1,531	903	1,003	1,022
63 Other	1,649	1,520	1,213	1,182	1,156	1,149	1,118	1,123	1,131	1,207
64 Other countries	3,447	3,390	3,294	2,601	2,766	2,794	3,280	3,208	3,129	2,310
65 Australia	2,769	2,413	1,949	1,693	1,686	1,834	2,034	2,090	2,098	1,428
66 All other	678	978	1,345	908	1,080	959	1,246	1,118	1,031	882
67 Nonmonetary international and regional organizations[6]	800	1,030	3,021	3,103	3,063	4,684	2,830	7,170	4,583	2,811

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1984	1985	1986	1987						1988
				July	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[p]
1 **Total**	**433,078**	**430,489**	**478,650**	....	....	**481,652**	....	....	**495,959**	....
2 Banks' own claims on foreigners	400,162	401,608	444,745	424,392	427,057	447,727	461,110	459,696	458,234	441,835
3 Foreign public borrowers	62,237	60,507	64,095	65,857	65,808	67,077	65,147	69,655	65,285	63,093
4 Own foreign offices[2]	156,216	174,261	211,533	189,142	196,182	210,503	218,391	220,312	223,136	216,960
5 Unaffiliated foreign banks	124,932	116,654	122,946	124,364	121,939	127,285	134,106	126,530	127,030	120,010
6 Deposits	49,226	48,372	57,484	59,612	56,788	59,696	62,872	58,058	60,277	55,265
7 Other	75,706	68,282	65,462	64,753	65,151	67,589	71,234	68,472	66,752	64,745
8 All other foreigners	56,777	50,185	46,171	45,029	43,128	42,863	43,466	43,199	42,783	41,772
9 Claims of banks' domestic customers[3]	32,916	28,881	33,905	....	....	33,925	....	....	37,726	....
10 Deposits	3,380	3,335	4,413	....	....	3,218	....	....	3,672	....
11 Negotiable and readily transferable instruments[4]	23,805	19,332	24,044	....	....	22,071	....	....	26,684	....
12 Outstanding collections and other claims	5,732	6,214	5,448	....	....	8,636	....	....	7,370	....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,706	....	....	21,782	....	....	23,377	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,714	38,102	42,079	40,302	41,412	39,768	42,252[r]	37,825	37,639	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.
2. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1984	1985	1986	1987			
				Mar.	June	Sept.	Dec.[p]
1 **Total**	**243,952**	**227,903**	**232,295**	**226,426**	**236,392**	**235,812**	**233,802**
By borrower							
2 Maturity of 1 year or less[1]	167,858	160,824	160,555	154,789	167,244	165,451	162,859
3 Foreign public borrowers	23,912	26,302	24,842	24,154	23,270	27,008	26,079
4 All other foreigners	143,947	134,522	135,714	130,635	143,973	138,442	136,781
5 Maturity over 1 year[1]	76,094	67,078	71,740	71,637	69,149	70,361	70,943
6 Foreign public borrowers	38,695	34,512	39,103	39,168	39,483	39,757	38,811
7 All other foreigners	37,399	32,567	32,637	32,468	29,665	30,605	32,132
By area							
Maturity of 1 year or less[1]							
8 Europe	58,498	56,585	61,784	58,042	68,891	62,045	58,048
9 Canada	6,028	6,401	5,895	5,625	5,622	5,733	5,667
10 Latin America and Caribbean	62,791	63,328	56,271	54,223	55,429	58,138	56,293
11 Asia	33,504	27,966	29,457	29,714	30,936	32,065	36,251
12 Africa	4,442	3,753	2,882	3,154	2,980	2,878	2,823
13 All other[2]	2,593	2,791	4,267	4,031	3,385	4,592	3,779
Maturity of over 1 year[1]							
14 Europe	9,605	7,634	6,737	6,742	6,417	6,747	6,802
15 Canada	1,882	1,805	1,925	1,873	1,631	1,577	2,633
16 Latin America and Caribbean	56,144	50,674	56,719	56,705	55,572	55,097	53,743
17 Asia	5,323	4,502	4,043	4,122	3,387	3,535	3,665
18 Africa	2,033	1,538	1,539	1,630	1,522	1,612	1,727
19 All other[2]	1,107	926	777	564	621	1,793	2,372

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1983	1984	1985	1986				1987			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**434.0**	**405.7**	**385.3**	**385.6**	**389.7**	**389.5**	**389.6**	**398.9**	**391.1**	**391.6**	**383.5**
2 G-10 countries and Switzerland	167.8	148.1	146.0	152.8	160.3	159.0	158.0	164.5	161.8	156.8	161.4
3 Belgium-Luxembourg	12.4	8.7	9.2	8.2	9.0	8.5	8.4	9.1	8.5	8.3	10.1
4 France	16.2	14.1	12.1	13.6	15.1	14.7	13.8	13.4	12.6	13.8	13.6
5 Germany	11.3	9.0	10.5	11.2	11.5	12.5	11.7	12.8	11.4	10.6	12.6
6 Italy	11.4	10.1	9.6	8.3	9.3	8.1	9.0	8.6	7.5	6.7	7.3
7 Netherlands	3.5	3.9	3.7	3.5	3.4	3.9	4.6	4.4	7.3	4.8	4.1
8 Sweden	5.1	3.2	2.7	2.8	2.9	2.7	2.4	3.0	2.4	2.7	2.1
9 Switzerland	4.3	3.9	4.4	5.3	5.6	4.8	5.8	5.8	5.7	5.4	5.5
10 United Kingdom	65.3	60.3	63.0	67.4	69.2	70.3	71.9	74.0	72.7	72.1	70.6
11 Canada	8.3	7.9	6.8	6.0	7.0	6.2	5.4	5.3	6.9	4.7	5.6
12 Japan	29.9	27.1	23.9	26.5	27.2	27.4	25.0	28.1	26.7	27.8	30.0
13 Other developed countries	36.0	33.6	29.9	31.1	30.7	29.5	26.2	26.0	25.7	26.8	26.2
14 Austria	1.9	1.6	1.5	1.5	1.7	1.7	1.7	1.9	1.8	1.9	1.9
15 Denmark	3.4	2.2	2.3	2.5	2.4	2.3	1.7	1.7	1.5	1.6	1.7
16 Finland	2.4	1.9	1.6	1.9	1.6	1.7	1.4	1.4	1.5	1.4	1.3
17 Greece	2.8	2.9	2.6	2.5	2.6	2.3	2.3	2.1	2.0	1.9	2.0
18 Norway	3.3	3.0	2.9	2.7	3.0	2.7	2.4	2.2	2.2	2.4	2.3
19 Portugal	1.5	1.4	1.2	1.0	1.1	1.0	.8	.9	.8	.8	.6
20 Spain	7.1	6.5	5.8	6.4	6.4	6.7	5.8	6.3	6.1	7.4	8.0
21 Turkey	1.7	1.9	1.8	2.1	2.5	2.1	2.0	1.9	2.1	1.9	1.6
22 Other Western Europe	1.8	1.7	2.0	2.4	2.1	1.6	1.4	1.4	1.6	1.6	1.6
23 South Africa	4.7	4.5	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.0	2.9
24 Australia	5.4	6.0	5.0	4.9	4.2	4.1	3.5	3.2	3.1	2.9	2.4
25 OPEC countries[3]	28.4	24.9	21.3	20.4	20.6	20.0	19.6	20.5	19.2	19.4	17.3
26 Ecuador	2.2	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1	2.1	1.9
27 Venezuela	9.9	9.3	8.9	8.7	8.8	8.7	8.6	8.8	8.7	8.5	8.2
28 Indonesia	3.4	3.3	3.0	3.3	3.0	2.8	2.5	2.4	2.2	2.0	1.9
29 Middle East countries	9.8	7.9	5.3	4.5	5.0	4.6	4.5	5.5	4.5	5.1	3.6
30 African countries	3.0	2.3	2.0	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	110.8	111.8	104.2	102.9	102.0	100.0	99.7	99.9	100.3	97.4	96.8
Latin America											
32 Argentina	9.5	8.7	8.8	8.8	9.2	9.3	9.5	9.5	9.5	9.3	9.4
33 Brazil	23.1	26.3	25.4	25.6	25.5	25.4	25.3	25.7	24.6	24.6	24.1
34 Chile	6.4	7.0	6.9	7.0	7.1	7.2	7.1	7.3	7.2	7.1	6.9
35 Colombia	3.2	2.9	2.6	2.3	2.2	2.0	2.1	2.0	2.0	2.0	2.0
36 Mexico	25.8	25.7	23.9	23.9	24.0	24.0	24.0	23.7	25.4	24.7	23.6
37 Peru	2.4	2.2	1.8	1.7	1.6	1.5	1.5	1.4	1.4	1.2	1.1
38 Other Latin America	4.2	3.9	3.4	3.3	3.3	3.3	3.1	3.0	3.0	2.8	2.8
Asia											
China											
39 Mainland	.3	.7	.5	.6	.6	.6	.4	.9	.6	.3	.3
40 Taiwan	5.2	5.1	4.5	4.3	3.7	4.3	4.9	5.5	6.6	5.9	8.2
41 India	.9	.9	1.2	1.2	1.3	1.3	1.2	1.6	1.7	1.9	1.9
42 Israel	1.9	1.8	1.6	1.3	1.6	1.4	1.5	1.4	1.3	1.3	1.0
43 Korea (South)	11.2	10.6	9.2	9.2	8.7	7.3	6.7	6.2	5.7	5.1	4.9
44 Malaysia	2.8	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7	1.6	1.5
45 Philippines	6.1	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4	5.4	5.1
46 Thailand	2.2	1.8	1.4	1.3	1.1	1.0	.9	.9	.8	.7	.7
47 Other Asia	1.0	1.1	1.0	.9	.8	.7	.7	.6	.8	.7	.7
Africa											
48 Egypt	1.5	1.2	1.0	.9	.9	.7	.7	.6	.6	.6	.5
49 Morocco	.8	.8	.9	.9	.9	.9	.9	.9	.9	.8	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.0
51 Other Africa[4]	2.3	2.1	1.9	1.9	1.7	1.6	1.6	1.4	1.3	1.3	1.3
52 Eastern Europe	5.3	4.4	4.1	4.0	4.0	3.4	3.2	3.1	3.4	3.4	3.0
53 U.S.S.R.	.2	.1	.1	.3	.3	.1	.1	.1	.3	.5	.4
54 Yugoslavia	2.4	2.3	2.2	2.0	2.0	1.9	1.7	1.6	1.7	1.7	1.6
55 Other	2.8	2.0	1.8	1.7	1.7	1.4	1.4	1.3	1.4	1.3	1.0
56 Offshore banking centers	68.9	65.6	62.9	57.5	55.4	60.5	63.2	65.1	62.6	66.5	54.8
57 Bahamas	21.7	21.5	21.2	21.2	17.1	19.9	22.3	24.1	20.0	26.4	18.4
58 Bermuda	.9	.9	.7	.7	.4	.4	.7	.8	.6	.6	.6
59 Cayman Islands and other British West Indies	12.2	11.8	11.6	9.2	12.2	12.8	13.6	12.7	14.2	12.4	11.7
60 Netherlands Antilles	4.2	3.4	2.2	2.2	2.4	1.9	1.8	1.7	1.3	1.2	1.2
61 Panama[5]	5.8	6.7	6.0	4.3	4.2	5.1	4.1	5.4	5.3	5.3	4.5
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.8	11.4	11.4	11.4	9.5	10.5	11.2	11.4	12.6	12.3	11.2
64 Singapore	10.3	9.8	9.8	8.4	9.3	9.7	9.4	8.8	8.5	8.3	7.0
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.8	17.3	16.9	16.8	16.8	17.2	19.8	19.8	18.0	21.3	24.0

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986		1987		
				Sept.	Dec.	Mar.	June	Sept.
1 Total	25,346	29,357	27,825	26,429	25,717	27,432	28,751	28,353r
2 Payable in dollars	22,233	26,389	24,296	22,432	21,885	23,264	24,286	24,032r
3 Payable in foreign currencies	3,113	2,968	3,529	3,997	3,833	4,169	4,466	4,321
By type								
4 Financial liabilities	10,572	14,509	13,600	13,501	12,239	13,114	13,946	12,852r
5 Payable in dollars	8,700	12,553	11,257	11,071	9,774	10,398	11,068	10,141r
6 Payable in foreign currencies	1,872	1,955	2,343	2,430	2,464	2,716	2,878	2,712
7 Commercial liabilities	14,774	14,849	14,225	12,929	13,479	14,318	14,805	15,500
8 Trade payables	7,765	7,005	6,685	5,728	6,447	6,985	7,139	7,389
9 Advance receipts and other liabilities	7,009	7,843	7,540	7,201	7,032	7,333	7,666	8,111
10 Payable in dollars	13,533	13,836	13,039	11,361	12,110	12,865	13,218	13,891
11 Payable in foreign currencies	1,241	1,013	1,186	1,567	1,368	1,453	1,587	1,609
By area or country								
Financial liabilities								
12 Europe	5,742	6,728	7,700	8,907	8,023	8,383	9,645	9,202r
13 Belgium-Luxembourg	302	471	349	448	270	232	257	230
14 France	843	995	857	501	644	742	807	615r
15 Germany	502	489	376	319	270	368	305	386r
16 Netherlands	621	590	861	741	704	693	669	641r
17 Switzerland	486	569	610	567	646	711	703	684
18 United Kingdom	2,839	3,297	4,305	5,880	5,199	5,378	6,642	6,360r
19 Canada	764	863	839	362	399	431	441	407
20 Latin America and Caribbean	2,596	5,086	3,184	2,283	1,964	2,369	1,747	961
21 Bahamas	751	1,926	1,123	842	614	669	398	280
22 Bermuda	13	13	4	4	4	0	0	0
23 Brazil	32	35	29	28	32	26	22	22
24 British West Indies	1,041	2,103	1,843	1,291	1,163	1,545	1,223	581
25 Mexico	213	367	15	18	22	30	29	17
26 Venezuela	124	137	3	5	3	3	5	3
27 Asia	1,424	1,777	1,815	1,881	1,784	1,861	2,046	2,204r
28 Japan	991	1,209	1,198	1,446	1,377	1,459	1,666	1,717r
29 Middle East oil-exporting countries[2]	170	155	82	3	8	7	7	7
30 Africa	19	14	12	4	1	3	1	2
31 Oil-exporting countries[3]	0	0	0	2	1	1	0	0
32 All other[4]	27	41	50	63	67	67	66	76
Commercial liabilities								
33 Europe	3,245	4,001	4,074	4,344	4,494	4,521	4,987	4,973
34 Belgium-Luxembourg	62	48	62	75	101	85	111	56
35 France	437	438	453	370	351	379	422	437
36 Germany	427	622	607	633	722	591	594	679
37 Netherlands	268	245	364	581	460	372	339	350
38 Switzerland	241	257	379	361	387	484	557	556
39 United Kingdom	732	1,095	976	1,142	1,346	1,309	1,380	1,475
40 Canada	1,841	1,975	1,449	1,313	1,393	1,352	1,253	1,263
41 Latin America and Caribbean	1,473	1,871	1,088	848	890	1,089	1,037	1,050
42 Bahamas	1	7	12	37	32	28	13	22
43 Bermuda	67	114	77	172	132	297	245	223
44 Brazil	44	124	58	44	61	82	88	40
45 British West Indies	6	32	44	45	48	89	64	44
46 Mexico	585	586	430	197	213	185	160	231
47 Venezuela	432	636	212	207	217	224	203	176
48 Asia	6,741	5,285	6,046	4,856	5,098	5,818	5,921	6,516
49 Japan	1,247	1,256	1,799	2,137	2,051	2,468	2,480	2,422
50 Middle East oil-exporting countries[2,5]	4,178	2,372	2,829	1,507	1,686	1,948	1,870	2,109
51 Africa	553	588	587	585	622	520	524	571
52 Oil-exporting countries[3]	167	233	238	176	197	170	166	150
53 All other[4]	921	1,128	982	982	981	1,019	1,083	1,128

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986		1987		
				Sept.	Dec.	Mar.	June	Sept.[r]
1 **Total**	**34,911**	**29,901**	**28,876**	**34,157**	**33,451**	**34,034**	**31,515**	**31,378**
2 Payable in dollars	31,815	27,304	26,574	31,446	30,923	31,238	28,405	28,686
3 Payable in foreign currencies	3,096	2,597	2,302	2,711	2,528	2,796	3,110	2,692
By type								
4 Financial claims	23,780	19,254	18,891	24,833	23,357	24,080	21,580	21,055
5 Deposits	18,496	14,621	15,526	18,953	17,899	17,994	15,437	15,849
6 Payable in dollars	17,993	14,202	14,911	18,389	17,343	17,168	14,253	14,988
7 Payable in foreign currencies	503	420	615	565	555	826	1,183	861
8 Other financial claims	5,284	4,633	3,364	5,880	5,458	6,086	6,143	5,206
9 Payable in dollars	3,328	3,190	2,330	4,506	4,110	4,740	4,868	4,081
10 Payable in foreign currencies	1,956	1,442	1,035	1,374	1,349	1,345	1,275	1,125
11 Commercial claims	11,131	10,646	9,986	9,324	10,095	9,954	9,935	10,323
12 Trade receivables	9,721	9,177	8,696	8,079	8,902	8,898	8,892	9,382
13 Advance payments and other claims	1,410	1,470	1,290	1,245	1,192	1,056	1,043	942
14 Payable in dollars	10,494	9,912	9,333	8,551	9,471	9,330	9,283	9,617
15 Payable in foreign currencies	637	735	652	773	624	624	652	706
By area or country								
Financial claims								
16 Europe	6,488	5,762	6,929	10,545	8,759	9,337	9,859	9,473
17 Belgium-Luxembourg	37	15	10	67	41	15	6	23
18 France	150	126	184	418	138	172	154	169
19 Germany	163	224	223	129	111	163	92	98
20 Netherlands	71	66	161	73	86	69	75	157
21 Switzerland	38	66	74	138	182	74	95	44
22 United Kingdom	5,817	4,864	6,007	9,478	7,957	8,491	9,237	8,783
23 Canada	5,989	3,988	3,260	3,970	3,964	3,779	3,329	2,885
24 Latin America and Caribbean	10,234	8,216	7,846	9,438	9,207	9,547	7,539	7,502
25 Bahamas	4,771	3,306	2,698	2,806	2,624	3,945	2,572	2,518
26 Bermuda	102	6	6	19	6	3	6	2
27 Brazil	53	100	78	105	73	71	103	102
28 British West Indies	4,206	4,043	4,571	6,060	6,078	5,128	4,349	3,687
29 Mexico	293	215	180	173	174	164	167	173
30 Venezuela	134	125	48	40	24	23	22	18
31 Asia	764	961	731	715	1,320	1,193	779	1,105
32 Japan	297	353	475	365	999	931	439	721
33 Middle East oil-exporting countries[2]	4	13	4	2	11	11	10	10
34 Africa	147	210	103	84	85	84	58	71
35 Oil-exporting countries[3]	55	85	29	18	28	19	9	14
36 All other[4]	159	117	21	81	22	140	16	20
Commercial claims								
37 Europe	3,670	3,801	3,533	3,389	3,718	3,703	3,850	4,118
38 Belgium-Luxembourg	135	165	175	125	133	145	137	168
39 France	459	440	426	415	410	417	435	413
40 Germany	349	374	346	401	447	451	531	551
41 Netherlands	334	335	284	157	173	165	182	199
42 Switzerland	317	271	284	233	217	196	187	208
43 United Kingdom	809	1,063	898	874	998	1,070	1,071	1,225
44 Canada	829	1,021	1,023	960	928	927	927	904
45 Latin America and Caribbean	2,695	2,052	1,753	1,686	1,981	1,944	1,878	1,850
46 Bahamas	8	8	13	29	28	11	14	12
47 Bermuda	190	115	93	132	170	157	153	125
48 Brazil	493	214	206	202	235	217	202	227
49 British West Indies	7	7	6	23	51	25	17	13
50 Mexico	884	583	510	317	411	445	346	366
51 Venezuela	272	206	157	192	234	171	201	188
52 Asia	3,063	3,073	2,982	2,588	2,751	2,707	2,640	2,777
53 Japan	1,114	1,191	1,016	797	881	926	950	1,019
54 Middle East oil-exporting countries[2]	737	668	638	682	565	529	455	436
55 Africa	588	470	437	470	495	432	379	407
56 Oil-exporting countries[3]	139	134	130	168	135	141	123	123
57 All other[4]	286	229	257	231	222	240	261	267

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1986	1987[r]	1988 Jan.	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	148,114	248,892	12,914	23,645	24,774	22,473	30,207	13,626[r]	13,627	12,914
2 Foreign sales	129,395	232,646	12,889	21,883	24,554	19,433	27,768	20,325[r]	16,630	12,889
3 Net purchases, or sales (−)	**18,719**	**16,246**	**25**	**1,763**	**220**	**3,040**	**2,438**	**−6,699[r]**	**−3,004**	**25**
4 Foreign countries	**18,927**	**16,294**	**57**	**1,749**	**117**	**2,951**	**2,424**	**−6,651[r]**	**−2,943**	**57**
5 Europe	9,559	1,861	−226	717	81	1,312	138	−5,948	−2,329	−226
6 France	459	905	−96	66	−69	−15	58	−541	−393	−96
7 Germany	341	-74	67	−96	28	−12	380	−183	−149	67
8 Netherlands	936	890	−72	153	135	79	−40	−169	32	−72
9 Switzerland	1,560	−1,163	−114	−80	−325	435	294	−1,574	−743	−114
10 United Kingdom	4,826	514	−136	635	125	770	−624	−3,407	−959	−136
11 Canada	816	1,096	147	255	−21	−46	238	169[r]	111	147
12 Latin America and Caribbean	3,031	1,314	−143	387	188	157	−512	−561	−50	−143
13 Middle East[1]	976	−1,360	104	−913	−255	135	569	−83	−448	104
14 Other Asia	3,876	12,896	156	1,290	171	1,242	2,014	−28	−160	156
15 Africa	297	123	7	−14	16	20	7	11	−6	7
16 Other countries	373	365	12	27	−63	132	−30	−211	−61	12
17 Nonmonetary international and regional organizations	**−208**	**−48**	**−32**	**14**	**102**	**90**	**15**	**−48**	**−61**	**−32**
BONDS[2]										
18 Foreign purchases	123,169	105,806	5,014	9,414	7,027	8,662	9,158	5,691	6,842	5,014
19 Foreign sales	72,520	78,154	5,173	6,533	5,638	4,786	7,275	5,354[r]	5,500	5,173
20 Net purchases, or sales (−)	**50,648**	**27,652**	**−159**	**2,881**	**1,389**	**3,876**	**1,883**	**337[r]**	**1,342**	**−159**
21 Foreign countries	**49,801**	**26,911**	**468**	**2,872**	**1,548**	**3,836**	**1,874**	**80[r]**	**913**	**468**
22 Europe	39,313	22,120	282	2,328	1,616	3,149	922	409[r]	550	282
23 France	389	194	51	64	26	−37	55	−34	−13	51
24 Germany	−251	−8	61	116	−22	−56	−98	−26	17	61
25 Netherlands	387	269	−13	−65	44	116	36	−16	1	−13
26 Switzerland	4,529	1,651	−50	245	306	166	136	−39	−203	−50
27 United Kingdom	33,900	19,878	346	1,897	1,317	2,828	1,012	371[r]	751	346
28 Canada	548	1,296	29	87	−8	47	305	68	114	29
29 Latin America and Caribbean	1,476	2,473	−22	305	44	682	524	−15	292	−22
30 Middle East[1]	−2,961	−551	−164	−166	−14	−87	42	−92	−20	−164
31 Other Asia	11,270	1,619	347	301	−93	52	65	−247	−25	347
32 Africa	16	16	0	1	−17	−6	24	−10	3	0
33 Other countries	139	−61	−4	15	20	−1	−9	−33	0	−4
34 Nonmonetary international and regional organizations	**847**	**740**	**−627**	**9**	**−159**	**40**	**10**	**257**	**429**	**−627**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−2,360	1,296	407	−15	−373	448	2,053	692[r]	835	407
36 Foreign purchases	49,587	94,259	4,879	8,585	8,674	8,657	12,857	7,571[r]	4,889	4,879
37 Foreign sales	51,947	92,964	4,472	8,599	9,047	8,208	10,804	6,879[r]	4,054	4,472
38 Bonds, net purchases, or sales (−)	−3,555	−7,277	−1,327	−588	−241	−674	−2,566	−1,929	−1,379	−1,327
39 Foreign purchases	166,992	198,597	12,759	16,303	12,292	12,923	18,118	17,674	12,433	12,759
40 Foreign sales	170,548	205,874	14,086	16,891	12,532	13,597	20,684	19,603	13,812	14,086
41 Net purchases, or sales (−), of stocks and bonds	**−5,915**	**−5,982**	**−920**	**−602**	**−614**	**−226**	**−513**	**−1,237[r]**	**−544**	**−920**
42 Foreign countries	**−7,000**	**−6,125**	**−985**	**−329**	**−1,207**	**−546**	**253**	**−1,137[r]**	**−230**	**−985**
43 Europe	−18,533	−11,833	−418	−572	−896	−510	−931	−1,591	−387	−418
44 Canada	−876	−3,913	−656	−596	−484	−263	−71	−498[r]	107	−656
45 Latin America and Caribbean	3,476	828	126	−62	83	−20	−152	329	2	126
46 Asia	10,858	9,519	−209	1,078	224	82	1,333	418	159	−209
47 Africa	52	89	9	5	5	14	16	3	10	9
48 Other countries	−1,977	−816	163	−182	−140	150	59	201	−121	163
49 Nonmonetary international and regional organizations	**1,084**	**144**	**65**	**−274**	**594**	**320**	**−767**	**−101**	**−314**	**65**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1986	1987	1988 Jan.	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total**[2]	**19,388**	**25,936**	**4,407**	**807**	**1,110**	**523**	**−1,262**	**6,380**	**2,675**	**4,407**
2 Foreign countries[2]	20,491	31,027	5,502	3,610	2,787	704	−5,527	7,676	4,290	5,502
3 Europe[2]	16,326	23,610	4,100	4,453	−1,007	−1,167	−954	6,340	1,282	4,100
4 Belgium-Luxembourg	−245	653	459	−2	366	−25	165	−2	−103	459
5 Germany[2]	7,670	13,295	2,944	1,516	780	130	31	1,820	1,121	2,944
6 Netherlands	1,283	−911	−337	204	−254	−296	−707	314	−76	−337
7 Sweden	132	233	−61	76	−153	−156	4	182	51	−61
8 Switzerland[2]	329	1,925	118	512	−688	−99	−609	−297	−522	118
9 United Kingdom	4,546	3,955	−101	1,105	−431	−985	−642	3,163	1,200	−101
10 Other Western Europe	2,613	4,479	1,069	1,042	−631	259	804	1,158	−391	1,069
11 Eastern Europe	0	−19	9	0	4	5	0	3	1	9
12 Canada	881	4,534	356	654	378	203	−389	679	720	356
13 Latin America and Caribbean	926	−2,146	219	−673	−675	−29	−117	472	−141	219
14 Venezuela	−96	150	0	−4	30	55	−63	35	1	0
15 Other Latin America and Caribbean	1,130	−1,096	184	15	−49	−155	−227	367	167	184
16 Netherlands Antilles	−108	−1,200	36	−684	−656	72	173	69	−309	36
17 Asia	1,345	4,677	750	−676	4,318	1,762	−5,333	1,476	2,429	750
18 Japan	−22	877	2,979	−597	1,839	799	−5,272	1,757	2,020	2,979
19 Africa	−54	−56	−38	20	−24	3	2	−29	49	−38
20 All other	1,067	407	114	−168	−204	−68	1,263	−1,260	−48	114
21 Nonmonetary international and regional organizations	−1,104	−5,090	−1,094	−2,802	−1,677	−180	4,265	−1,296	−1,615	−1,094
22 International	−1,430	−4,177	−1,023	−2,875	−1,722	111	4,326	−1,492	−1,620	−1,023
23 Latin American regional	157	3	8	0	0	−10	0	0	0	8
Memo										
24 Foreign countries[2]	20,491	31,027	5,502	3,610	2,787	704	−5,527	7,676	4,290	5,502
25 Official institutions	14,214	31,178	4,880	2,251	2,612	1,360	2,437	1,854[r]	1,794[r]	4,880
26 Other foreign[2]	6,283	−154	622	1,358	175	−657	−7,964	5,822[r]	2,497[r]	622
Oil-exporting countries										
27 Middle East[3]	−1,529	−3,111	−809	107	329	−509	−695	−891	368	−809
28 Africa[4]	5	16	0	0	0	0	−1	−1	−1	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Mar. 31, 1988		Country	Rate on Mar. 31, 1988		Country	Rate on Mar. 31, 1988	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.0	Dec. 1987	France[1]	7.25	Jan. 1988	Norway	8.0	June 1983
Belgium	6.50	Mar. 1988	Germany, Fed. Rep. of	2.5	Dec. 1987	Switzerland	2.5	Dec. 1987
Brazil	49.0	Mar. 1981	Italy	12.0	Aug. 1987	United Kingdom[2]	....	....
Canada	8.78	Mar. 1988	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	3.25	Jan. 1988			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1985	1986	1987	1987				1988		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Eurodollars	8.27	6.70	7.07	7.51	8.29	7.41	7.86	7.11	6.73	6.74
2 United Kingdom	12.16	10.87	9.65	10.12	9.92	8.87	8.71	8.84	9.18	8.83
3 Canada	9.64	9.18	8.38	9.32	9.12	8.70	8.95	8.75	8.58	8.63
4 Germany	5.40	4.58	3.97	3.98	4.70	3.92	3.65	3.40	3.29	3.38
5 Switzerland	4.92	4.19	3.67	3.51	4.03	3.65	3.51	2.09	1.48	1.61
6 Netherlands	6.29	5.56	5.24	5.31	5.63	4.99	4.65	4.24	3.98	3.97
7 France	9.91	7.68	8.14	7.85	8.15	8.66	8.48	8.19	7.54	7.89
8 Italy	14.86	12.60	11.15	12.36	11.85	11.36	11.25	10.47	10.80	11.11
9 Belgium	9.60	8.04	7.01	6.56	6.84	6.93	6.57	6.49	6.19	6.09
10 Japan	6.47	4.96	3.87	3.77	3.89	3.90	3.90	3.88	3.82	3.82

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1985	1986	1987	1987			1988		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Australia/dollar[2]	70.026	67.093	70.136	71.12	68.60	71.06	71.11	71.40	73.29
2 Austria/schilling	20.676	15.260	12.649	12.674	11.843	11.500	11.635	11.920	11.767
3 Belgium/franc	59.336	44.662	37.357	37.494	35.190	34.186	34.576	35.473	35.126
4 Canada/dollar	1.3658	1.3896	1.3259	1.3097	1.3167	1.3075	1.2855	1.2682	1.2492
5 China, P.R./yuan	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.598	8.0954	6.8477	6.9262	6.4962	6.3043	6.3562	6.4918	6.4261
7 Finland/markka	6.1971	5.0721	4.4036	4.3570	4.1392	4.0462	4.0391	4.1159	4.0483
8 France/franc	8.9799	6.9256	6.0121	6.0160	5.7099	5.5375	5.5808	5.7323	5.6893
9 Germany/deutsche mark	2.9419	2.1704	1.7981	1.8006	1.6821	1.6335	1.6537	1.6963	1.6770
10 Greece/drachma	138.40	139.93	135.47	138.61	132.42	129.46	131.92	135.56	134.60
11 Hong Kong/dollar	7.7911	7.8037	7.7985	7.8077	7.7968	7.7726	7.7872	7.7978	7.8028
12 India/rupee	12.332	12.597	12.943	12.995	12.972	12.934	13.040	13.065	12.979
13 Ireland/punt[2]	106.62	134.14	148.79	148.72	158.08	162.63	160.64	156.87	159.33
14 Italy/lira	1908.90	1491.16	1297.03	1302.58	1238.89	1203.74	1216.88	1249.62	1240.67
15 Japan/yen	238.47	168.35	144.60	143.32	135.40	128.24	127.69	129.17	127.11
16 Malaysia/ringgit	2.4806	2.5830	2.5185	2.5308	2.4989	2.4944	2.5400	2.5812	2.5689
17 Netherlands/guilder	3.3184	2.4484	2.0263	2.0267	1.8931	1.8382	1.8584	1.9051	1.8837
18 New Zealand/dollar[2]	49.752	52.456	59.327	64.031	61.915	64.664	65.818	66.386	66.239
19 Norway/krone	8.5933	7.3984	6.7408	6.6311	6.4233	6.3820	6.3538	6.4167	6.3337
20 Portugal/escudo	172.07	149.80	141.20	142.82	136.84	133.77	135.87	138.84	137.48
21 Singapore/dollar	2.2008	2.1782	2.1059	2.0891	2.0444	2.0127	2.0261	2.0185	2.0133
22 South Africa/rand	2.2343	2.2918	2.0385	2.0496	1.9738	1.9525	1.9755	2.0529	2.1330
23 South Korea/won	861.89	884.61	825.93	808.47	802.30	798.34	791.31	776.85	757.37
24 Spain/peseta	169.98	140.04	123.54	118.60	113.26	110.80	112.34	114.36	112.38
25 Sri Lanka/rupee	27.187	27.933	29.471	30.347	30.519	30.644	30.825	30.859	30.892
26 Sweden/krona	8.6031	7.1272	6.3468	6.3560	6.0744	5.9473	5.9749	6.0524	5.9497
27 Switzerland/franc	2.4551	1.7979	1.4918	1.4940	1.3825	1.3304	1.3466	1.3916	1.3863
28 Taiwan/dollar	39.889	37.837	31.756	30.036	29.813	29.004	28.628	28.665	28.687
29 Thailand/baht	27.193	26.314	25.774	25.783	25.495	25.249	25.235	25.324	25.232
30 United Kingdom/pound[2]	129.74	146.77	163.98	166.20	177.54	182.88	180.09	175.82	183.30
MEMO									
31 United States/dollar[3]	143.01	112.22	96.94	96.65	91.49	88.70	89.29	91.08	89.73

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	~~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)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		....	Cell not applicable

General Information

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

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

In some of the tables, details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	December 1987	A77

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Assets and liabilities of commercial banks, December 31, 1986	July 1987	A76
Assets and liabilities of commercial banks, March 31, 1987	October 1987	A70
Assets and liabilities of commercial banks, June 30, 1987	February 1988	A70
Assets and liabilities of commercial banks, September 30, 1987	April 1988	A70
Assets and liabilities of U.S. branches and agencies of foreign banks, December 31, 1986	May 1987	A76
Assets and liabilities of U.S. branches and agencies of foreign banks, March 31, 1987	August 1987	A70
Assets and liabilities of U.S. branches and agencies of foreign banks, June 30, 1987	November 1987	A70
Assets and liabilities of U.S. branches and agencies of foreign banks, September 30, 1987	February 1988	A76
Terms of lending at commercial banks, February 1987	May 1987	A70
Terms of lending at commercial banks, May 1987	September 1987	A70
Terms of lending at commercial banks, August 1987	January 1988	A70
Terms of lending at commercial banks, November 1987	May 1988	A70
Pro forma balance sheet and income statements for priced service operations, June 30, 1987	November 1987	A74
Pro forma balance sheet and income statements for priced service operations, September 30, 1987	February 1988	A80

Special tables begin on next page.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1-5, 1988[1]

A. Commercial and Industrial Loans[2]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days	Weighted average effective[4]	Standard error[5]	Interquartile range[6]			
ALL BANKS									
1 Overnight[8]	15,079,351	6,412	*	7.48	.07	7.14–7.77	79.6	12.9	Fed funds
2 One month and under	7,673,326	788	17	8.08	.13	7.39–8.39	73.3	14.1	Domestic
3 Fixed rate	6,387,718	1,125	16	7.91	.12	7.36–8.12	74.7	14.2	Domestic
4 Floating rate	1,285,608	317	20	8.93	.27	7.72–9.66	66.4	13.1	Prime
5 Over one month and under a year	7,414,473	107	125	8.98	.21	7.78–9.96	72.3	10.6	Prime
6 Fixed rate	3,269,245	99	103	8.63	.27	7.61–9.78	68.7	16.6	Foreign
7 Floating rate	4,145,229	115	143	9.26	.20	8.56–10.12	75.0	6.0	Prime
8 Demand[9]	16,561,762	270	*	9.03	.17	7.71–10.11	80.1	6.8	Prime
9 Fixed rate	3,516,615	998	*	7.72	.20	7.19–8.00	81.2	2.1	Domestic
10 Floating rate	13,045,147	226	*	9.39	.15	8.84–10.20	79.7	8.1	Prime
11 Total short term	**46,728,912**	**328**	**36**	**8.37**	**.14**	**7.32–9.14**	**77.5**	**10.6**	**Prime**
12 Fixed rate (thousands of dollars)	27,373,114	613	19	7.74	.08	7.24–7.92	76.7	12.6	Fed funds
13 1–24	221,756	7	111	11.50	.16	10.52–12.36	25.2	.0	Prime
14 25–49	125,094	33	130	10.92	.21	10.20–11.78	29.5	.4	Prime
15 50–99	176,240	63	104	11.09	.29	10.11–12.19	34.2	5.3	Prime
16 100–499	467,325	206	128	9.92	.27	8.88–11.00	48.9	13.1	Prime
17 500–999	340,945	691	43	8.44	.13	7.63–9.18	80.4	13.9	Domestic
18 1000 and over	26,041,754	7,865	15	7.62	.05	7.23–7.85	78.1	12.8	Fed funds
19 Floating rate (thousands of dollars)	19,355,798	198	98	9.26	.17	8.46–10.20	78.7	7.6	Prime
20 1–24	457,379	10	153	10.73	.08	9.92–11.30	72.3	.8	Prime
21 25–49	524,086	34	150	10.53	.07	9.85–11.04	72.5	1.4	Prime
22 50–99	832,120	66	148	10.17	.03	9.38–10.75	77.6	2.4	Prime
23 100–499	3,323,772	198	144	9.92	.06	9.11–10.47	83.8	5.1	Prime
24 500–999	1,556,790	659	135	9.71	.09	8.87–10.47	88.2	6.9	Prime
25 1000 and over	12,661,650	4,469	73	8.86	.19	7.79–9.92	76.8	9.2	Prime
			Months						
26 Total long term	**4,202,893**	**204**	**62**	**9.41**	**.27**	**8.13–10.47**	**53.0**	**11.3**	**Prime**
27 Fixed rate (thousands of dollars)	1,253,687	154	65	9.87	.35	8.10–11.85	42.2	22.1	Other
28 1–99	140,800	20	35	11.90	.15	10.47–12.13	12.7	.0	Prime
29 100–499	204,137	231	89	10.32	.23	9.38–11.02	10.9	.8	Prime
30 500–999	34,314	691	45	9.16	.26	8.75–9.67	64.3	6.1	Other
31 1000 and over	874,436	2,696	66	9.47	.49	7.65–12.13	53.3	31.2	Other
32 Floating rate (thousands of dollars)	2,949,206	237	60	9.22	.21	8.13–10.20	57.6	6.8	Prime
33 1–99	234,741	23	43	10.88	.13	9.93–11.57	22.6	1.4	Prime
34 100–499	325,764	204	61	10.12	.10	9.38–10.47	47.0	5.2	Prime
35 500–999	307,349	651	89	10.24	.18	9.72–10.65	40.4	4.3	Prime
36 1000 and over	2,081,352	5,442	58	8.74	.21	7.55–9.65	65.7	8.0	Prime

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Days	Loan rate (percent)		Prime rate[11]	Loans made under commitment (percent)	Participation loans (percent)
				Effective[4]	Nominal[10]			
LOANS MADE BELOW PRIME[12]								
37 Overnight[8]	14,528,699	10,017	*	7.41	7.15	8.56	79.0	13.3
38 One month and under	6,226,466	4,457	15	7.63	7.36	8.64	74.2	13.6
39 Over one month and under a year	3,544,491	632	105	7.76	7.52	8.70	79.3	15.5
40 Demand[9]	5,951,703	1,940	*	7.51	7.33	8.60	64.4	3.8
41 Total short term	**30,251,360**	**2,626**	**20**	**7.51**	**7.27**	**8.60**	**75.2**	**11.8**
42 Fixed rate	24,517,040	3,654	14	7.47	7.23	8.59	77.1	13.4
43 Floating rate	5,734,320	1,192	63	7.72	7.46	8.65	67.1	4.9
			Months					
44 Total long term	**1,613,116**	**736**	**46**	**7.98**	**7.75**	**8.86**	**75.4**	**5.9**
45 Fixed rate	508,124	568	37	8.15	8.03	9.15	63.5	4.5
46 Floating rate	1,104,992	851	50	7.91	7.63	8.73	80.8	6.5

For notes see end of table.

4.23 Continued

A. Commercial and Industrial Loans — Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3]	Loan rate (percent): Weighted average effective[4]	Loan rate (percent): Standard error[5]	Loan rate (percent): Interquartile range[6]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days						
LARGE BANKS									
1 Overnight[8]	11,021,395	9,289	*	7.51	.12	7.24–7.79	76.7	13.1	Fed funds
2 One month and under	6,055,836	3,030	16	8.03	.11	7.44–8.36	77.3	13.4	Other
3 Fixed rate	5,239,360	4,646	16	7.95	.10	7.38–8.30	79.8	12.5	Other
4 Floating rate	816,476	938	19	8.55	.14	7.63–9.11	61.5	19.0	Prime
5 Over one month and under a year	3,972,508	591	103	8.35	.10	7.66–9.06	79.2	9.0	Domestic
6 Fixed rate	1,943,984	1,028	93	8.10	.10	7.61–8.82	78.0	15.2	Foreign
7 Floating rate	2,028,523	420	113	8.59	.20	7.76–9.30	80.3	3.2	Prime
8 Demand[9]	8,941,959	547	*	8.66	.17	7.43–9.84	69.2	5.7	Prime
9 Fixed rate	2,380,074	3,997	*	7.63	.07	7.12–8.00	74.7	2.0	Domestic
10 Floating rate	6,561,885	417	*	9.04	.17	8.03–9.96	67.3	7.0	Prime
11 Total short term	**29,991,698**	**1,143**	**25**	**8.07**	**.08**	**7.30–8.82**	**74.9**	**10.4**	**Fed funds**
12 Fixed rate (thousands of dollars)	19,709,634	4,133	16	7.69	.05	7.25–7.93	76.4	12.4	Fed funds
13 1–24	10,177	10	80	10.76	.08	9.92–11.33	26.3	.0	Prime
14 25–49	11,687	33	85	10.33	.38	9.77–11.02	27.2	.0	Prime
15 50–99	18,941	65	82	9.98	.36	9.38–10.65	32.5	.0	Prime
16 100–499	118,812	222	49	9.19	.35	8.32–10.12	60.0	1.9	Prime
17 500–999	195,547	686	43	8.39	.22	7.63–9.14	76.9	6.8	Domestic
18 1000 and over	19,354,470	8,601	15	7.67	.05	7.25–7.92	76.6	12.5	Fed funds
19 Floating rate (thousands of dollars)	10,282,064	479	66	8.81	.16	7.79–9.84	72.1	6.6	Prime
20 1–24	79,347	11	128	10.41	.09	9.65–11.02	82.6	.0	Prime
21 25–49	114,164	34	130	10.27	.04	9.65–11.02	79.9	.4	Prime
22 50–99	219,372	67	117	10.11	.03	9.38–10.75	81.0	.6	Prime
23 100–499	1,128,537	209	130	9.76	.03	9.11–10.24	85.5	3.4	Prime
24 500–999	687,112	665	108	9.56	.06	8.87–10.14	88.6	5.0	Prime
25 1000 and over	8,053,532	5,870	58	8.54	.14	7.60–9.34	68.4	7.5	Prime
			Months						
26 Total long term	**2,119,240**	**1,189**	**54**	**8.57**	**.27**	**7.41–9.38**	**76.2**	**2.1**	**Domestic**
27 Fixed rate (thousands of dollars)	544,255	1,265	56	8.49	.41	7.40–9.34	72.6	.0	Fed funds
28 1–99	5,956	22	41	11.79	.15	10.47–12.40	8.7	.0	None
29 100–499	18,725	297	54	9.90	.27	8.57–11.30	57.9	.0	Prime
30 500–999	8,330	625	48	9.67	.46	8.84–10.75	90.4	.0	Other
31 1000 and over	511,245	6,596	56	8.38	.37	7.40–9.34	73.6	.0	Fed funds
32 Floating rate (thousands of dollars)	1,574,985	1,165	53	8.60	.26	7.41–9.58	77.4	2.9	Prime
33 1–99	26,864	36	42	10.73	.20	9.92–11.30	50.8	2.7	Prime
34 100–499	75,276	222	56	10.01	.17	9.11–10.65	61.8	4.0	Prime
35 500–999	69,488	663	61	9.50	.15	8.84–10.38	82.9	5.2	Prime
36 1000 and over	1,403,357	9,239	52	8.44	.26	7.34–9.31	78.5	2.7	Domestic
			Days	Loan rate (percent): Effective[4]	Loan rate (percent): Nominal[10]	Prime rate[11]			
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	10,598,577	10,913	*	7.45	7.18	8.57	76.0	13.6	
38 One month and under	5,045,077	6,148	14	7.67	7.40	8.64	77.7	11.1	
39 Over one month and under a year	2,621,957	4,704	102	7.69	7.46	8.60	81.7	10.7	
40 Demand[9]	4,165,484	5,046	*	7.44	7.27	8.57	51.7	3.1	
41 Total short term	**22,431,096**	**7,065**	**19**	**7.52**	**7.28**	**8.59**	**72.5**	**10.8**	
42 Fixed rate	17,879,407	7,616	14	7.49	7.25	8.59	75.1	12.8	
43 Floating rate	4,551,689	5,503	54	7.65	7.40	8.59	62.5	2.6	
			Months						
44 Total long term	**1,228,210**	**5,656**	**44**	**7.72**	**7.51**	**8.60**	**85.3**	**.9**	
45 Fixed rate	322,399	4,523	39	7.70	7.66	8.69	74.7	.0	
46 Floating rate	905,811	6,210	45	7.72	7.46	8.57	89.0	1.2	

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1-5, 1988[1]—Continued

A. Commercial and Industrial Loans — Continued[2]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days	Weighted average effective[4]	Standard error[5]	Interquartile range[6]			
Other Banks									
1 Overnight[8]	4,057,956	3,482	*	7.39	.10	7.05–7.52	87.3	12.2	Fed funds
2 One month and under	1,617,490	209	18	8.29	.20	7.23–8.85	58.3	16.7	Prime
3 Fixed rate	1,148,358	252	17	7.75	.22	7.20–7.85	51.5	22.2	Domestics
4 Floating rate	469,132	147	22	9.59	.38	7.92–10.75	75.0	3.0	Prime
5 Over one month and under a year	3,441,966	55	151	9.71	.13	8.78–10.75	64.3	12.5	Prime
6 Fixed rate	1,325,260	42	117	9.41	.30	7.55–11.07	55.1	18.6	Prime
7 Floating rate	2,116,705	68	172	9.90	.09	9.05–10.47	70.0	8.6	Prime
8 Demand[9]	7,619,803	170	*	9.46	.20	8.84–10.20	92.7	8.1	Prime
9 Fixed rate	1,136,540	388	*	7.90	.37	7.30–8.06	94.9	2.1	Fed funds
10 Floating rate	6,483,262	154	*	9.74	.20	9.11–10.33	92.4	9.2	Prime
11 Total short term	**16,737,214**	**144**	**61**	**8.90**	**.14**	**7.38–10.20**	**82.3**	**10.8**	**Prime**
12 Fixed rate (thousands of dollars)	7,663,480	192	27	7.87	.13	7.12–7.91	77.6	13.3	Fed funds
13 1–24	211,579	7	112	11.53	.19	10.52–12.36	25.2	.0	Prime
14 25–49	113,407	33	134	10.98	.19	10.38–11.78	29.8	.5	Prime
15 50–99	157,299	63	107	11.22	.28	10.14–12.47	34.4	5.9	Prime
16 100–499	348,513	201	155	10.17	.25	9.04–11.35	45.1	17.0	Prime
17 500–999	145,398	697	43	8.50	.14	7.64–9.38	85.2	23.4	Fed funds
18 1000 and over	6,687,284	6,306	13	7.48	.08	7.12–7.72	82.6	13.7	Fed funds
19 Floating rate (thousands of dollars)	9,073,734	119	145	9.77	.18	9.11–10.47	86.2	8.7	Prime
20 1–24	378,032	9	157	10.80	.07	9.92–11.35	70.2	1.0	Prime
21 25–49	409,922	33	153	10.60	.11	9.92–11.19	70.5	1.7	Prime
22 50–99	612,748	66	154	10.19	.05	9.58–10.75	76.4	3.0	Prime
23 100–499	2,195,235	193	148	10.01	.09	9.31–10.47	82.9	5.9	Prime
24 500–999	869,678	655	149	9.83	.18	8.98–10.47	87.9	8.3	Prime
25 1000 and over	4,608,118	3,154	133	9.42	.27	8.84–10.20	91.5	12.2	Prime
			Months						
26 Total long term	**2,083,653**	**111**	**70**	**10.27**	**.34**	**9.38–11.35**	**29.4**	**20.7**	**Prime**
27 Fixed rate (thousands of dollars)	709,431	92	73	10.93	.48	9.71–12.13	18.8	39.0	Other
28 1–99	134,844	20	35	11.91	.26	10.47–12.13	12.8	.0	Prime
29 100–499	185,412	226	92	10.36	.31	9.38–10.75	6.2	.9	Prime
30 500–999	25,984	715	44	9.00	.25	8.75–9.65	56.0	8.1	None
31 1000 and over	363,191	1,471	79	11.00	.97	10.23–12.13	24.8	75.1	Other
32 Floating rate (thousands of dollars)	1,374,221	124	69	9.92	.18	9.05–10.47	34.8	11.3	Prime
33 1–99	207,877	22	43	10.90	.16	9.96–11.57	18.9	1.2	Prime
34 100–499	250,488	199	62	10.16	.12	9.38–10.47	42.6	5.6	Prime
35 500–999	237,861	648	98	10.45	.26	9.92–10.75	27.9	4.1	Prime
36 1000 and over	677,995	2,941	69	9.35	.28	8.84–10.11	39.2	19.0	Prime
			Days	Loan rate (percent)		Prime rate[11]			
				Effective[4]	Nominal[10]				
Loans Made Below Prime[12]									
37 Overnight[8]	3,930,122	8,200	*	7.29	7.04	8.54	87.1	12.6	
38 One month and under	1,181,390	2,049	17	7.47	7.22	8.61	59.1	24.0	
39 Over one month and under a year	922,534	183	112	7.94	7.69	9.01	72.7	29.2	
40 Demand[9]	1,786,218	797	*	7.70	7.47	8.65	93.9	5.3	
41 Total short term	**7,820,264**	**937**	**21**	**7.49**	**7.24**	**8.63**	**82.7**	**14.6**	
42 Fixed rate	6,637,632	1,522	14	7.40	7.16	8.59	82.3	14.8	
43 Floating rate	1,182,631	297	116	7.95	7.71	8.89	84.9	13.5	
			Months						
44 Total long term	**384,905**	**195**	**54**	**8.83**	**8.53**	**9.68**	**43.7**	**21.9**	
45 Fixed rate	185,724	226	34	8.93	8.67	9.93	44.0	12.4	
46 Floating rate	199,181	173	74	8.73	8.40	9.44	43.5	30.7	

For notes see end of table.

4.23 Continued

B. Construction and Land Development Loans[1]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity (months)[3]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)
				Weighted average effective[4]	Standard error[5]	Interquartile range[6]		
All Banks								
1 **Total**	**3,922,390**	**208**	**9**	**9.22**	**.21**	**8.43–9.92**	**83.7**	**25.1**
2 Fixed rate (thousands of dollars)	2,273,566	499	5	8.84	.32	8.20–8.87	88.3	31.0
3 1–24	27,155	10	7	10.82	.22	9.69–12.19	57.4	1.2
4 25–49	23,025	32	6	11.44	.37	10.39–12.68	38.0	1.3
5 50–99	12,659	54	7	11.04	.46	10.39–11.91	12.6	1.3
6 100–499	67,261	156	10	10.45	.52	9.65–11.57	33.0	12.0
7 500 and over	2,143,466	5,671	5	8.73	.33	8.20–8.84	91.4	32.5
8 Floating rate (thousands of dollars)	1,648,824	115	19	9.75	.15	9.11–10.47	77.5	17.0
9 1–24	85,438	10	5	10.59	.15	10.20–11.02	88.0	1.8
10 25–49	79,680	35	10	10.67	.11	9.93–11.02	85.9	2.9
11 50–99	99,626	70	12	10.32	.09	9.75–10.75	71.8	4.3
12 100–499	275,561	195	15	10.14	.09	9.58–10.75	77.6	6.1
13 500 and over	1,108,519	1,441	23	9.47	.16	8.87–9.92	76.5	23.1
By type of construction								
14 Single family	361,630	35	11	10.48	.11	9.92–11.02	71.9	2.1
15 Multifamily	327,594	252	10	9.69	.13	9.01–10.47	93.8	21.4
16 Nonresidential	3,233,166	442	9	9.04	.21	8.29–9.38	84.0	28.1
Large Banks[13]								
1 **Total**	**2,388,141**	**1,384**	**5**	**8.83**	**.20**	**8.29–9.11**	**92.4**	**19.8**
2 Fixed rate (thousands of dollars)	1,635,743	6,014	3	8.66	.17	8.29–8.73	99.2	19.5
3 1–24	843	11	11	10.26	.22	9.92–10.75	85.5	37.6
4 25–49	1,143	34	22	10.48	.52	9.92–11.30	73.5	16.0
5 50–99	*	*	*	*	*	*	*	*
6 100–499	7,899	225	12	8.21	.39	7.92–9.94	84.8	41.1
7 500 and over	1,624,790	14,908	3	8.66	.23	8.29–8.73	99.4	19.4
8 Floating rate (thousands of dollars)	752,399	518	12	9.22	.20	8.84–9.92	77.4	20.4
9 1–24	4,487	11	8	10.42	.26	9.92–11.02	91.8	4.0
10 25–49	8,210	36	11	10.11	.13	9.79–10.47	95.9	5.9
11 50–99	15,714	70	9	10.01	.11	9.65–10.47	92.4	1.5
12 100–499	73,123	218	12	9.84	.09	9.42–10.20	96.1	11.1
13 500 and over	650,865	2,712	12	9.11	.21	8.45–9.65	74.7	22.2
By type of construction								
14 Single family	25,863	67	11	10.08	.09	9.92–10.47	94.1	8.0
15 Multifamily	216,039	730	4	9.45	.19	8.87–10.20	93.4	23.9
16 Nonresidential	2,146,240	2,063	5	8.76	.20	8.29–8.87	92.2	19.5
Other Banks[13]								
1 **Total**	**1,534,249**	**90**	**16**	**9.83**	**.29**	**9.11–11.00**	**70.3**	**33.4**
2 Fixed rate (thousands of dollars)	637,823	149	9	9.32	.50	7.71–11.30	60.2	60.5
3 1–24	26,312	10	7	10.84	.38	9.69–12.19	56.5	.0
4 25–49	21,882	32	5	11.49	.54	10.39–12.68	36.2	.6
5 50–99	11,592	53	7	11.18	.45	10.39–11.91	8.3	.0
6 100–499	59,362	150	10	10.75	.74	9.65–11.57	26.2	8.2
7 500 and over	518,676	1,928	9	8.95	.75	7.71–10.25	66.5	73.5
8 Floating rate (thousands of dollars)	896,425	70	23	10.19	.11	9.42–10.75	77.5	14.2
9 1–24	80,951	10	5	10.60	.18	10.24–11.02	87.8	1.7
10 25–49	71,469	35	10	10.73	.14	10.20–11.03	84.8	2.5
11 50–99	83,912	70	12	10.38	.13	9.75–10.79	67.9	4.8
12 100–499	202,438	188	15	10.24	.11	9.65–11.02	70.9	4.3
13 500 and over	457,655	865	33	9.97	.20	9.11–10.24	79.1	24.2
By type of construction								
14 Single family	335,767	34	11	10.51	.18	9.92–11.02	70.2	1.6
15 Multifamily	111,556	111	19	10.15	.17	9.65–10.75	94.7	16.5
16 Nonresidential	1,086,926	173	17	9.59	.31	7.71–11.02	67.8	45.0

1. 40.8 percent of construction and land development loans were priced relative to the prime rate.

For notes see end of table.

*Fewer than 10 sample loans.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1-5, 1988[1]—Continued

C. Loans to Farmers[13]

Characteristic	Size class of loans (thousands)						
	All sizes	$1-9	$10-24	$25-49	$50-99	$100-249	$250 and over
All Banks							
1 Amount of loans (thousands of dollars)	$1,073,523	$98,023	$125,425	$147,492	$174,367	$215,790	$312,427
2 Number of loans	43,529	26,430	8,225	4,305	2,534	1,467	568
3 Weighted average maturity (months)[3]	17.5	8.2	11.8	16.8	24.7	28.3	11.2
4 Weighted average interest rate (percent)[4]	11.00	11.57	11.55	11.06	11.07	11.03	10.52
5 Standard error[5]	.48	.35	.69	.77	.61	.51	.98
6 Interquartile rante[6]	10.24-11.61	10.92-12.26	10.78-12.10	10.50-11.76	10.50-11.75	10.52-11.61	9.04-11.07
By purpose of loan							
7 Feeder livestock	10.26	11.51	11.20	11.31	10.76	10.36	9.48
8 Other livestock	12.53	11.47	12.06	10.72	10.16	*	13.54
9 Other current operating expenses	11.05	11.57	11.47	11.15	10.95	11.16	10.43
10 Farm machinery and equipment	12.02	11.53	14.44	11.04	*	*	*
11 Farm real estate	10.31	11.57	9.89	11.02	*	*	*
12 Other	10.82	11.69	10.94	10.86	11.10	11.31	9.54
Percentage of amount of loans							
13 With floating rates	58.4	45.4	54.8	66.3	70.5	48.5	60.3
14 Made under commitment	59.5	43.6	49.2	38.7	52.6	54.9	85.5
By purpose of loan							
15 Feeder livestock	18.5	12.1	15.1	17.4	11.0	14.5	29.2
16 Other livestock	8.6	6.4	6.2	11.0	2.2	*	17.5
17 Other current operating expenses	47.6	64.1	54.6	38.6	49.8	55.8	36.9
18 Farm machinery and equipment	4.8	8.4	6.6	7.2	*	*	*
19 Farm real estate	6.0	1.6	2.5	8.9	*	*	*
20 Other	14.5	7.4	15.0	16.9	22.5	16.7	9.5
Large Banks[13]							
1 Amount of loans (thousands of dollars)	$319,986	$8,572	$13,560	$17,759	$28,906	$61,070	$190,120
2 Number of loans	4,649	2,158	895	506	440	388	263
3 Weighted average maturity (months)[3]	14.9	8.5	10.0	8.2	16.2	12.3	16.7
4 Weighted average interest rate (percent)[4]	9.66	10.71	10.51	10.32	10.06	10.13	9.28
5 Standard error[5]	.33	.32	.59	.74	.59	.48	.30
6 Interquartile rante[6]	9.04-10.38	10.17-11.20	9.92-11.00	9.85-10.68	9.60-10.52	9.60-10.52	8.84-9.84
By purpose of loan							
7 Feeder livestock	9.43	9.82	10.35	10.26	10.22	10.13	9.09
8 Other livestock	9.71	10.56	10.86	*	9.89	*	9.54
9 Other current operating expenses	9.90	10.84	10.45	10.20	10.04	10.22	9.40
10 Farm machinery and equipment	10.48	11.52	11.61	*	*	*	*
11 Farm real estate	9.25	10.92	10.64	10.82	*	*	*
12 Other	9.76	10.82	10.28	10.49	10.05	9.82	9.54
Percentage of amount of loans							
13 With floating rates	86.4	90.6	93.2	92.3	91.9	94.3	81.7
14 Made under commitment	88.8	81.9	77.7	81.2	87.1	89.4	90.7
By purpose of loan							
15 Feeder livestock	34.5	13.4	11.7	18.9	18.6	38.8	39.5
16 Other livestock	9.7	4.1	6.7	*	9.3	*	11.8
17 Other current operating expenses	30.7	63.3	55.5	47.6	44.4	36.6	21.9
18 Farm machinery and equipment	2.1	1.8	5.4	*	*	*	*
19 Farm real estate	7.8	6.0	4.6	6.4	*	*	*
20 Other	15.2	11.4	16.0	17.8	20.8	11.1	15.6
Other Banks[13]							
1 Amount of loans (thousands of dollars)	$753,537	$89,452	$111,865	$129,734	$145,460	$154,720	*
2 Number of loans	38,879	24,272	7,330	3,798	2,095	1,079	*
3 Weighted average maturity (months)[3]	18.1	8.2	12.0	17.5	25.8	31.7	*
4 Weighted average interest rate (percent)[4]	11.57	11.66	11.67	11.16	11.27	11.38	*
5 Standard error[5]	.35	.14	.36	.21	.13	.16	*
6 Interquartile rante[6]	10.93-11.95	11.02-12.31	10.78-12.19	10.77-11.77	10.78-11.79	10.97-12.10	*
By purpose of loan							
7 Feeder livestock	11.32	11.69	11.28	11.47	*	*	*
8 Other livestock	13.95	11.74	*	*	*	*	*
9 Other current operating expenses	11.32	11.64	11.60	11.31	11.11	11.38	*
10 Farm machinery and equipment	12.25	11.53	*	*	*	*	*
11 Farm real estate	10.98	*	*	*	*	*	*
12 Other	11.30	11.83	11.03	10.91	11.29	*	*

For notes see end of table.

*Fewer than 10 sample loans.

4.23 Continued

C. Loans to Farmers[14]—Continued

Characteristic	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
Percentage of amount of loans							
13 With floating rates	46.5	41.1	50.1	62.7	66.2	30.4	*
14 Made under commitment	47.0	39.9	45.8	32.9	45.7	41.3	*
By purpose of loan							
15 Feeder livestock	11.7	11.9	15.5	17.2	*	*	*
16 Other livestock	8.1	6.6	*	*	*	*	*
17 Other current operating expenses	54.8	64.2	54.5	37.3	50.9	63.4	*
18 Farm machinery and equipment	5.9	9.1	*	*	*	*	*
19 Farm real estate	5.2	*	*	*	*	*	*
20 Other	14.2	7.1	14.8	16.8	22.9	*	*

*Fewer than 10 sample loans.

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A subsample of 250 banks also report loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less than $1,000 are excluded from the survey.

As of Dec. 31, 1985, assets of most of the large banks were at least $5.5 billion. For all insured banks total assets averaged $165 million.

2. Beginning with the August 1986 survey respondent banks provide information on the type of base rate used to price each commercial and industrial loan made during the survey week. This reporting change is reflected in the new column on the most common base pricing rate in table A and footnote 13 from table B.

3. Average maturities are weighted by loan size and exclude demand loans.

4. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loan and weighted by loan size.

5. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of lending at all banks.

6. The interquartile range shows the interest rate range that encompasses the middle 50 percent of the total dollar amount of loans made.

7. The most common base rate is that rate used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "basic" or "reference" rate); the federal funds rate; domestic money market rates other than the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

8. Overnight loans are loans that mature on the following business day.

9. Demand loans have no stated date of maturity.

10. Nominal (not compounded) annual interest rates are calculated from survey data on the stated rate and other terms of the loan and weighted by loan size.

11. The prime rate reported by each bank is weighted by the volume of loans extended and then averaged.

12. The proportion of loans made at rates below prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

13. Among banks reporting loans to farmers (Table C), most "large banks" (survey strata 1 to 3) had over $600 million in total assets, and most "other banks" (survey strata 4 to 6) had total assets below $600 million.

The survey of terms of bank lending to farmers now includes loans secured by farm real estate. In addition, the categories describing the purpose of farm loans have now been expanded to include "purchase or improve farm real estate." In previous surveys, the purpose of such loans was reported as "other."

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Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

Federal Reserve Banks, Branches, and Offices

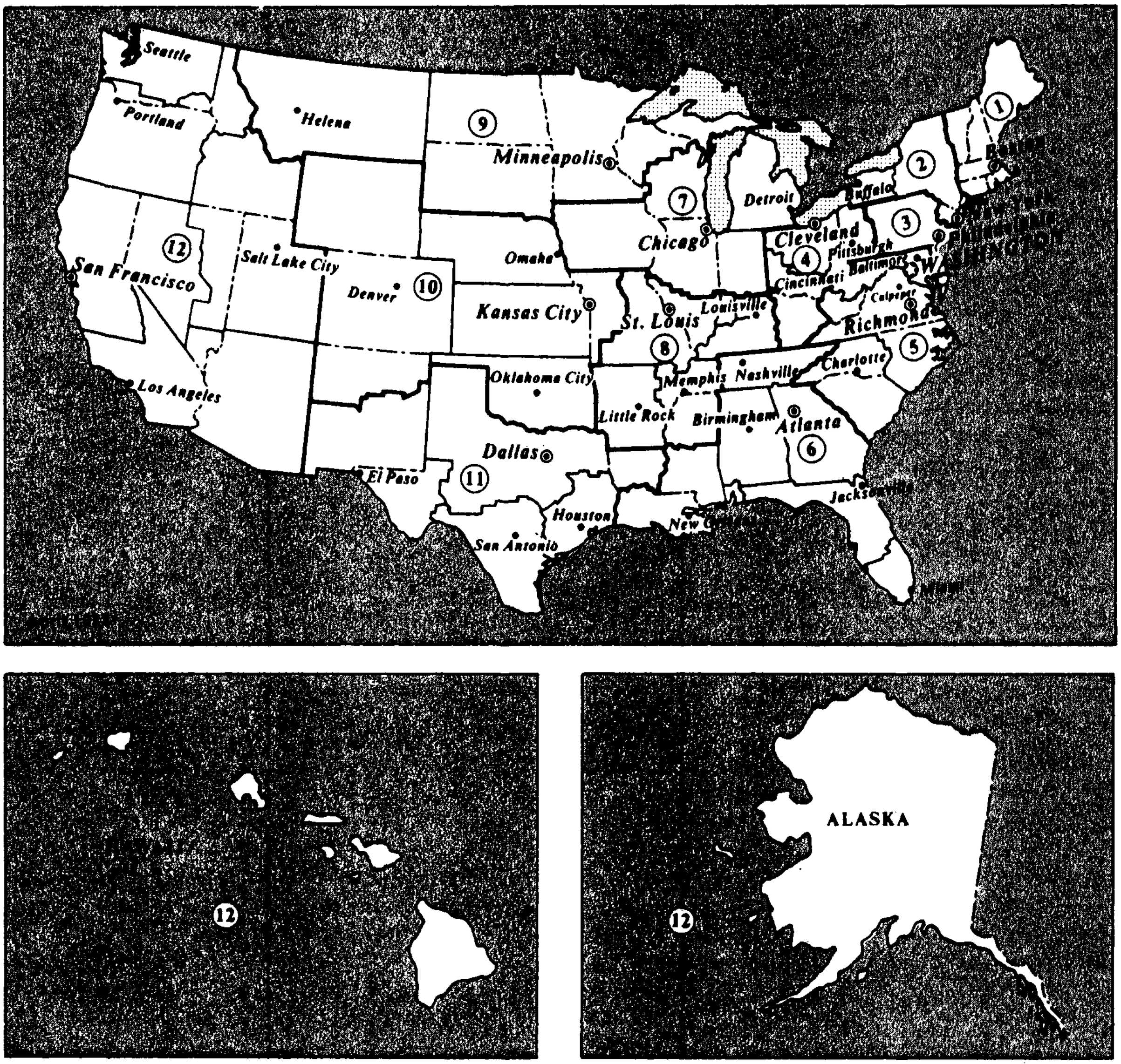
FEDERAL RESERVE BANK, branch, or *facility* Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON* 02106	George N. Hatsopoulos Richard N. Cooper	Frank E. Morris Robert W. Eisenmenger	
NEW YORK* 10045	John R. Opel To be announced	E. Gerald Corrigan Thomas M. Timlen	
Buffalo....................14240	Mary Ann Lambertsen		John T. Keane
PHILADELPHIA........19105	Nevius M. Curtis Peter A. Benoliel	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*...........44101	Charles W. Parry John R. Miller	W. Lee Hoskins William H. Hendricks	
Cincinnati................45201	Owen B. Butler		Charles A. Cerino[1]
Pittsburgh................15230	James E. Haas		Harold J. Swart[1]
RICHMOND* 23219	Robert A. Georgine Hanne Merriman	Robert P. Black Jimmie R. Monhollon	
Baltimore 21203	Thomas R. Shelton		Robert D. McTeer, Jr.[1]
Charlotte 28230	G. Alex Bernhardt		Albert D. Tinkelenberg[1]
Culpeper Communications and Records Center 22701			John G. Stoides[1]
ATLANTA.................30303	Bradley Currey, Jr. Larry L. Prince	Robert P. Forrestal Jack Guynn	
Birmingham 35283	Roy D. Terry		Delmar Harrison[1]
Jacksonville 32231	E. William Nash, Jr.		Fred R. Herr[1]
Miami.....................33152	Sue McCourt Cobb		James D. Hawkins[1]
Nashville.................37203	Condon S. Bush		James Curry
New Orleans............70161	Sharon A. Perlis		Donald E. Nelson
			Robert J. Musso
CHICAGO* 60690	Robert J. Day Marcus Alexis	Silas Keehn Daniel M. Doyle	
Detroit.....................48231	Richard T. Lindgren		Roby L. Sloan[1]
ST. LOUIS.................63166	Robert L. Virgil, Jr. H. Edwin Trusheim	Thomas C. Melzer James R. Bowen	
Little Rock 72203	James R. Rodgers		John F. Breen
Louisville 40232	Lois H. Gray		James E. Conrad
Memphis 38101	Sandra B. Sanderson		Paul I. Black, Jr.
MINNEAPOLIS..........55480	Michael W. Wright John A. Rollwagen	Gary H. Stern Thomas E. Gainor	
Helena 59601	Marcia S. Anderson		Robert F. McNellis
KANSAS CITY...........64198	Irvine O. Hockaday, Jr. Fred W. Lyons, Jr.	Roger Guffey Henry R. Czerwinski	
Denver....................80217	James C. Wilson		Enis Alldredge, Jr.
Oklahoma City 73125	Patience S. Latting		William G. Evans
Omaha 68102	Kenneth L. Morrison		Robert D. Hamilton
DALLAS 75222	Bobby R. Inman Hugh G. Robinson	Robert H. Boykin William H.Wallace	Tony J. Salvaggio[1]
El Paso 79999	Peyton Yates		Sammie C. Clay
Houston 77252	Walter M. Mischer, Jr.		Robert Smith, III[1]
San Antonio.............78295	Robert F. McDermott		Thomas H. Robertson
SAN FRANCISCO 94120	Robert F. Erburu Carolyn S. Chambers	Robert T. Parry Carl E. Powell	John F. Hoover[1]
Los Angeles.............90051	Richard C. Seaver		Thomas C. Warren[2]
Portland 97208	Paul E. Bragdon		Angelo S. Carella[1]
Salt Lake City..........84125	Don M. Wheeler		E. Ronald Liggett[1]
Seattle 98124	Carol A. Nygren		Gerald R. Kelly[1]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

1. Senior Vice President.
2. Executive Vice President.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility