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on Banking, Finance and Urban Affairs, July 18 1991.

722 Brent L. Bowen, Inspector General, Board of Governors, provides a brief review of the points made in the June 7, 1991, assessment of Governor Angell's report entitled "System and Procedures for Financial Supervision and Control" to determine any particular weaknesses or strengths in the System's design for auditing and controlling its own financial operations and also outlines plans for examining the Board's systems of oversight and supervision of the Federal Reserve Banks, before the Subcommittee on Domestic Monetary Policy of the House Committee on Banking, Finance and Urban Affairs, July 18, 1991.

724 The Board of Governors presents its views on the proposed Fair Trade in Financial Services Act of 1991 and says that while the Board shares the objectives of this proposed legislation to encourage other countries to liberalize their financial markets, the legislation itself is unwarranted and would have unfortunate consequences in that it rejects the policy of national treatment, a policy that has been fundamental to the U.S. approach to the international operations of financial organizations and that should be preserved, before the House Committee on Ways and Means, July 29, 1991.

726 Franklin D. Dreyer, Senior Vice President, Supervision and Regulation and Loans, Federal Reserve Bank of Chicago, discusses asset securitization as it relates to financial institutions and says that staff members at the Federal Reserve have been carefully reviewing securitization to ensure that this process will not pose undue risk for depository institutions and their holding companies, before the Subcommittee on Policy Research and Insurance of the House Committee on Banking, Finance and Urban Affairs, July 31, 1991.

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735 *RECORD OF POLICY ACTIONS OF THE FEDERAL OPEN MARKET COMMITTEE*

At its meeting on May 14, 1991, the Committee indicated that it favored a directive that called for maintaining the existing degree of pressure on reserve positions. The members also noted that they preferred or could accept a directive that did not include a presumption about the likely direction of any intermeeting adjustments in policy. Accordingly, the Committee decided that somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable during the period ahead depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of around 4 and 2 percent respectively over the three-month period from March through June.

741 *LEGAL DEVELOPMENTS*

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Monetary Policy Report to the Congress

Report submitted to the Congress on July 16, 1991, pursuant to the Full Employment and Balanced Growth Act of 1978[1]

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1991 AND 1992

When the Federal Reserve presented its most recent monetary policy report to the Congress, in February of this year, the economy was still in a downswing that had been precipitated by Iraq's invasion of Kuwait in August 1990 and the associated spike in oil prices. To be sure, several developments early in the year had created conditions that promised to help foster a turnaround in the economy: Not only had oil prices reversed most of their earlier run-up, but monetary policy had been eased substantially in the final months of 1990 and the early part of this year. However, the economy continued to weaken for a time, and in the spring, policy was eased further, with the objective of ensuring a satisfactory recovery.

Recent evidence suggests that a pickup in activity probably is now under way. Much of the uncertainty that had depressed business and consumer sentiment was removed by the successful end of hostilities in the Persian Gulf. The resulting increase in confidence, combined with the boost to real purchasing power provided by the retreat in oil prices, raised consumer spending on balance over the late winter and spring. These same factors, as well as lower mortgage rates, also have spurred a gradual recovery in the housing sector. Reflecting the stimulus from housing and consumer demand, along with the continued growth in U.S. exports, industrial production turned up in April and has advanced appreciably since then; in addition, labor demand showed signs of stabilizing during the spring.

As anticipated earlier this year, inflation has slowed from its pace in 1990. Retail energy prices came down substantially during the first half of the year, and the rise in consumer food prices moderated after several years of relatively large increases. More generally, the softness of labor and product markets has attenuated price pressures for a range of goods and services. This downdrift in "core" inflation was difficult to discern earlier in the year because of a bunching of price increases in January and February; however, most of the significant increases in those months either did not continue or were reversed.

The Federal Reserve's easing moves over the first part of the year not only were taken in light of the contraction of economic activity and the progress in reducing inflationary pressures, but also were prompted by the continued slow growth of the monetary aggregates early in the year and continuing credit restraint by banks and other intermediaries. Reserve market conditions were held steady after April, however, as evidence began to accumulate that the economy was on track toward recovery. Reflecting the Federal Reserve's policy actions and generally weak credit demands, short-term interest rates declined appreciably during the first half of the year. Longer-term rates, which had moved down markedly in the final months of 1990, were mixed over the first half; with bond market participants focusing on signs of an emerging recovery, Treasury bond yields rose a bit, while rates on bonds issued by businesses fell as risk premiums narrowed sharply. In the stock market, share prices have registered sizable increases since January, and broad indexes remain within a few percent of the all-time highs set in the spring. Meanwhile, the value of the dollar has climbed substantially on foreign exchange markets, supported by the successful conclusion of military operations in the Gulf, by expectations of a recovery in the U.S. economy, and by economic developments in Germany and political difficulties in the Soviet Union.

In response to Federal Reserve easings and associated declines in short-term interest rates, growth of both M2 and M3 strengthened somewhat

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

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

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

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

during the first half of 1991 relative to the slow pace of the second half of 1990. M2 expanded more than nominal GNP, and thus its velocity fell, although not as much as might have been expected considering the decline in short-term interest rates. The continued muted response of M2 to the easings in short-term rates probably reflected the ongoing rerouting of credit outside of depositories and an effort on the part of savers to maintain yields on their assets by turning to the stock and bond markets, sometimes via mutual funds. Growth of M3 was boosted early in the year by strong issuance of large time deposits by U.S. branches and agencies of foreign banks in response to a reduction in reserve requirements around the end of 1990. In the second quarter, however, the expansion of M3 slowed as issuance of time deposits at foreign banks waned, and depository credit and associated funding needs contracted. Through June, both M2 and M3 had grown at rates somewhat below the midpoint of their targeted annual growth ranges.

Credit growth was slow in the first half of the year. The federal government's borrowing requirements were held down by reduced activity by the Resolution Trust Corporation (RTC) and by contributions from foreign countries to cover the costs of Operation Desert Storm. Growth of private-sector debt was restrained by slack demand associated with the weakness of the economy and by a reduced appetite for leveraging. On the latter score, a lasting shift toward more conservative patterns of credit use would be a fundamentally healthy development; the excesses of the 1980s clearly left us with problems in our financial sector that will take some time to resolve. In part reflecting earlier credit losses, banks continued to be cautious lenders through the first half of 1991. However, private borrowers who turned to securities markets found readier access to capital as the economic outlook brightened and risk premiums narrowed dramatically; financial intermediaries as well as nonfinancial firms issued large volumes of equity and longer-term debt, making significant progress in strengthening their balance sheets.

Monetary Objectives for 1991 and 1992

At its meeting earlier this month, the FOMC reaffirmed its previously established ranges for money and credit for 1991. The target range for M2 had been lowered in February to 2½ to 6½ percent from the 3 to 7 percent range that had been in place for 1990. To date this year, M2 has grown at an annual rate of a little less than 4 percent, placing it well within the target range for 1991 as a whole. This, in effect, leaves the Committee some room to maneuver as events unfold in the coming months, while remaining within the annual range. The potential need for such maneuvering room arises in part in connection with the significant uncertainties attending the prospects for the velocity of M2. If, for example, the public's demand for M2 balances should be damped by moves among depository institutions to lower deposit rates (in response to earlier declines in market yields and to higher insurance premiums), then velocity might tend to be stronger than otherwise would be the case and less M2 growth would be required to support a given rate of GNP increase. If, on the other hand, institutions were to become more aggressive in bidding for loanable funds in the retail deposit market, and thus the public began to shift its portfolio back in favor of M2 assets, then velocity could weaken and faster M2 growth might be required. The Committee expects that the current annual growth range will permit it to deal with such velocity-altering disturbances in money supply and demand while it fosters financial conditions conducive to moderate economic growth and further progress toward price stability.

The 1 to 5 percent target range for M3 adopted in February took into account an expected continued contraction in the thrift industry and associated redirection of credit flows away from depository institutions. The assets of thrift institutions are expected to shrink further in the second half of 1991, in large part because of closures by the RTC. Issuance of large time deposits by branches and

2. Economic projections for 1991 and 1992

Item	FOMC members and other FRB presidents: Range	FOMC members and other FRB presidents: Central tendency	Administration
	1991		
Percent change, fourth quarter to fourth quarter [1]			
Nominal GNP	3¾–5¾	4½–5¼	5.3
Real GNP	½–1½	¾–1	.9
Consumer price index [2]	3–4½	3¼–3¾	4.3
Average level, fourth quarter (percent)			
Unemployment rate [3]	6½–7	6¾–7	6.6
	1992		
Percent change, fourth quarter to fourth quarter [1]			
Nominal GNP	4–6¾	5½–6½	7.5
Real GNP	2–3½	2¼–3	3.6
Consumer price index [2]	2½–4¼	3–4	3.9
Average level, fourth quarter (percent)			
Unemployment rate [3]	6–6¾	6¼–6½	6.5

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.
2. FOMC projections are for all urban consumers (CPI-U); Administration projection is for urban wage earners and clerical workers (CPI-W).
3. FOMC projections are for civilian labor force; Administration projection is for total labor force, including armed forces residing in the United States.

agencies of foreign banks has moderated, but domestic banks may have a greater appetite for funds during the second half as sound lending opportunities increase with the projected improvement in the economy.

Even though growth of the aggregate debt of domestic nonfinancial sectors at midyear was at the lower end of its current 4½ to 8½ percent monitoring range, the Committee anticipates that the debt measure will end the year well within that range. Stronger private credit demands are expected to arise as the economy grows, and federal borrowing will increase to finance stepped-up RTC activity. However, debt growth is likely to continue to be damped by the shift in attitudes about leveraging.

In setting provisional ranges for 1992, the Committee chose to carry forward the 1991 ranges for the monetary aggregates and for debt. Recognizing that the ranges had been reduced significantly over the past few years, the Committee at this time believes that expansion of money and debt in 1992 within the current ranges probably would be consistent with consolidating and extending the gains toward lower inflation that have been made to date, and at the same time would provide sufficient liquidity to support a sustainable expansion of economic activity. The ranges will, of course, be reevaluated next February in light of intervening economic and financial events. The Committee will want to update its assessment of the underlying tendencies in the economy as well as in the relations between money and debt expansion and economic performance. Although the initial indications of money and credit ranges that are given in July always are tentative, flexibility seems all the more warranted in the current circumstances, with the economy apparently at a cyclical turning point and the financial system being buffeted by fundamental change.

Economic Projections for 1991 and 1992

The target ranges for the monetary aggregates and debt have been selected with the objective of supporting a sound economic expansion accompanied by declining inflation—a pattern the Board members and Reserve Bank presidents generally expect to prevail over the coming year and a half. Most forecast that real GNP will grow ¾ to 1 percent over the four quarters of 1991; given the decline during the first quarter, this central tendency range for 1991 as a whole implies an appreciable pickup in activity over the remainder of the year. The projections of growth in real GNP over the four quarters of 1992 have a central tendency of 2¼ to 3 percent.

In appraising the near-term outlook, the FOMC participants have placed considerable weight on the apparent absence of inventory overhangs in most sectors. Accordingly, the recent firming of aggregate final demand is expected to bring a halt soon to the inventory drawdowns that persisted into the second quarter. The resulting swing in the pace of inventory investment is expected to boost domestic production considerably over the rest of 1991. As typically occurs in the initial stage of a recovery, much of this rise in output is expected to reflect gains in the productivity of existing workers, rather than a marked pickup in employment. Thus, the Board members and the Bank presidents project only modest progress in reducing unemployment over the second half of the year; the projected central tendency for the civilian jobless rate in the fourth quarter is 6¾ to 7 percent.

The pace of expansion may moderate somewhat in 1992 as the initial impetus from the inventory swing subsides and gains in production track the growth in final demand more closely. The advance in real GNP expected for 1992, though subdued relative to that during the early part of most previous expansions, is anticipated to reduce the margin of slack in the economy over the year. The central tendency of the civilian unemployment rate projected for the fourth quarter of 1992 is 6¼ to 6½ percent, roughly ½ percentage point below the level expected for the fourth quarter of this year.

Several factors lie behind the expectation of a relatively mild upswing in economic activity. In real estate markets, the persistent overhang of vacant space for many types of buildings, along with continued caution on the part of lenders, will likely limit the amount of new construction. In addition, fiscal policy will remain moderately restrictive because of the federal budget agreement reached last fall and efforts by state and local units to correct serious imbalances in their budgets; although this fiscal restraint ultimately will strengthen the U.S. economy by boosting domestic saving and investment, its near-term effect will be to hold down aggregate demand. Further, with the personal saving rate already at a low level and some households saddled with heavy debt burdens, consumer spending is projected to grow at a relatively slow pace. Finally, the appreciation of the dollar this year has offset some of the previous declines in relative prices of U.S. goods in international markets, thus limiting the contribution that can be expected from the external sector.

By adopting policies intended to put the economy on a path of moderate, sustainable growth, the Board members and Reserve Bank presidents believe that it will be possible to achieve meaningful progress in reducing inflation over the remainder of this year and into 1992. The central tendency of the projected rise in the total consumer price index is 3¼ to 3¾ percent over the four quarters of 1991 and 3 to 4 percent over 1992, well below the 6¼ percent rise recorded over the four quarters of 1990. In each of the prior three years, 1987–89, the CPI rose about 4½ percent.

The common midpoint of the forecast ranges for CPI increases in 1991 and 1992, 3½ percent, masks the downtrend in core inflation anticipated over the next year and a half. In particular, most of the slowing of inflation observed thus far this year has reflected the sharp drop in energy prices and a move toward smaller increases in food prices; excluding food and energy, the deceleration in the CPI so far has been relatively small. However, with the tempering of labor-cost increases now under way and the reduced pressure on plant utilization, core inflation is expected to recede significantly in coming quarters. As these declines become widely perceived, expectations of inflation should moderate, reinforcing the tendencies toward deceleration. By reducing and ultimately eliminating the distortion to resource allocation stemming from ongoing, generalized price increases, a monetary policy aimed at achieving price stability over time will enhance the economy's potential for growth and thereby will raise standards of living.

The Administration's economic projections for 1991, presented in the budget, differ from the projections of Federal Reserve policymakers mainly with respect to expectations for the consumer price index. The Administration forecast, at 4.3 percent, is above the central tendency projected by the Federal Reserve; however, recent statements by Administration officials suggest that this number will be lowered in the mid-session update of the budget. The Administration is somewhat more optimistic than the FOMC participants about prospects for real GNP growth in 1992; in addition, the Administration anticipates an increase in consumer prices next year near the upper end of the central tendency forecast by the Federal Reserve policymakers. This combination of output and inflation places the Administration's forecast of nominal GNP growth for 1992 somewhat above the range of projections by the FOMC participants. Given the obvious limitations on anyone's ability to forecast the economic future, these differences certainly cannot be said to be large—and the forecasts do have the important common feature of pointing to a relatively moderate recovery, with inflation remaining below the average pace of the past few years. And, in light of the uncertainties attending the behavior of the velocities of money and credit in the current period of flux in patterns of intermediation, there appears to be no necessary inconsistency between the Administration's economic forecast and the FOMC's ranges for money and debt for 1991 and 1992. The FOMC, of course, will be reviewing the prospects for the economy, along with those for velocity, when it reconsiders the 1992 target ranges next February.

Performance of the Economy during the First Half of 1991

Economic activity contracted appreciably this past fall and winter. Although the economy had been sluggish during the first half of 1990, real gross national product registered a further increase in the third quarter, and a substantial downturn in activity began only after the jump in oil prices that followed Iraq's invasion of Kuwait. With consumer and business confidence badly shaken and real income depressed by the higher oil prices, employment and production declined markedly starting in October; real GNP fell at a 1.6 percent annual rate in the fourth quarter. The civilian unemployment rate, which had held around the relatively low level of 5¼ percent during the first half of 1990, rose steadily over the second half, to just over 6 percent at year-end.

The downward momentum in activity carried into the early part of 1991. Industrial production decreased through the first quarter, and the shrinkage of private-sector payrolls continued through April as firms moved aggressively to reduce inventories and trim labor costs in response to the weakening of final demand. However, much of the negative impetus to activity was reversed by the cumulative drop in oil prices that occurred between October and February and by the boost in confidence that accompanied the swift and successful conclusion of the Persian Gulf war. These events, combined with a considerable easing of monetary policy, set the stage for a recovery, and a few sectors of the economy actually hit bottom quite early in the year. Notably, construction of single-family homes, which in past recessions turned up before the economy as a whole, reached its low point in January, as did real consumer spending and real personal income.

Recently, further evidence has emerged to indicate that economic activity, in the aggregate, stabilized or began to move up during the second quarter of 1991. Much of this evidence is to be found in developments in the labor market. Initial claims for unemployment insurance—an indicator of the pace of job loss—have fallen from their high level in March; employment on nonfarm payrolls edged up, on balance, over May and June after ten months of decline; and the length of the average workweek increased noticeably in May and June. In addition, industrial production advanced in April, May, and June, with the gains being propelled initially by increased output of motor vehicles and parts. Although these indicators are subject to revision and thus should be read with considerable caution, the weight of the available evidence points in the direction of economic recovery.

The magnitude and length of the recent recession still are not known with certainty, but the decline in real GNP appears to have been considerably smaller than the average decline during the previous post-World War II recessions; for the industrial sector alone, production dropped 5 percent between the peak in September 1990 and the low point in March 1991, compared with an average falloff of nearly 10 percent during previous recessions. The recent contraction also seems to have been relatively short by historical standards. Aggregate job losses, however, were close to the average in previous recessions, suggesting that firms cut payrolls vigorously in light of the fairly shallow drop in real activity. The resulting rise in the unemployment rate, though, was damped relative to that during earlier contractions, as unusually slow growth of the labor force held down the number of job seekers; the unemployment rate in June of this year, 7 percent, was about ¾ percentage point below the average jobless rate at the end of previous recessions.

Consumer price inflation, which exceeded 6 percent last year, slowed to a 2¾ percent annual rate over the first five months of 1991. Consumer energy prices fell sharply early this year after soaring during the second half of 1990. In addition, the rate of increase in food prices has retreated this year from the pace registered during the preceding three years.

Apart from food and energy, price increases were large early in the year but have been more moderate in recent months. In January and February, prices were boosted by hikes in federal excise taxes and postal rates and by the passthrough of the energy price increases in 1990 to a wide range of goods and services. With no further increases in these federal charges and the reversal of energy prices beginning to show through to other items, the CPI excluding food and energy rose much more slowly over the three months ended in May. On balance, over the first five months of 1991, this portion of the CPI increased a bit more than 5 percent at an annual rate, about ½ percentage point below the trend rate of increase as of last summer. In part, the recent headway made on inflation reflects the reduction in labor-cost pressures that accompanied the rise in unemployment. As measured by the employment cost index, compensation per hour increased at an average annual rate of 4¼ percent over the second half of 1990 and the first quarter of this year, compared with the 5¼ percent (annual rate) rise over the first half of 1990.

The Household Sector

Consumer spending was an area of notable weakness last fall and early this year, largely in response to a substantial decline in real income; purchasing power was cut initially by the jump in oil prices, but it continued to fall even after oil prices were in retreat, reflecting the ongoing declines in employment. Real consumer outlays dropped sharply between September and January; the monthly pattern of spending was distorted to a degree by tax changes that caused some households to shift purchases from early 1991 into late 1990. All told, real consumer spending fell at a 1½ percent annual rate in the first quarter, after a 3½ percent (annual rate) decline in the fourth quarter of 1990. However, in February, real income turned up and consumer confidence rebounded late in the month with the end of the Gulf war; both developments bolstered consumer spending. As a result of the spending gains that began in February, the average level of outlays in April and May stood considerably above the first-quarter average.

Among the major components of consumer spending, outlays for motor vehicles and other durable goods were cut back sharply as the recession unfolded. Indeed, between the third quarter of 1990 and the first quarter of this year, real consumer outlays for motor vehicles fell at a 23 percent annual rate; the resulting level of such outlays in the first quarter was the lowest recorded since 1984. Substantial cuts also were made in purchases of nondurable goods. In contrast, consumer outlays for services trended up at a pace only slightly below that registered during the first three quarters of 1990. Since the January trough in total consumer outlays, purchases of both durable and nondurable goods have turned up. In particular, as of May, real consumer purchases of motor vehicles had risen about 8 percent from the depressed January level; separate data on unit sales of new cars and light trucks suggest that further gains were registered in June.

During late 1990 and early this year, total consumer outlays fell more sharply than they had in most previous postwar recessions. The steepness of the drop this time mainly reflects the unusual weakness in several components of income out of which the propensity to consume is high. Most important, nominal wages and salaries fell more during this recession than would have been expected given the magnitude of the decline in nominal GNP, as firms moved aggressively to control costs by trimming payrolls. In addition, because the percentage of unemployed persons receiving unemployment insurance benefits declined during the 1980s, total payments to job losers were less than during earlier downturns. The weakness in these components of nominal income was compounded, in real terms, by the spurt in energy prices.

Although consumers cut back spending, they cushioned some of the effect of weak income by reducing their savings. After averaging about 5 percent over the first half of 1990, the personal saving rate dropped to 4.2 percent in the third quarter and remained at that level through the first quarter of this year. The decline in the saving rate occurred despite some deterioration, on net, in wealth positions during the second half of 1990, which reflected the softening of house prices and losses in the stock market. The average level of the saving rate dropped another notch in the spring, to about 3¾ percent. The bounceback in the stock market and the improvement in confidence may have contributed to the decline in saving, but the explanation also could involve the reduction in personal interest income associated with the lowering of short-term interest rates between last fall and this spring. Historically, consumer spending has been rather insensitive to movements in interest income, so that a decline in such income causes the saving rate to fall in the short run. That said, the saving rate is now at the lowest level since late 1987, and it would not be surprising if, in the near term, gains in consumer spending lagged increases in income as households worked to rebuild net worth.

The recession placed some strains on household finances, as indicated by the increase in delinquency rates for all types of consumer loans during the first quarter. By far the sharpest rise was for credit card debt; in fact, the first-quarter delinquency rate was close to the highest on record. This jump partly reflects the relaxation of credit standards by major card issuers in recent years; at the same time, relatively low risk borrowers who have access to home equity lines of credit evidently have reduced their reliance on credit cards. Because of the resulting deterioration in the quality of the pool of credit card users, the rise in delinquencies for this type of debt probably overstates the degree of stress in the household sector as a whole. For other types of consumer loans, the first-quarter delinquency rates were not out of line with those typically seen during recessions, despite the currently high level of debt relative to disposable income. Apparently, the rise in asset values during the 1980s left most households with sufficient wherewithal to cover the expanded level of debt. Thus, although the recession has weakened the financial position of the household sector, the situation does not appear worse than that at the end of other downturns.

Residential construction activity, which had been trending lower since 1986, slumped further in the second half of 1990. However, the market for single-family homes bottomed out in January of this year and has staged a mild recovery since then, spurred by a firming of demand. Several factors account for the pickup in demand, including the decline in home prices to more affordable levels in a number of markets, improved prospects for employment and income, and some reduction in mortgage rates from those prevailing in the middle of last year. Recent survey results show a more favorable attitude toward homebuying among consumers than at any other time since 1988. Reflecting this shift in sentiment, sales of existing homes have risen substantially from their low in January. Although sales of new homes have been less impressive, the higher level prevailing since February has reduced considerably the inventory of unsold new homes relative to sales; in response, home builders have boosted production to satisfy consumer demand. Despite continued lender caution about granting land-acquisition and construction loans, the quantity of financing available appears sufficient, on balance, to support a further recovery in this sector.

In contrast, the market for multifamily housing has continued to weaken this year. Starts in May were at the lowest monthly level since the 1950s. Moreover, even with the greatly reduced pace of new construction in recent years, the vacancy rate for multifamily units has remained exceptionally high. Given current conditions in the market, both lenders and potential investors recognize that the number of viable projects is quite limited.

The Business Sector

During the latter part of 1990 and the first quarter of this year, the business sector experienced considerable stress. Demand for business output was depressed both by the loss of domestic purchasing power and by the enormous uncertainties created by the situation in the Persian Gulf. In response to the slump in demand, industrial production turned downward last October; it continued to fall through March. In most industries, the combination of plummeting sales and rising energy prices caused profit margins, which were already slim, to shrink further during the second half of 1990. In the first quarter of 1991, before-tax profits from current operations of U.S. corporations edged down from the low fourth-quarter level.

An unusual feature of the recent recession was the speed with which producers cut output to avoid a buildup of inventories. The promptness of this adjustment likely reflected a combination of factors. The downturn in final demand was widely anticipated, and some producers cut output preemptively rather than risk being saddled with excessive stocks. In addition, improved systems for monitoring and controlling inventories, which have been installed in recent years, enabled firms to react quickly to signs of slowing demand. Further, the relatively heavy debt burdens in the corporate sector created substantial financial pressures for many firms and focused attention on the need to cut costs.

Accordingly, inventories were run off at a rapid clip beginning late last summer. Automakers slashed production and inventories particularly aggressively; domestic output of motor vehicles in the first quarter of 1991 was nearly 30 percent below that in the third quarter of 1990. The resulting drawdown of inventories at auto dealers accounted for fully one-half of the total liquidation of nonfarm stocks during the fourth quarter and the first quarter. Despite production cutbacks by the automakers and other producers, the inventory-to-sales ratio for total manufacturing and trade moved up through January. However, by May, the ratio had retraced most of the run-up that began with the onset of the recession, reflecting the continued liquidation of stocks and an upturn in sales.

Inventories in most industries appear now to be reasonably well aligned with sales, and output has begun to rise with the expansion of final demand. After reaching a trough in March, industrial production expanded over the next three months at an annual rate of more than 7 percent; although stronger output of motor vehicles and parts accounted for most of the increase early in the second quarter, the gains in recent months have been more widespread. Orders for a range of manufactured goods firmed in April and May, pointing to a further pickup in production during the summer.

Business spending for fixed investment was flat in real terms during the fourth quarter of last year and dropped sharply during the first quarter of this year. Several factors worked to reduce outlays, including the easing of pressures on capacity, the diminished level of cash flow, and the general atmosphere of uncertainty related to events in the Persian Gulf. Real spending for equipment plunged during the first quarter; measured in percentage terms, the decline was the sharpest quarterly falloff recorded in nearly eleven years. Reflecting the difficulties in the manufacturing sector, real spending for industrial equipment dropped at an annual rate of more than 20 percent, after smaller declines during the preceding five quarters. Real business outlays for motor vehicles were cut at nearly a 35 percent annual rate in the first quarter, sinking to the lowest level since mid-1983. Purchases of computers and other information-processing equipment also were scaled back during the first quarter, and outlays for aircraft edged down, after jumping 60 percent over the preceding year.

The pace of nonresidential construction fell substantially during the fourth quarter of 1990 and the first quarter of 1991. The decline was broad-based, with the steepest contraction for office and other commercial buildings. Activity in this sector actually peaked in 1985 and has trended lower since then in response to persistently high vacancy rates and the removal of important tax benefits. In the industrial sector, the rate of plant construction has been damped by the emergence of substantial excess capacity in a number of major industries. Petroleum drilling activity, which moved up a bit late last year, retreated during the first quarter with the price declines for crude oil and natural gas; data on drilling rigs in use indicate a further weakening of activity during the second quarter.

Business spending for new equipment typically does not turn up until several months after the end of a recession, and the lag for construction outlays is often substantially longer. As yet, there is little sign of a rebound in spending for either equipment or nonresidential structures. Nonetheless, shipments of industrial equipment and other nondefense capital goods—a coincident indicator of equipment spending—have stabilized in recent months. Similarly, although vacancy rates for commercial buildings remain high, the steepest declines in total nonresidential construction activity may be over; in April and May, the average level of activity was about unchanged from the first-quarter average, and the downtrend in forward-looking indicators, such as construction contracts and permits, has slowed considerably.

The Government Sector

The federal budget deficit over the first eight months of fiscal year 1991 was $175 billion, compared with a $151 billion deficit during the same part of fiscal year 1990. The deficit during the current fiscal year has been boosted considerably by the slowdown in economic activity, and this cyclical increase has masked the fiscal restraint imposed by last autumn's budget agreement. On the revenue side, federal tax receipts have been held down by the anemic growth of nominal income since last fall; indeed, personal income tax payments so far this fiscal year are little changed from the payments made during the same period a year earlier. The slowdown in activity also has raised the deficit by increasing outlays for income-support programs such as unemployment insurance, food stamps, and Medicaid. These effects of the contraction have been offset, to some degree, by the easing of short-term interest rates, which has restrained the growth of interest payments on the federal debt.

Although the deficit has increased during the current fiscal year, the increase has been far smaller than that projected roughly six months ago. At that time, the Administration and the Congressional Budget Office both estimated that the deficit for fiscal year 1991 would top $300 billion. Two developments have caused the 1991 deficit to be lower than was expected, though neither one indicates any fundamental improvement in the budget situation. First, cash contributions from our allies in Operation Desert Storm have exceeded the outlays made to date for U.S. involvement in the Persian Gulf. The contributions not yet spent will be used to pay for the replacement of munitions into fiscal 1992 and beyond. Second, federal outlays related to deposit insurance were well below expectations during the first quarter, mainly reflecting the slow pace at which insolvent thrift institutions were resolved. The activities of the RTC during that period apparently were hindered, in part, by a lack of funding; legislation providing additional funding was enacted in late March, and the RTC has scheduled more rapid resolutions over the rest of the year.

Federal purchases of goods and services, the part of federal spending that is included directly in GNP, rose 5¼ percent in real terms over the four quarters of 1990. This increase reflected the fourth-quarter rise in defense purchases to support operations in the Persian Gulf, as well as increases over the year in such nondefense programs as law enforcement, space exploration, and health research. In the first quarter of 1991, real defense purchases moved above the already high fourth-quarter level, while nondefense purchases fell somewhat on net, pushed down by sales of oil from the Strategic Petroleum Reserve. Over the rest of 1991, fiscal policy likely will be a restraining influence on the economy because of the spending limits and tax increases mandated by last fall's budget agreement.

The fiscal position of state and local governments has remained extremely weak in recent quarters. The deficit in operating and capital accounts (that is, the deficit excluding social insurance funds) stood above $40 billion at an annual rate in both the fourth quarter of 1990 and the first quarter of 1991, after holding at a $30 billion rate for a year. The recent increase in the state and local deficit reflects, for the most part, a cyclical shortfall in tax receipts. However, this cyclical effect overlays structural imbalances that have been growing for some time. Since mid-1986, when the sector's accounts (excluding social insurance) were roughly in balance, outlays have risen from about 13½ percent of nominal GNP to 14½ percent while revenues have held fairly steady relative to GNP. The rise in the spending share reflects an expansion of services largely related to rapid growth in public school enrollments, prison populations, and Medicaid expenses.

During the past year, state and local governments moved to address their mounting fiscal difficulties. Many governments trimmed outlays relative to earlier trends. Between the first quarter of 1990 and the first quarter of 1991, real purchases by state and local governments rose only about 1 percent, well below the 3½ percent annual rate of increase averaged over 1985–89. Moreover, last year several states instituted broad-based hikes in personal income and sales taxes. Looking ahead, state budgets for fiscal year 1992—which began on July 1 for all but four states—generally mandate significant further cost-cutting from earlier plans. On balance, these budgets point to a weak picture for real state and local purchases over the current calendar year. Supplementing this restraint on spending, many new budgets include a second wave of major tax increases.

The External Sector

Over the first half of 1991, the foreign exchange value of the dollar appreciated about 15 percent, on balance, in terms of the currencies of the other

Group of Ten (G-10) countries. The net appreciation over this period reversed about two-thirds of the decline in the dollar that had occurred between the middle of 1989 and the end of 1990.

In early January, the dollar was boosted by investors seeking a safe haven against the backdrop of growing tensions in the Persian Gulf. However, once the Allied bombing campaign commenced and was perceived as going well, part of the safe-haven demand for dollars evaporated, and the currency resumed its earlier decline. Between mid-January and early February, the dollar fell about 4 percent against the currencies of the other G-10 countries. During this period, U.S. monetary authorities joined with foreign central banks to support the dollar. Subsequently, the dollar surged through the end of March, largely reflecting the quick end of the war and the resulting expectation of an early rebound in the U.S. economy. The sharp run-up prompted official sales of dollars during March and April, mainly by European authorities. After dropping back a bit, the value of the dollar rose again in June on the accumulation of evidence suggesting that the U.S. recession had ended.

On a bilateral basis, the dollar this year has appreciated about 20 percent against the German mark and by similar amounts against the European currencies associated with the mark. The weakness of these currencies partly reflects economic difficulties in Germany and the spillover effects of the turmoil in the Soviet Union and Yugoslavia. In contrast, the dollar has appreciated much less against the currencies of most of our other major trading partners. So far this year, the dollar has risen less than 5 percent, on balance, against the Japanese yen and has changed even less against the currencies of Canada, Korea, Singapore, and Taiwan.

The overall strengthening of the dollar this year has acted to restrain prices for non-oil imports. Over the first quarter of 1991, these prices rose at a 2½ percent annual rate, less than half the rate of increase between June and December of 1990; non-oil import prices then fell during April and May, more than reversing the entire first-quarter rise. The price of imported oil, which surged between August and October of last year, has since retraced most of the rise induced by the Iraqi invasion of Kuwait. Taken together, these two developments have contributed significantly to the restraint on domestic inflation.

Real merchandise imports declined in the first quarter to a level about 5 percent below that in the third quarter of 1990, with the drop largely reflecting the weakness in domestic demand. Import volumes fell in the first quarter for a wide range of non-oil products, including consumer goods, motor vehicles, and industrial supplies. Preliminary data for April show some increase in non-oil imports, a pattern that is likely to continue with the apparent firming of domestic activity. The quantity of oil imports – which plunged after the spurt in oil prices last summer and remained relatively low early this year – has moved back up in recent months, reflecting efforts to rebuild U.S. petroleum inventories.

Merchandise exports continued to move higher through the spring, a factor that clearly tempered the output loss in manufacturing after the oil shock last year. In real terms, merchandise exports rose at a 10 percent annual rate between the third quarter of 1990 and the first quarter of this year, led by increased sales of computers, other capital goods, and industrial materials. Preliminary data indicate that merchandise exports rose again in April. The competitive position of U.S. companies has benefited, at least until quite recently, from the substantial drop in the dollar over 1990 and the latter part of 1989. However, recessions in the economies of some of our major trading partners, especially Canada and the United Kingdom, have offset part of the stimulus to U.S. exports provided by the rapid economic growth in such countries as Germany, Japan, and Mexico.

The merchandise trade deficit narrowed to $74 billion (at an annual rate) in the first quarter of 1991, compared with $111 billion in the fourth quarter of 1990; the first-quarter deficit was the smallest since mid-1983. The current account actually recorded a $41 billion (annual rate) surplus in the first quarter, a sharp improvement over the $94 billion deficit in the fourth quarter of 1990. Most of this improvement reflected unilateral transfers associated with Operation Desert Storm: The fourth-quarter deficit was boosted by a grant from the U.S. government to Egypt for the purpose of repaying outstanding loans, while cash payments to the United States from our coalition partners surged in the first quarter. Excluding these cash contributions and the special grant to Egypt, the current account moved from a deficit of $83 billion in the fourth quarter to a deficit of $50 billion in the first quarter.

A small net capital inflow was recorded in the first quarter of 1991, as an increase in foreign official holdings of reserve assets in the United States more than offset a net outflow of private capital. Within the private-sector accounts, there was a substantial capital outflow in the first quarter associated with U.S. direct investment abroad, the bulk of which was in the countries of the European Community; at the same time, capital inflows related to foreign direct investment in the United States fell to a low level. Increasingly, multinational firms have raised funds in the United States to finance direct investment here and elsewhere, taking advantage of the low U.S. interest rates relative to those in other industrial nations. With regard to other private transactions, banks reported a small net capital inflow in the first quarter, and net purchases of U.S. securities by private foreigners about matched U.S. net purchases of foreign securities.

The net capital inflow during the first quarter, when combined with the surplus on current account, implies a large negative statistical discrepancy in the international accounts. Nearly as large a discrepancy in the opposite direction was registered in the fourth quarter of last year. These wide swings in the statistical discrepancy, along with the huge size of the discrepancy for 1990 as a whole, cast doubt on the accuracy of both the capital account and current account data used in the U.S. international accounts and highlight the need to improve these data.

Labor Markets

Labor demand appears to have stabilized after contracting sharply during the latter part of 1990 and the early part of this year. Employment on private nonfarm payrolls peaked last June, edged lower through September, and then fell substantially in each month from October through April. However, the most recent data show that payrolls expanded slightly on balance over May and June, and survey results suggest that firms intend to increase employment further in the third quarter.

The cumulative decline in private nonfarm employment through April was slightly more than 1½ million jobs, roughly a 1.7 percent drop. Although that percentage decline is close to the average in the other recessions after World War II, three industries had abnormally large job losses: construction; retail and wholesale trade; and finance, insurance, and real estate. The steep decline in construction employment likely reflected the unusually sharp falloff in office and other commercial construction, which compounded the normal cyclical contraction in residential building. In the trade sector, employment was depressed by the sizable decline in consumer spending and the high degree of financial distress among retailers, some of whom were burdened with heavy debt-servicing costs as a result of leveraged buyouts. Employment in finance, insurance, and real estate—which continued to rise during past recessions—edged lower this time, reflecting the shakeout in the financial sector and spillovers from the slump in real estate markets. In contrast, the decline in manufacturing payrolls was somewhat smaller than in previous contractions, largely because the drop in industrial production was relatively shallow. Employment in the services industries continued to trend up during late 1990 and early 1991, as it had in previous recessions, supported entirely by gains in health services.

Although the size of the drop in private nonfarm payroll employment was similar to that in previous contractions, the decline in real GNP during the current episode was relatively small. This contrast confirms the widespread impression that firms shed workers to an unusual degree during the recent downturn. At the same time, the rise in the civilian unemployment rate from 5.5 percent in July 1990 to 7 percent this June was not particularly large relative to the decline in real GNP. Apparently, an unusual proportion of people who lost jobs subsequently dropped out of the labor force and thus were no longer counted as unemployed. In addition, the muted rise in unemployment and labor-force size during recent quarters may be part of a longer-term deceleration in the rate at which women—especially younger women—have entered the labor market. For this latter group, there has been a shift toward additional school attendance and toward staying at home to care for young children. By reducing the number of new job seekers at a time when jobs were quite hard to find, this shift held down the rate of unemployment.

A variety of indicators suggest that labor demand has stabilized in recent months. Perhaps the earliest signal of this improvement was provided by the data on initial claims, which peaked at a weekly rate of 535,000 in March and then dropped back to about 470,000 in April; the pace of weekly claims has since moved considerably lower. Employment on private nonfarm payrolls rose in May, the first increase since the middle of 1990. Although part of this gain was reversed in June, firms continued to lengthen the average workweek of their employees. This pattern of cautious hiring combined with an extension of the workweek is common in the early stage of a recovery; given the expenses associated with hiring and firing, such a strategy is a natural response to uncertainty about the strength and duration of the pickup in demand. A separate measure of employment, derived from a survey of households, also suggests that labor demand has stabilized; the number of persons reporting themselves as employed was about flat, on balance, over the second quarter, after falling sharply over the three preceding quarters. Although the civilian unemployment rate did continue to inch up over the second quarter, this increase is not too surprising, as the jobless rate often increases during the first several months of a recovery. With the brightening of employment prospects, job seekers enter the labor force at an increasing rate, raising unemployment until hiring accelerates enough to outstrip the growth in labor supply.

The slack opened up in labor markets since last summer has helped damp the rate of increase in labor costs, which had trended higher between the end of 1987 and the middle of 1990. As indicated by the employment cost index (ECI), increases in compensation per hour for private industry workers accelerated from 3¼ percent during 1987 to about a 5¼ percent annual rate during the first half of 1990; this measure of labor costs covers both wages and payments for worker benefits. The most recent ECI data show that compensation costs rose at an average annual rate of 4¼ percent over the second half of 1990 and the first quarter of 1991, a full percentage point below the peak rate recorded early last year. Although this slowing of labor-cost inflation was apparent in both wages and benefits, the latter component of compensation decelerated the most sharply, reflecting declines in nonproduction bonuses and pension contributions per hour of work. However, employer costs for insurance, mainly for health insurance premiums, continued to rise at close to double-digit rates.

Output per hour in the nonfarm business sector was essentially flat, on balance, over the year ended in the first quarter of 1991, after declining during 1989 and the early part of 1990. This pattern differed somewhat from the usual cyclical experience. Typically, productivity continues to rise until shortly before the business-cycle peak, then turns down and falls sharply through the early part of the ensuing recession. Productivity during this episode declined well before the cyclical peak last summer, as output growth slowed, and firms continued to hire at a relatively rapid pace. However, as demand softened at the peak, firms began to trim payrolls, and this pruning continued in an aggressive fashion through the recession; as a result, output per hour was better maintained during the 1990–91 contraction than during previous downturns. In manufacturing, where competitive pressures have been particularly intense, the process of cutting payrolls began well before the onset of recession, and this early action allowed productivity gains to remain robust over the year leading up to the contraction. Although productivity in manufacturing turned down during the recession, the continued cutting of factory jobs kept the drop in output per hour relatively small by historical standards.

Price Developments

Inflation pressures have eased somewhat this year. Most of last year's spike in energy prices has been retraced, and the rate of increase in food prices has slowed. In addition, the margin of slack in labor and product markets that emerged during the recession is placing downward pressure on price increases for other goods and services; this trend toward slower "core" inflation, however, was obscured early in the year by a number of price increases that either were one-time events or have since been reversed.

The Iraqi invasion of Kuwait last August precipitated a sharp rise in oil prices that carried through to early October. At that point, the posted price of West Texas Intermediate oil, the benchmark for U.S. crude prices, reached nearly $40 per barrel, more than double the $16 price prevailing just three months earlier. Then, between October and February, virtually all of this price spike unwound, chiefly as a result of two developments. Saudi Arabia and other oil producers boosted output to offset the embargo on Iraq and Kuwait, and the Allied forces demonstrated that they could prevent significant disruptions to supply. In addition, prices were damped by the slowdown in economic activity in the United States and other industrial nations. After the end of hostilities in February, OPEC sought to bolster prices by trimming production. This effort proved to be largely successful: The posted price of West Texas Intermediate firmed to $20 per barrel in April and has changed little on balance since then.

Energy prices for consumers have followed the movements in world oil prices since last summer. The CPI for energy peaked in November 1990 at a level 15 percent above that in July and then fell sharply through the first quarter of this year. By April, the decline in crude oil prices had been fully passed through to energy prices at the retail level. In May, consumer energy prices edged back up, mainly reflecting price increases for gasoline, the largest component of the CPI for energy. Gasoline demand this spring apparently was stronger than refiners had expected, and inventories fell to exceptionally low levels. Along with the tight inventory situation, retail gasoline prices may have been boosted by the mandatory switch to cleaner – and more expensive – gasoline before the summer driving season. However, as of early June, gasoline inventories had moved back into the normal seasonal range, and survey data suggest that pump prices softened during the second half of June and into early July.

Increases in consumer food prices this year have slowed from the 5¼ to 5½ percent range that prevailed over the preceding three years. During the first five months of 1991, the CPI for food rose at only a 3¼ percent annual rate, held down in large part by price declines for dairy products and by roughly stable prices on balance for meat, poultry, and eggs. Following the typical pattern in agricultural cycles, prices for these livestock products have been damped by an expansion of supply that was itself spurred by the relatively high prices of recent years. In addition, price increases have been muted for many foods for which labor and other nonfarm inputs represent a large share of total cost. For example, the prices of food consumed away from home rose at a 3¼ percent annual rate over the first five months of 1991, down from the 4½ percent increases over 1989 and 1990. The deceleration in food prices this year would have been somewhat greater but for a series of adverse weather developments that have raised prices for fresh fruits and vegetables; given the short production cycles for many of these products, the recent price increases should be reversed, at least in part, in coming months.

The consumer price index for items other than food and energy rose sharply during January and February, but the jumps in those months reflected a number of one-time or transitory increases. Higher federal excise taxes on cigarettes and alcoholic beverages went into effect, raising consumer prices for both items; these tax hikes supplemented the increases in sales and excise taxes that a number of states have imposed over the past year. Postal rates also were raised 16 percent in February. Apparel prices climbed at double-digit annual rates in both January and February, mainly because of the earlier-than-usual introduction of spring clothing lines, which was not anticipated by the seasonal adjustment factors used by the Bureau of Labor Statistics. More generally, the spurt in oil prices last fall spilled over through early 1991 to prices for a wide range of non-energy goods and services; this pass-through occurred via higher shipping costs and price hikes for petroleum-based components. However, each of these factors boosting inflation proved to be short-lived. After the large increases in January and February, the CPI excluding food and energy rose at just a 2¼ percent annual rate between February and May. Apparel prices declined over this period, and airfares – which are quite sensitive to changes in oil prices – fell 10 percent (not an annual rate).

The uneven pace of inflation this year has tended to obscure trends in the general level of retail prices. Nonetheless, there is little doubt that the underlying pace of inflation has moderated since last year. The twelve-month change in the CPI excluding food and energy – which held around 4½ percent throughout 1988, 1989, and the early part of 1990 – moved up to about 5½ percent in August 1990. By May of this year, the twelve-month change in this index had fallen back to 5.1 percent. This figure slightly overstates the trend rate of inflation because it includes the increases in federal excise taxes and postal rates earlier this year; in addition, the pass-through of lower energy prices to non-energy items probably was not complete as of May. Adjusting for both these factors would put the twelve-month change in the CPI excluding food and energy a bit below 5 percent.

Price developments at earlier stages of processing have been favorable this year, reflecting the easing of capacity pressures and price declines for petrochemical products. The producer price index for finished goods excluding food and energy rose at a 3¼ percent annual rate over the first six months of 1991, a bit below the pace in 1990. Prices for intermediate materials excluding food and energy fell about 1½ percent at an annual rate between December and June. Spot prices of raw industrial commodities plunged late last year with the downturn in economic activity, and these prices moved down somewhat further on balance over the first half of 1991.

MONETARY AND FINANCIAL DEVELOPMENTS DURING THE FIRST HALF OF 1991

The progressive easing of money market conditions initiated last fall as the economy weakened continued through much of the first half of 1991. Since the end of last year, open market operations, in combination with two cuts of ½ percentage point in the discount rate, have reduced the federal funds rate from 7 percent to 5¾ percent—the lowest level in well over a decade. These moves followed a number of easings in the final months of 1990, including a ½ point reduction in the discount rate in December, that already had brought the federal funds rate down about 1 percentage point. As a consequence of these and earlier actions, the federal funds rate has declined 4 percentage points from its most recent peak in the spring of 1989.

The policy easings this year were undertaken to foster a turnaround in the economy and to help ensure a satisfactory expansion. They were prompted by evidence that the economy was declining further and that inflationary pressures were abating; early in the year, continuing weakness in the monetary aggregates and further restraint on credit availability, especially at banks, also were important indications of the need for additional policy easing. Policy actions led to a strengthening of money growth over the first half from the slow pace of earlier quarters, and both M2 and M3 in June were in the middle portions of their annual target ranges. The debt aggregate, by contrast, expanded at the lower end of its monitoring range throughout the first half, held down by sluggish spending and also by a cautious attitude toward additional debt by both borrowers and lenders. As the monetary aggregates accelerated and signs accumulated that the economy was bottoming out, the pace of policy easings slowed, and the last such move was made at the end of April.

Despite the drop in short-term interest rates, long-term rates were mixed, on balance, over the first half of the year. In the wake of the rapid conclusion of the Gulf war, expectations became widespread that there would be a strengthening in aggregate demand, and this tended to push yields on Treasury bonds a little higher and contributed to an increase in the foreign exchange value of the dollar. With the brighter outlook for the economy, however, the risk entailed in holding private obligations was seen as considerably reduced, and yields on corporate bonds fell and stock prices rose. However, substantial loan losses continued to afflict many financial intermediaries, and these institutions maintained cautious attitudes toward extending new loans; the caution was reflected in wide spreads of lending rates over borrowing rates and more stringent nonprice terms on credit.

Implementation of Monetary Policy

The Federal Reserve adjusted policy in three separate steps during the first quarter of the year, extending the series of moves initiated during the final months of 1990. Amid signs of continuing steep declines in economic activity and abating inflation pressures, the Federal Reserve eased reserve provision through open market operations in January and again in early March, leading to a decline in the federal funds rate of a quarter point each time, and reduced the discount rate ½ percentage point on February 1, resulting in a similar-sized decline in the federal funds rate.[2] The monetary aggregates were very weak in January, and while strengthening considerably in February and early March, remained on a moderate growth track, especially taking into consideration the lack of expansion late in 1990.

2. The federal funds rate came under some upward pressure during much of January, as reduced levels of required reserve balances at Federal Reserve Banks complicated commercial banks' reserve management. Required reserves were low partly because of the effects of the cut in reserve requirements on nonpersonal deposits in December and partly because of seasonal variations. For some banks, balances held in accounts at Reserve

3. Growth of money and debt

Percent

Period	M1	M2	M3	Debt of domestic nonfinancial sector
Annually, fourth quarter to fourth quarter [1]				
1980	7.4	8.9	9.5	9.4
1981	5.4 (2.5[2])	9.3	12.3	10.1
1982	8.8	9.1	9.9	9.1
1983	10.4	12.2	9.8	11.1
1984	5.4	8.0	10.7	14.2
1985	12.0	8.7	7.6	13.1
1986	15.5	9.2	9.0	13.2
1987	6.3	4.3	5.8	9.7
1988	4.2	5.2	6.3	9.2
1989	.6	4.7	3.6	7.7
1990	4.2	3.8	1.7	6.7
Semiannually (annual rate) [3]				
1991	6.7	4.0	2.9	4.5[e]
Quarterly (annual rate) [4]				
1991: 1	5.9	3.4	4.0	4.8
2	7.4	4.6	1.8	4.2[e]

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.
2. Adjusted for shift to NOW accounts in 1981.
3. From average for fourth quarter of 1990 to average for second quarter of 1991.
4. From average for preceding quarter to average for quarter indicated.
e Partially estimated.

Other short-term rates generally fell about a percentage point over this period. The commercial bank prime loan rate was reduced ½ percentage point in early January in lagged response to earlier declines in short-term rates. The drop apparently had been delayed as banks attempted to hold down loan growth as 1990 drew to a close, bolstering their capital positions in response to market concerns and the initial phase-in of risk-based capital requirements. The prime rate was reduced again after the cut in the discount rate in early February.

Longer-term rates also fell, on balance, over the first two months of the year, under the influence of monetary easings and prospects for lower inflation, especially when it became clear that the Gulf war would not interrupt oil supplies. Initial success in the Persian Gulf also led briefly to weakness of the dollar in foreign exchange markets, as safe-haven demands that had been boosting its value since late 1990, in the face of a substantial easing of U.S. monetary policy, evaporated.

In March, however, long-term market rates began to firm, reflecting the rebound in consumer confidence and initial indications of a turnaround in the housing market, which were seen as pointing to a somewhat shorter and milder recession than many had previously feared. Rate increases on private instruments were muted, though, as risk premiums began to shrink in response to brightening prospects for a recovery. These gains extended even to below-investment-grade bonds, and growing optimism was reflected as well in a strong stock market in February and into March. The debt and equity instruments of banks generally outperformed broader indexes over this period, as the market apparently expected banks' earnings to be bolstered by lower short-term interest rates and the deterioration in the quality of their loan portfolios to be limited as the anticipated economic recovery materialized. Better prospects for a U.S. economic recovery about coincided with a turn toward more pessimism about the economic outlook abroad. As a result, the exchange value of the dollar reversed, and the dollar began to appreciate sharply.

In the wake of the successful Gulf war and in view of initial signs that the System's earlier easing actions had begun to take hold, the FOMC concluded at its meeting in late March that the risks to the economy had become more evenly balanced. Accordingly, the Committee decided to end the formal tilt toward ease that it had adopted in mid-1990, when slowing money growth and tightening credit availability

Banks threatened to fall below prudent clearing levels. To avoid overnight overdrafts, banks markedly raised holdings of excess reserves and borrowed sporadically at the discount window. But with maintained balances still low relative to clearing needs, the volatility of the federal funds rate increased. As banks became more accustomed to operating with lower levels of required reserves and as these reserves subsequently rose for seasonal reasons, reserve management problems eased, and the volatility of the federal funds rate diminished. The upward pressures on the funds rate in January did not show through to other short-term rates.

aroused concerns that financial conditions might be placing greater-than-anticipated restraint on economic activity. Under the previous instructions, the FOMC's directive to the domestic trading desk at the Federal Reserve Bank of New York had stipulated that possible adjustments to reserve pressures between Committee meetings would be more responsive to unanticipated signs of economic weakness and abating price pressures than to unexpected evidence of strength. The directive issued at the March meeting restored symmetry to these instructions concerning intermeeting adjustments.

Interest rates generally declined during April, mainly at the short end, reflecting market participants' disappointment that the response to earlier monetary easings and to the rebound in consumer confidence they had expected had yet to show through in measures of economic activity. At the same time, with evidence also continuing to point to a further abatement of inflation, particularly as reflected in wage behavior, the Federal Reserve at the end of April reduced the discount rate another ½ percentage point, allowing about half that amount to show through to money market rates. As was the case in February, this action was followed by a ½ percentage point decline in the bank prime rate. Despite further monetary ease, the dollar continued to rally on foreign exchange markets, in part boosted by political developments abroad, particularly in the Soviet Union, and potential economic difficulties in Germany.

Market interest rates were little changed until early June, when they rose in response to the release of data on employment and retail sales for May that strongly suggested the trough of the recession had been reached, or at least was close at hand. The ensuing rise in interest rates was particularly sharp at the long end of the Treasury market. As signs of the recovery grew more distinct and interest rates firmed, the dollar strengthened further, and by June it had retraced all its declines of late 1990 and early 1991. On balance, Treasury bond yields rose almost ¼ percentage point over the first half of 1991, while yields on investment-grade corporates were down close to ½ percentage point.

Monetary and Credit Flows

Despite the continuing weakness in economic activity, expansion of the monetary aggregates in the first half of 1991 picked up from the lackluster pace of late 1990, and M2 and M3 grew at annual rates of 3¾ and 2¼ percent respectively, from the fourth quarter of last year through June. M2 growth increased as policy actions reduced short-term market interest rates relative to returns that could be earned on assets in this aggregate (a decline in the "opportunity cost" of holding M2). As a consequence, expansion of M2 exceeded the growth of nominal GNP. However, the growth in M2 (and decline in its velocity) was smaller than would have been expected on the basis of past relationships with income, interest rates, and opportunity costs. This shortfall of M2 growth from historical patterns followed an even greater discrepancy in 1990.

The tepid response of M2 to declines in interest rates may partly reflect reduced funding needs at depositories associated with weak credit growth. As discussed below, commercial bank credit expanded sluggishly over the first half of 1991, and thrift institution balance sheets continued to contract. In these circumstances, depositories may well have been less aggressive in supplying retail deposits; although rates on these deposits do not appear on the surface to have fallen unusually rapidly, institutions may have acted in other ways to reduce the cost of funds, including adjusting advertising and marketing strategies. On the demand side, growth in M2 appears to have been held down early in the year by the public's concerns about depository institutions; purchases of Treasury securities through noncompetitive tenders were especially heavy in January. As the turnaround in the economy seemed in prospect, bank access to both deposit and capital markets improved greatly. Later, in the second quarter, a slowdown in M2 growth appeared to be partly related to the developing configuration of returns on assets. Maturing small time deposits could be rolled over only at much lower rates at the same time the steep upward slope of the yield curve seemed to offer an opportunity to preserve high yields by moving into capital market instruments. For example, expansion of stock and bond mutual funds was quite strong over the second quarter. In addition, with returns on M2 assets falling steeply relative to rates charged on loans, households had a greater incentive to finance spending by holding down the accumulation of M2 assets rather than by taking on new debt.

The decline in market interest rates also promoted a marked shift in the composition of M2 toward its liquid household deposit components – other checkable deposits, money market deposit accounts, and savings deposits. As is typically the case, offering rates on these deposits adjusted very slowly to the drop in market rates. As their opportunity costs declined, these deposits accelerated, expanding at double-digit rates over the first half. Small time deposits, by contrast, contracted over the period as some of the proceeds of maturing instruments evidently were shifted into liquid components of M2 and depositors hesitated to commit currently generated savings at available time deposit rates. The strength in other checkable deposits contributed to a strong first-half advance in M1. In the first quarter, this aggregate also was boosted by a surge in currency stemming from rising demand abroad, particularly the Middle East. Reflecting the strength in currency and in other checkable deposits, the monetary base expanded over the first half at an 8½ percent annual rate, more than twice the pace of M2.

Growth of M3 over the first half of 1991 was concentrated in the early months of the year, when it received a considerable boost from heavy issuance of large time deposits by U.S. branches and agencies of foreign banks. The issuance of these "Yankee CDs" resulted from the reduction in December of the reserve requirement on nonpersonal time deposits and net Eurocurrency deposits from 3 percent to zero. Previously, branches and agencies had been able to borrow a limited volume of funds from their head offices without becoming subject to reserve requirements. With Yankee CDs apparently an inherently cheaper source of funds, institutions that had been able to fund additional asset expansion through reserve-free borrowing from their head offices began to pay down these advances with funds raised in the CD market. Some foreign banks also tapped the CD market to advance funds to affiliates abroad and to pay down other nondeposit liabilities. Domestic banks and thrift institutions, in contrast, ran off large time deposits in the first quarter as core deposit inflows were more than adequate to fund asset growth. The strength of M3 in the first quarter also reflected strong growth of money market mutual funds. The relative attractiveness of these funds tends to rise when market rates are falling, as fund owners receive returns based on average portfolio yields, which decline only as fund holdings mature and must be replaced with lower-yielding instruments.

M3 was about flat between March and June. Shifts of foreign bank liabilities toward large time deposits slowed, large time deposits at domestic depositories ran off more rapidly with a contraction of their credit, and money funds decelerated as their yields came into line with market rates.

Bank credit expanded very slowly during the first half of 1991 and was concentrated in acquisitions of securities, particularly Treasury and agency securities. As in 1990, the recent strength in acquisitions of these securities is due in part to their favorable treatment under risk-based capital requirements. Mainly, however, it reflects the impact on loan growth of weaker spending by potential borrowers and continued lending restraint by banks. A substantial proportion of bank lending officers, citing heightened uncertainties about the economy and, in many cases, weak capital positions, reported implementing still more restrictive lending policies in a Federal Reserve survey conducted early in 1991. Evidence of tightening continued into May, although the percentage of surveyed banks that reported additional tightening declined, perhaps in part because of the more favorable market environment that had developed from earlier in the year and that had allowed banks to issue large volumes of debt and equity.

The asset-quality problems that dogged banks in 1990 continued to crop up in the first half of 1991. Available data on delinquency rates show further increases in the first quarter, for both commercial real estate and other business credits and also for consumer loans. At midyear, when a number of large banks announced surprisingly large loan losses and depressed profits, some of the gains that banks had made in debt and equity markets were reversed.

The contraction in depository credit was not fully reflected in the growth of total debt of nonfinancial sectors. As occurred last year, credit advanced through securities markets and by other intermediaries met an unusually high proportion of credit needs. Banks themselves continued to sell consumer loans and mortgages into securities markets to hold down asset growth and to bolster capital ratios; through these sales, the cost and availability of funds to households has been largely insulated from the possible effects of bank restraint on credit. In addition, businesses turned to long-term securities markets to meet credit needs and to restructure balance sheets, reducing their reliance on banks as well.

Overall, the debt of domestic nonfinancial sectors increased at about a 4½ percent annual rate over the first half of 1991. This was likely a bit above the rate of expansion of nominal GNP, though by considerably less than on average over the previous decade, as both borrowers and lenders apparently have been adopting more cautious attitudes toward additional debt. Businesses, for example, stepped up new equity issuance and greatly reduced the retirement of existing equity in corporate restructurings. These activities, together with the decline in financing needs associated with falling inventories and fixed investment, held down growth of business sector debt to a 2 percent annual rate in the first half. With some consumers also attempting to reduce high debt loads, growth of consumer credit was weak as well. Lower mortgage rates and stronger home sales helped maintain growth of residential mortgages. States and municipalities, facing continuing downgrades and the need to cut back expenditures, put fairly limited net demands on the credit markets in the first half of this year. Federal government debt growth in the first quarter was held down by the slow pace of RTC activity and the receipt of contributions from foreign governments of payments related to the Gulf war; government debt issuance picked up sharply in the second quarter, however. □

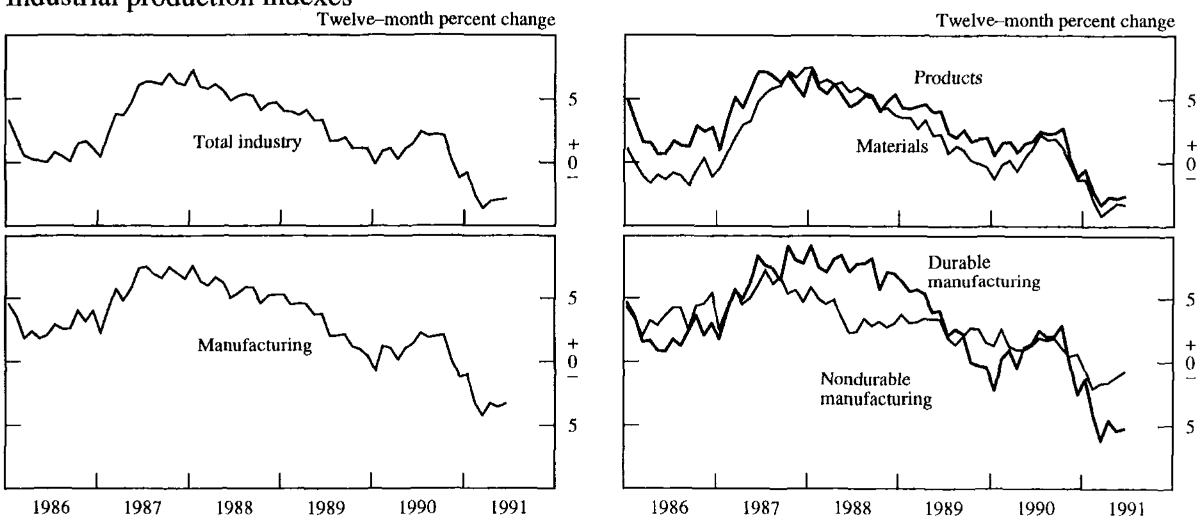
Industrial Production and Capacity Utilization

Released for publication on July 15

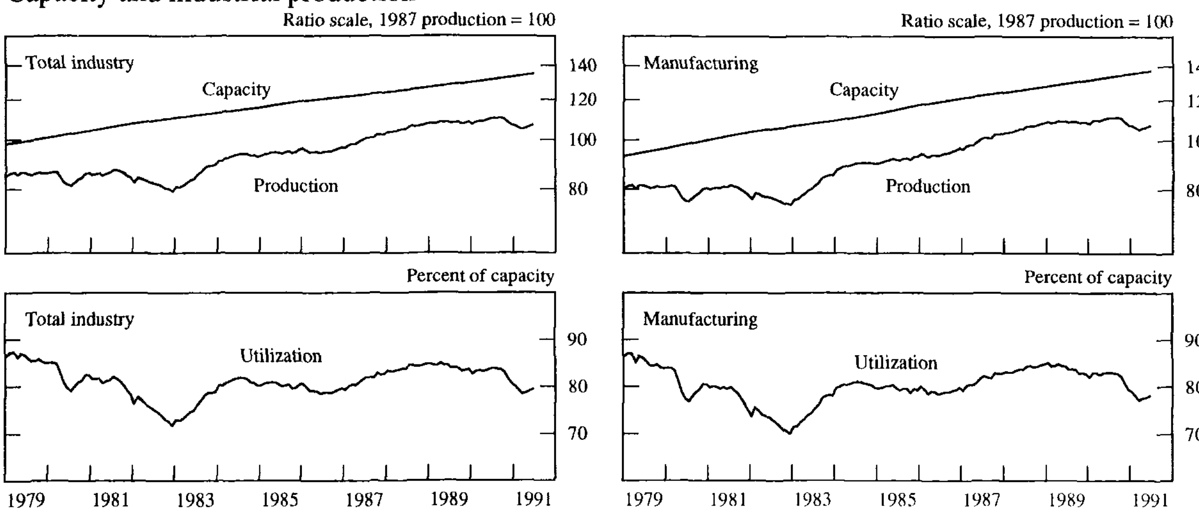
Industrial production rose 0.7 percent in June after upward revised gains of 0.7 percent in May and 0.5 percent in April. On a quarterly average basis, total output rose 1.7 percent at an annual rate in the April–June period after having fallen sharply in the two preceding quarters. In June, output of motor vehicles, goods for the home, construction supplies, and materials increased significantly. Total industrial capacity utilization increased 0.3 percentage point in June to 79.3 percent after an increase of 0.4 percentage point in May. At 106.9 percent of its 1987 annual average, total industrial production in June was 2.9 percent below its year-ago level.

In market groups, among consumer goods,

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, June.

Industrial production	1987 = 100				Percentage change from preceding month				Percentage change, June 1990 to June 1991
	1991				1991				
	Mar. r	Apr. r	May p	June p	Mar. r	Apr. r	May p	June p	
Total index	**105.0**	**105.5**	**106.2**	**106.9**	**−.7**	**.5**	**.7**	**.7**	**−2.9**
Previous estimates	105.0	105.3	105.8	...	−.6	.3	.5	...	...
Major market groups									
Products, total	**106.5**	**106.9**	**107.4**	**108.0**	**−.4**	**.4**	**.5**	**.5**	**−2.6**
Consumer goods	104.7	105.5	106.4	107.0	.0	.7	.9	.6	−.7
Business equipment	120.3	121.4	121.7	121.9	−.2	.9	.2	.2	−2.0
Construction supplies	94.0	94.9	95.3	97.0	−2.5	1.0	.4	1.8	−8.5
Materials	102.6	103.3	104.2	105.2	−1.2	.7	.9	.9	−3.3
Major industry groups									
Manufacturing	105.2	105.9	106.4	107.1	.8	.7	.5	.7	−3.3
Durable	105.0	106.0	106.6	107.4	−1.0	.9	.5	.8	−5.2
Nondurable	105.4	105.8	106.2	106.8	−.6	.4	.4	.6	−.8
Mining	101.5	100.8	100.5	102.0	−1.3	−.7	−.3	1.5	−.2
Utilities	106.4	105.7	109.8	109.2	1.7	−.6	3.9	−.5	−.5

Capacity utilization	Percent of capacity								Capacity growth, June 1990 to June 1991
	Average, 1967–90	Low, 1982	High, 1988–89	1990	1991				
				June	Mar. r	Apr. r	May r	June p	
Total industry	**82.2**	**71.8**	**85.0**	**83.8**	**78.4**	**78.6**	**79.0**	**79.3**	**2.6**
Manufacturing	81.5	70.0	85.1	83.1	77.2	77.5	77.7	78.1	2.9
Advanced processing	81.1	71.4	83.6	82.0	76.8	77.2	77.2	77.4	3.2
Primary processing	82.4	66.8	89.0	85.6	77.9	78.3	78.8	79.8	2.1
Mining	87.4	80.6	87.2	89.0	89.0	88.3	87.9	89.1	−.3
Utilities	86.8	76.2	92.3	86.6	83.0	82.3	85.5	84.9	1.4

r Revised.
p Preliminary.

NOTE. Indexes are seasonally adjusted.

production of motor vehicles posted another sizable increase; output of other durables, which include appliances, furniture, and carpeting, also rose noticeably for the fourth successive month. By contrast, output of nondurable consumer goods excluding residential utilities has risen only slightly in recent months. Production of business equipment other than motor vehicles, which declined over the fall and winter months, rose a bit in April and was unchanged in both May and June. Production of construction supplies advanced substantially in June after appreciable gains in April and May; even so, the level of output was still more than 10 percent below its most recent peak, which occurred in early 1990. Among materials, production of parts and supplies for the motor vehicle industry rose further. In addition, output of steel, textiles, and paper increased sharply.

In industry groups, manufacturing output increased 0.7 percent in June after sizable increases in May and April. While the turnaround in motor vehicles has contributed noticeably to these gains, the upturn in output is evident in many other industries, particularly those related to construction. Utilization in total manufacturing, since having reached a low in March of 77.2 percent, has risen to 78.1 percent in June. For primary processing industries, the operating rate has jumped nearly 2 percentage points since the March low; among advanced processing industries, the utilization rate has risen 0.6 percentage point since March. Elsewhere, output at mines increased 1.5 percent, owing, in part, to a rebound in coal. Production at utilities, after a large weather-related increase in May, fell back only slightly last month. Among producers of nondurables, output of textiles, apparel, chemicals, and rubber and plastics strengthened over the second quarter. Although the gains in textiles last quarter were sizable, production in this industry in June was still more than 3 percent below its year-ago level.

The June increase in output of durable goods was again led by another rise in motor vehicles. In addition, large gains occurred in construction-related industries, steel, and fabricated metals.

Output of nonelectrical machinery, which had fallen sharply between October and March, was little changed over the spring.

The three-month diffusion index of industrial production, which reached a low during the recent recession of 27.7 percent in January, increased to 50 percent in May, which indicates that the percentage of industries posting production advances during the three-month period ending in May was equal to the percentage in which output declined.

Statements to the Congress

Statement by Oliver Ireland, Associate General Counsel, Legal Division, Board of Governors of the Federal Reserve System, before the Subcommittee on Policy Research and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 10, 1991

I would like to thank you for the opportunity to discuss the issues of lender liability under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). The issues presented in this legislation are complex, and I commend the committee for undertaking to explore them fully at this time.

As an initial matter, we strongly support the purposes of CERCLA. We all wish to live in a clean and healthy environment; however, the costs of achieving this goal are substantial. The Environmental Protection Agency has estimated that the cleanup of the 1,200 priority sites alone may exceed $30 billion. The General Accounting Office has estimated that as many as 425,000 sites may need investigation and possibly cleanup.

In light of these potential costs, we have become concerned over the effect of recent court interpretations of CERCLA that have held lenders liable for the cost of the cleanup of hazardous substances found on a borrower's property. Despite an exemption in CERCLA designed to shield lenders from CERCLA liability, these decisions, in effect, place lenders in the role of policing the hazardous substance disposal activities of their borrowers. Lenders are often ill equipped to perform this function, and imposition of unlimited liability can be expected to reduce their willingness to provide credit to prospective borrowers in any business or area in which there is a risk of CERCLA liability. A reduction in the availability of credit threatens the viability of these businesses and their ability to contribute to the cleanup of the environment. Consequently, we believe that the imposition of cleanup liability on lenders is counterproductive to long-term environmental goals and is contributing to an unnecessary and unwarranted constriction of credit availability to a wide range of otherwise creditworthy borrowers.

Under CERCLA, the owner or operator of a property may be held liable for the entire cost of cleaning up hazardous substances found on a site, regardless of whether the owner or operator is responsible for the release of the hazardous substance. By its terms, CERCLA generally excludes secured lenders from this liability; however, recent court decisions have largely eroded the protection furnished by this exclusion. Courts have imposed lender liability under CERCLA when a lender secured by property forecloses on property or has "participated in the management" of its borrower by virtue of the rights reserved by the lender under its lending and security agreements with the borrower. With the average projected cost of remedying contamination at sites on the National Priority List climbing to more than $25 million, liability in CERCLA cases may far exceed the amount of the lender's original loan.

Because of the erosion of the secured lender exemption, lenders to borrowers in businesses that use or produce hazardous substances are faced with a dilemma. Lenders can actively attempt to police hazardous substance disposal by their borrowers, risking being found to have "participated in the management" of the borrower and therefore liable for potential cleanup costs, or they can ignore the borrower's activities and risk nonpayment of the loan. Further, these court decisions may discourage even normal loan collection practices out of concern that they will be found to constitute management.

Lenders already have adequate incentives to encourage their borrowers to engage in environmentally safe practices so that these borrowers will avoid CERCLA liability. However, lenders do not generally have the technical expertise to police the environmental aspects of a borrower's operations. Covenants in borrowing agreements that give lenders a voice in their borrower's activities are designed to ensure that the borrower acts prudently in financial matters and places a high priority on the repayment of the debt not to permit the lender to substitute its judgment for the borrower's in technical aspects of the borrower's business.

Imposing affirmative liability for environmental cleanup costs on lenders because of the exercise of such covenants is likely to do little to prevent the pollution of the environment but is likely to interfere with the availability of credit to even prudent businesses that use hazardous substances, such as farmers, dry cleaners, service stations, and chemical and fertilizer producers. Credit is a necessity for the operation of commercial enterprises. Lenders, already reluctant to extend credit to borrowers that are subject to a high risk of CERCLA liability, will only be deterred further by the prospect of affirmative lender liability under CERCLA. Increased lender reluctance to provide funds to industries or areas that present a risk of CERCLA liability is likely to have a significant adverse effect on these industries or areas.

Lack of credit in these cases may also frustrate environmental interests. Companies that are unable to continue operating because they cannot obtain credit will not be able to make any contribution to the environmental cleanup costs. Consequently, the current thrust of court decisions imposing lender liability under CERCLA may actually frustrate the environmental goals of CERCLA and increase the cleanup costs that must be borne by the government.

While the Board does not have comprehensive data on lender losses because of CERCLA liability to date, clearly significant losses have already occurred. More important to the future is that data from the Federal Reserve Banks suggest that CERCLA liability is, in fact, affecting the availability of credit. Commercial banks are developing environmental guidelines that often indicate that the lender should decline to make loans collateralized by real property when past uses may have resulted in contamination of the property or to make loans to businesses that may use or produce hazardous substances in their operations. In some cases it appears that banks are declining to make loans regardless of the safety of a borrower's handling of hazardous substances.

In addition, banks are examining property carefully before they foreclose on it and are sometimes walking away from their collateral to avoid environmental liability. This problem appears to be widespread and is not confined to industrial areas of the country or to particular types of businesses. Virtually every Federal Reserve Bank reported instances in which lenders had walked away from collateral, even when the collateral was the only source of repayment for the loan. The experience of walking away from collateral to avoid CERCLA liability is likely to cause lenders to become increasingly cautious about loans to many businesses or areas, even if no actual liability has been incurred under CERCLA.

In carrying out its examination and supervisory activities, the Federal Reserve expects banking organizations to have policies and procedures in place to monitor and control the risks to which they are exposed. However, banks have experienced difficulty in determining the appropriate protective practices to minimize the potential for CERCLA liability. Lending institutions are at risk for hazardous waste liability whether they have ignored hazardous waste issues altogether or have actively attempted to monitor the safety of their borrowers' operations. The Board currently is developing guidelines for bank examiners to follow in determining whether a lending institution has adopted appropriate procedures and safeguards to recognize potential hazardous substance problems. Unfortunately, given the current state of the law, there is no clear guidance that we can provide as to how an institution can extend credit and still avoid liability.

Besides private-sector liability, CERCLA raises significant issues concerning the funding of government operations. Many lending institutions that are potentially subject to CERCLA liability are federally insured through the bank and thrift insurance funds. Unlimited liability under CERCLA poses a potential threat to the capital and solvency of these institutions, and in some cases could result in the costs of hazardous substance removal being borne by the bank and thrift insurance funds. We understand that the Federal Deposit Insurance Corporation (FDIC) has already incurred losses as a result of CERCLA.

Further, many agencies and instrumentalities of the federal government, such as Federal Reserve Banks, Federal Home Loan Banks, the Farm Credit System, and the Small Business Administration, are also lenders. Lender liability presents a threat to the ability of these organizations to carry out the missions assigned to them by the Congress. The Federal Reserve Banks fulfill important functions in providing adjustment credit and acting as a lender of last resort for depository institutions. In acting as lender of last resort, a Federal Reserve Bank may advance funds to a depository institution collateralized by the institution's loans, which may, in turn, be secured by real property. Should the institution fail, the FDIC, as receiver, would likely acquire the loans from the Reserve Bank and would be left holding the loans. In these cases, the FDIC would be exposed to lender liability to the same extent as the original lender. If the FDIC chose not to acquire the loans, however, the Reserve Bank would be subject to this exposure.

It is not appropriate to shift the risks and expenses of environmental cleanup costs from the funds allocated by the Congress for this purpose to the bank and thrift insurance funds or to governmental instrumentalities such as the Federal Reserve Banks. Federal agencies and instrumentalities have been charged by the Congress with particular responsibilities. Their funds are intended to be used to fulfill these responsibilities, not to cover the costs of hazardous substance removal.

The Environmental Protection Agency has proposed rules that are intended to clarify the provisions of CERCLA relating to both private and public lenders. The proposed rules interpret the secured lender exception to permit a range of activities, including taking title to the property following foreclosure, that a lender may undertake without being considered an owner under CERCLA. The interpretation of the secured lender exemption would apply to both public and private lenders. EPA's proposal also attempts to address the concerns of governmental lenders by interpreting the provisions of the "innocent landowner" defense to apply to government entities that acquired property through their activities as lenders, conservators, or receivers. To use this defense, the governmental lender would also have to demonstrate that the contamination was caused by a third party with which it had no contractual relationship and that it had exercised due care and taken precautions against the acts of third parties.

We commend the Environmental Protection Agency for its efforts to provide regulations to clarify the secured lender exemption. Its efforts, however, are necessarily limited by the current statutory provisions, which may not provide sufficient protection, particularly for governmental lenders. For example, the EPA regulations do not expressly address the warranties that governmental entities are required to make under CERCLA, and the ability of the EPA to provide a broad exclusion from the warranty provisions for governmental entities such as the FDIC or the Resolution Trust Corporation is unclear. EPA regulations also cannot provide governmental lenders with any protection from liability under state environmental statutes. Additionally, there may be significant delays before the final rule can be promulgated and any judicial determinations as to its application made. We believe that greater certainty and protection for both public and private-sector lenders will be provided by statutory amendments.

In closing, it is in the interests of the financial and environmental communities to find a balanced solution to the lender liability issue. If this issue is not resolved, we risk a reduction in the availability of credit to any industry, area, or borrower that appears to present a risk of liability for hazardous substance removal. We also risk imposing additional costs on the bank and thrift insurance funds to pay for environmental cleanup costs that would otherwise be met from the funds allocated by the Congress for that purpose. In light of these considerations, we believe that the environmental goals of CERCLA will be furthered rather than hampered by federal legislation. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 16, 1991

I am pleased to be here today to present the midyear Monetary Policy Report to the Congress.[1] My prepared remarks this morning will take their cue from that report by focusing on current economic and financial conditions as well as on the outlook for the economy and monetary policy over the coming year and a half. These topics merit particularly close attention at the current time, when the economy appears to be poised at a cyclical turning point—moving from recession to expansion. In addition, I plan to devote some time to discussing the importance of the changes that we have been seeing in patterns of credit usage and in the flows of money and credit through the financial system. There are signs of what could be significant departures from the trends prevalent in the 1980s, with potential implications for the interpretation of financial data and economic developments.

Economic and Financial Developments in the First Half of 1991

At the time of our last report in February, the economy had been declining for several months. The considerable uncertainty and higher oil prices that followed the invasion of Kuwait had depressed confidence and real incomes, discouraging spending by consumers and businesses and pulling down output and employment. However, even by February the first seeds of an economic recovery appeared to have been sown: The initial coalition successes in the Gulf War, the reversal of much of the runup in oil prices, and the significant easing of monetary policy all pointed in the direction of a resumption of growth.

Today, there are compelling signs that the recession is behind us. Although the turning point has not yet been given a precise date, a variety of cyclical indicators bottomed out by early spring, and some indicators have moved noticeably higher in recent months. Such data strongly suggest that the economy is moving into the expansion phase of the cycle. Nevertheless, convincing evidence of a dynamic expansion is still rather limited, and we must remain alert to the chance that the recovery could be muted or could even falter.

In recent months, there also have been promising signs of a slowing in inflation. The price figures themselves have bounced around from month to month, partly in response to the gyrations in oil prices and the partial embedding of those swings in the underlying cost structure of the economy. A bunching of price increases and excise tax hikes at the beginning of the year also boosted "core" inflation measures for a time. But in their wake an underlying softening trend has become evident, with consumer prices outside the food and energy sectors rising quite modestly. In an environment of slack demand, businesses have worked especially hard to control costs by keeping their operations as lean and productive as possible.

With the threat of an oil-related inflation surge largely behind us and output evidently declining, the Federal Reserve took a series of easing steps in quick succession over the latter part of last year and into the spring. These actions, aimed at ensuring a satisfactory upturn in the economy, brought the federal funds rate more than 2 percentage points below its prerecession level and 4 percentage points below its peak of about two years ago. Other short-term interest rates dropped more or less commensurately. Despite the progressive easing of monetary policy, the foreign exchange value of the dollar is up substantially since the beginning of the year, in part owing to the brightening outlook in the United States for economic recovery without added inflation. Anticipations of economic expansion also were reflected in rising stock prices and in long-term interest rates, which have changed relatively little on balance so far this year even as short-term rates have declined.

With the cumulative drop in short-term inter-

1. See "Monetary Policy Report to the Congress," in this issue.

est rates making monetary assets more attractive to the public, M2 growth picked up noticeably in the first half of 1991. Its growth probably was restrained to a degree, however, by the firmness in returns on capital market instruments. And, as had been anticipated at the beginning of the year, growth of M2 remained below what would have been predicted solely on the basis of historical relationships with interest rates and income. Money growth also continued to be held down by the ongoing restructuring of credit flows away from depository institutions. As the thrift industry has contracted and banks have remained quite cautious about expanding their balance sheets, there has been less need for depositories to issue liabilities—which constitute the vast bulk of the monetary aggregates. Currently, M2 and M3 are somewhat below the midpoints of their respective target ranges.

In the last several months, monetary policy has adopted a posture of watchful waiting as economic indicators have pointed increasingly toward recovery. With an eye to the usual lags in policy effects, this stance has been viewed as prudent to guard against the risk of adding excessive monetary stimulus to an economy that might already be solidly into recovery. Monetary policy during the first half of the year has had two jobs: first, to help bring the economy out of the recession; and, second, to avoid setting the stage for the next recession, which would follow if we allowed inflationary imbalances to develop in the economy.

The progress against inflation that has been set in motion must not be lost. Moreover, by consolidating and building upon the gains against inflation, we come that much closer to our longer-run goal of price stability. Inflation and uncertainty about inflation keep interest rates higher than they need to be, distort saving and investment, and impede the ability of our economy to operate at its peak efficiency and to generate higher standards of living.

The Economic Outlook

It is this strategy that has been guiding monetary policy recently, and the effects of the strategy are reflected in the economic projections of the Federal Open Market Committee (FOMC) members and other Reserve Bank presidents. On the whole, their outlook is for underlying inflation to continue to slacken as the economy first recovers and then expands at a moderate rate through the end of next year.

For this year, while there remain—without question—frailties in the economy, economic activity appears on balance to be picking up in a fairly broad-based manner. The expectation that the turnaround in output is occurring, and that it will persist, is evident in the economic projections of the FOMC members and other Reserve Bank presidents. Their forecasts for real GNP growth over the four quarters of 1991 center on 1 percent or a shade below, implying growth over the remainder of this year that not only offsets the first-quarter decline in GNP but also lifts output above its prerecession peak by year-end.

Two fundamental questions may be posed with regard to this outlook for the rest of the year. The first is an inquiry into the potential sources of strength in the recovery—those forces that will be at work to pull the economy out of recession in a lasting fashion. We see several factors as having set the stage for the recovery: in particular, the reversal of the spike in world oil prices and the favorable effects of that reversal on real incomes; the conclusion of the Gulf War and the consequent rebound in consumer and business confidence; and, finally, the decline in short-term interest rates after our policy easings and the narrowing of risk premiums in financial markets. Against this backdrop, growth in consumer expenditures seems to have turned positive again, along with real income; homebuilding has bottomed out and is providing some lift to overall growth; and orders for capital goods are pointing to a firming in demand that should be reflected in production and shipments in coming months.

The strongest force behind output growth in the near term, though, probably will be the behavior of inventories. Business inventories have been drawn down aggressively in recent quarters, and, with inventories now quite lean, sales increasingly will have to be satisfied out of new production. The inherent dynamics of an inventory cycle, as the drawdown ceases and eventually turns to rebuilding, likely will engender the bulk of the initial step-up in output. But there may be additional areas of demand that will impel the recovery; it is quite common at this point in the cycle for forecasts both to underestimate the strength of the recovery and to miss the forces that end up driving the expansion.

In fact, recessions typically have been followed by periods of appreciably stronger growth than that foreseen here. This raises the second question about the near-term forecasts, that is, whether they are optimistic enough. Several considerations come to mind on that side of the issue. First, and in some sense most appealing, is the simple notion, which is lent some support by history, that relatively mild recessions beget relatively mild recoveries. And this recession, assuming it came to an end in the spring, seems to have been mild. Not only does it appear to have been marked by a considerably smaller contraction in real GNP and industrial production than the average postwar recession, but it also was a bit shorter. In at least one respect, however, this recession was close to average, and that was in job losses, as firms cut payrolls fairly aggressively. Nevertheless, the unemployment rate did not rise as much or as high as was typical in the past.

Arguing against a rapid rebound in the economy are several other factors as well, including the lack of impetus from some sectors that contributed in earlier cycles. First, it has not been unusual to see some fiscal stimulus in the early stages of expansion in the past; this time, however, the Congress and the Administration have worked long and hard to make sure that genuine progress will be made in righting the structural imbalance in the budget, putting federal spending in real terms on a downward path. Nor is fiscal stimulus likely to emerge from the state and local sector, where deepening budget problems are constraining spending. A portion of the financial distress of localities can be traced to the softness in real estate markets feeding through to property tax receipts. The condition of the real estate market also is certain to restrain the pickup in construction that usually accompanies a recovery, with overbuilding in commercial real estate likely to damp activity in this area for some time to come. Finally, in the consumer area, expenditures are unlikely to grow more rapidly than personal income, as households avoid reducing their saving rate further from its already low level.

The expansion is seen as becoming more securely established next year, with real GNP growth strong enough to bring the unemployment rate down ½ percentage point or more from its current level. Should the recovery unfold about as we expect, price pressures will remain muted and progress on inflation is likely. The expectations of FOMC members and other Reserve Bank presidents for inflation this year are centered in the neighborhood of 3½ percent, well down from the 6¼ percent rate of inflation experienced last year. Although the slowdown this year is exaggerated by the retreat in oil prices, a clear deceleration should be evident even abstracting from energy prices. That deceleration in the underlying trend is expected to continue next year as well. However, the unwinding of the oil shock this year masks the improvement so that the projection for the increase in overall consumer prices is about the same for 1992 as for 1991.

RANGES FOR MONEY AND DEBT GROWTH FOR 1991 AND 1992

The FOMC viewed the near-term outlook for output and prices as generally favorable and consistent with growth of money and debt within the ranges that had been specified earlier in the year. Consequently, at its meeting earlier this month, the FOMC reaffirmed the 1991 ranges for money and debt growth. In addition, it was felt that the money ranges retained enough scope for policy to be responsive, should the economy stray substantially from its expected path over the remainder of the year. With M2 and M3 now well within their ranges, there remains ample room for money growth to change in the event policy needs either to ease in support of a faltering recovery or to tighten in reaction to an unexpected resurgence of inflation pressures.

Unlike the monetary aggregates, our latest reading on debt of the domestic nonfinancial sectors places it right at the bottom edge of its 1991 range. Its growth has been unusually low, and its position within the range is indicative both of the reduced demands for credit associated with the weak economy and of the restraint, on the part of borrowers and lenders, that has been evident in recent quarters. In these circumstances, the FOMC felt that lowering the monitoring range would be inappropriate and might falsely suggest a complacency on the part of policymakers about weakness in credit growth. Instead, maintaining the debt range unchanged underlines the implication that a further slowdown in this aggregate would warrant close scrutiny.

On a provisional basis, the FOMC extended the 1991 ranges for money and debt growth to 1992, with the understanding that there will be opportunities to reevaluate the appropriateness of these ranges before they come fully into play next year. The ranges were viewed as consistent with additional progress against inflation and with sustained economic expansion. Moreover, the path of no change appeared most sensible to the Committee at the current time of some uncertainty about the vigor and even the durability of the economic recovery as well as about developments affecting the future of the thrift and banking industries.

This uncertainty about the credit intermediation process is one of the factors that could possibly make movements in M2 somewhat difficult to interpret in the short run, but I would emphasize that we expect the aggregate to remain a stable guide for policy over the longer term. The relationship between M2 and nominal income has been one of the more enduring in our financial system. Since the founding of the Federal Reserve, nominal GNP and M2 have grown, on average, at almost precisely the same rate. Presumably, this parity reflects an underlying demand for liquidity on the part of businesses and consumers that is associated with a given level of spending and wealth. This demand is likely to persist, though the financial structures that supply the liquidity may change.

Changing Patterns of Financial Intermediation and Debt Accumulation

Recently, patterns of financial intermediation have been changing, and there are signs that patterns of credit usage in general have been changing as well. It is difficult to know which of these developments will show some permanence and which will prove ephemeral. But some of the recent changes have been striking and have affected a number of the financial variables that the Federal Reserve routinely monitors in an effort to glean information about the health of the economy, the soundness of the financial system, and the appropriateness of current monetary policy. I would like to address several aspects of these recent developments in the remainder of my remarks today.

First, at the most aggregate level, the ratio of domestic nonfinancial sector debt to nominal GNP, which soared in the 1980s, is beginning to show signs of flattening out. With the federal government's borrowing lifted by the effects of the recession and payments related to deposit insurance, these signs have been evident so far only in the other sectors. While the changes in behavior may, in part, reflect cyclical factors at work, a longer-term trend also may be emerging. And this trend, if it develops fully, would represent a return to the pattern evident in earlier postwar decades. In that case, it would be the 1980s, with their burgeoning federal deficits and massive corporate restructurings, that would appear to be the aberration. The deregulation, technological advances, and financial innovations that came at an accelerated pace in the 1980s lowered the cost of borrowing for many and probably raised the equilibrium ratio of debt to net worth for a wide range of economic entities. A temporary surge in borrowing was implied in the course of this transition from one equilibrium to another.

A tapering-off of that surge would then be expected as the new equilibrium was approached, and this may be what we currently are witnessing. The new equilibrium debt-to-income ratio may even be below the current level, implying the possibility of sluggish debt growth for some time. If these sorts of adjustments were in train, the slow debt growth associated with them should not be read as implying that credit was insufficient to support satisfactory economic performance.

Several considerations point in the direction of restructuring of balance sheets. The forces that appear to be restraining the demand for credit can be generally categorized as less "grossing up" of balance sheets and less substitution of debt for equity. During the 1980s, there was a great deal of this "grossing up" of balance sheets, as credit financed more purchases both of physical assets and of financial assets. As far as physical assets are concerned, the 1980s saw some strong spending on consumer durables and nonresidential structures; spending on physical assets, such as these, appears more often to be financed with debt than is spending on most other types of goods and services. Now, with stocks of those assets already built up and with tax law changes that have made it less attractive in many cases to borrow to finance their purchase, credit demands are likely to remain relatively damped.

The high interest rates of the late 1970s and early 1980s spurred increased financial innovation and extensive deregulation, helping to bring businesses and consumers increasingly into more complex financial dealings. The state and local sector built up a large stock of financial assets, and the household sector acquired assets from the wider array of instruments available. Moreover, household borrowing behavior was shaped importantly by the rising capital gains available on residential real estate over this period. As house prices escalated, mortgage debt on existing homes increased, both as capital gains were realized in home sales and as unrealized gains were tapped through the use of second mortgages and, more recently, home equity lines. In this process, homeowners were able to redirect a portion of these capital gains toward other assets or current consumption.

Over the decade, the financial services industry grew at an extraordinary rate, in part by creating debt instruments seemingly tailored to every need and financial assets for any portfolio. While households took advantage of a number of these new instruments, the bulk of them were directed toward business. Mergers and acquisitions took off, financed essentially by debt, resulting in net retirements of equity that averaged nearly $100 billion annually between 1984 and 1989.

More recently, with debt levels relatively high and lenders less eager to extend credit, markets have changed. One aspect of this change shows up dramatically in data for the second quarter, where equity issuance by nonfinancial corporations is estimated to have exceeded equity retirements for the first time in eight years, removing this element behind the buildup of debt. While much of the weakness in credit demand at present reflects cyclical influences, borrowers likely will continue to shy away from the heavy expansion of debt seen in the 1980s.

On the supply side of the credit market, perhaps the major factor at work in creating a break with the behavior of the 1980s has been the adverse consequences of that behavior. It is now clear that a significant fraction of the credit extended during those years should not have been extended. We need merely look at the recent string of defaults and bankruptcies and the condition of many of our financial intermediaries to confirm this impression.

In a sense, this process may have been very nearly inevitable. With the financial system groping toward a new equilibrium, the likelihood of mistakes was high. Laxity by lenders abetted the spiral of debt, and we regulators were too often slow to intervene. Now, financial institutions, regulators, and taxpayers are facing the wrenching unwinding of those lending decisions. A key lesson to be learned is how important it is to avoid these costly adjustments in the future and that this can only be done by avoiding a return to such financial laxity.

Going forward, we likely will see a continuation of the "credit correction" now under way. One aspect of this correction is the increased attention paid by regulators and the financial markets to the capital positions of financial intermediaries. The more prudent approach to capitalization and lending decisions is overwhelmingly a healthy development that ultimately will result in strengthened balance sheets for the nation's financial institutions and more assurance of stability of the financial system.

In certain areas, however, the credit retrenchment appears to have gone beyond a point of sensible balance. In some cases, lender attitudes and actions have been characterized by excessive caution. As a result, there doubtless are creditworthy borrowers that are unable to access credit on reasonable terms. Even in the obviously troubled real estate area, new loans are arguably too scarce, in some cases intensifying the illiquidity of the market for existing properties. To an extent, the scarcity of some types of loans may reflect the efforts of individual financial institutions to reduce the share of their assets in a particular category, such as commercial mortgages. While a single bank may be able to do this without too much trouble, when the entire industry is trying to make the same balance sheet adjustment, it simply cannot be done without massive untoward effects. Instead, it may be in the banks' self-interest to make the adjustment in an orderly manner over time. Regulatory efforts to address concerns of credit availability continue.

Credit conditions remain tight in some sectors, but in others the situation appears to have improved considerably since our last report in February. To chronicle briefly what we know about credit supply conditions at present: In financial markets generally, risk premiums and spreads between yields on different types of debt have declined substantially this year as investor attitudes have improved. In part reflecting this narrowing, corporate bond offerings surged over the first half of the year. Banking firms, too, gained increased access to capital markets, leaving them in a better position to lend as credit demands begin to pick up in the recovery. Indexes of bank stock prices rose much more rapidly than the stock market as a whole, bringing the average market value of shares in the top fifty bank holding companies back up to around their book value. Yield spreads on bank-related debt obligations narrowed sharply over the first half of the year, prompting considerable issuance. Thus far, however, lending by commercial banks has remained quite weak. To the extent we can judge, this appears primarily to reflect weak credit demand, as is typical at this point in the business cycle. Nonetheless, supply restrictions remain a problem. This so-called credit crunch owes importantly to financial institutions' efforts to build capital to meet the demands of both the market and the regulators. Information on lending terms, however, suggested little further tightening over the spring.

Not only the behavior of the debt aggregate itself but also the avenues through which the debt flows represent something of a break with the past. The recent decline in the importance of depository institutions as intermediaries, when measured by the credit they book, is quite striking. While this decline predominantly reflects the contraction of the thrift industry, banks, too, have contributed by growing only slowly. Over time, other financial institutions have provided more close substitutes for banking services, and the profitability of the banking industry suffered over the past decade or so from a decline in loan quality. Moreover, recent emphasis on higher capital ratios and higher deposit insurance premiums should affect this trend as well.

Even as the economy has firmed, financial flows through depository institutions have remained weak. Some lag is typical. Indeed, in the case of business loans, there is enough of a regularity that they are included in the Department of Commerce's Index of Lagging Economic Indicators. But lending to businesses has been unusually weak for some time now, and the outlook is for a rather modest upturn when it comes. At the same time that decisions to purchase goods and services are made, decisions about the financing of those purchases are usually being made. Increasingly, it appears that those decisions are not being reflected in credit on the books of depository institutions. Banks still may be involved, however. They may, for example, provide letters of credit or arrange financing through a special-purpose corporation. Mortgage and consumer debt may pass through the balance sheets of these intermediaries only briefly, as it is increasingly being securitized and sold into capital markets. As banks make further strides in bolstering their capital positions, however, they will become better able to take advantage of opportunities to add profitable loans to their balance sheets. While the role of the banking industry has been changing, its importance in the financial system and the economy remains assured.

In sum, the financial system in this country is changing, and it is changing rapidly. Technology, regulatory initiatives, and market innovations are changing many dimensions of the financial system. The relationships between borrowers and lenders, between risk and balance-sheet exposure, and between credit and money are being altered in profound ways. In response, we must understand the nature of these changes, their permanence, their limitations, and their possible implications for the economy and monetary policy. And we must ensure that the stability of the financial system is protected as changes occur, for a sound financial system is an essential ingredient of an effective monetary policy and a vital economy. □

Statement by Wayne D. Angell and Edward W. Kelley, Jr., Members, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 18, 1991

It is a pleasure for Governor Kelley and me to visit with this subcommittee today to discuss and review the Federal Reserve System's expenses and budget. Today as we look at the Federal Reserve System's budget for 1991, Governor Kelley will discuss the Board's budget and major initiatives, and my comments will focus on the Reserve Bank budgets as well as major System initiatives.

The Board has recently made available to the public and to this subcommittee copies of our publication *Annual Report: Budget Review, 1990–91*, presenting detailed information about spending plans for 1991. The attached tables have been updated for 1990 actual experience, and, therefore, some variations exist from data in that document.[1]

While the Federal Reserve has always been concerned with controlling costs, the Monetary Control Act of 1980 has provided an additional incentive. As a matter of law, services provided to depository institutions must meet a clear market test. Specifically, all expenses (including overhead and the imputed cost of capital and taxes) for providing "priced" services are covered by charges to users. The markets in which we operate in providing these correspondent banking services are highly competitive, thereby providing a strong and direct incentive to maintain our efficiency. Given these internal and external restraints on costs, the Federal Reserve System's expenses are projected to increase by an average annual rate of 5.3 percent from 1986 through the 1991 budget. This increase includes expenses for supervision and regulation initiatives that account for 0.4 percentage point of the increase, Expedited Funds Availability legislation requirements (0.3 percentage point), contingency planning initiatives (0.2 percentage point), and several major initiatives for the U.S. Treasury (0.4 percentage point). I would add that it is difficult to judge the degree of discipline in an organization's budget solely on the growth rate of expenses. In the Federal Reserve we recognize the responsibilities given to us by the Congress, and we discharge them in a manner that reflects a high concern for quality and effectiveness as well as efficiency.

For 1991, the Federal Reserve System has budgeted operating expenses of $1.6 billion, an increase of 5.9 percent over the 1990 budget. The last year for comparison of actual expenses is 1990 over 1989. This comparison shows expenses up only 4.5 percent, reflecting a 0.8 percent underspending of the 1990 budget. Before getting to the substance of our 1991 plans, I would remind the subcommittee of two aspects of Federal Reserve System operations that affect our budget in unusual ways. First, 40 percent of System expenses arise from the services I just mentioned that are provided to depository institutions at fees adequate to cover all costs, including some imputed costs. Since additional costs of these services are more than recovered by additional revenues, any increases in costs result in increased earnings returned to the U.S. Treasury. Second, many fiscal agency operations are provided to the Treasury Department and other agencies on a reimbursable basis. Altogether, 58 percent of our total expenses are either recovered through pricing or are reimbursable. On a net basis, the cost to the public of the Federal Reserve System's operations is $675 million of the total $1.6 billion budgeted for 1991. (Of course, this amount does not include the earnings

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.

on the System's portfolio of assets, derived directly from monetary policy and currency issuance activities, from which the System turned over $23 billion to the Treasury in 1990.)

HISTORICAL OVERVIEW

It may be helpful to put the budget for 1991 in perspective by sketching the most recent ten-year history of System expenses. Between 1980 and 1990, Federal Reserve System expenses increased at an average annual rate of 5.9 percent; System employment decreased at an average annual rate of 0.1 percent; and volume in measured operations increased 26 percent over the ten-year period. Unit cost did increase in some services in the early eighties as Federal Reserve Bank volumes fell after the implementation of pricing under the Monetary Control Act. However, after the transition to pricing was completed in 1983, the composite unit cost for all functions (unadjusted for inflation) has actually declined 0.3 percent on an annual basis, even while improvements have been made in the quality of services.

For priced services, a decline in unit cost has been particularly noticeable in the electronic payment areas. Automated clearinghouse (ACH) unit cost has decreased 6.9 percent per year (1980–90) and funds transfer unit cost has decreased 1.0 percent per year during the same time period; since 1985, the decreases per year have been 12.3 percent for ACH, and 2.9 percent for funds. Volume growth has averaged more than 9 percent per year for funds transfers and more than 24 percent per year for automated clearinghouse transactions (1980–90). In our large check processing operation, on the other hand, when there has been a significant effort to improve the quality of service through increased availability and improved deposit deadlines, there has been an average increase in unit cost of 2.0 percent per year since 1983. However, in the most recent year-over-year comparison (1990 over 1989) unit cost for check processing dropped 1.2 percent, chiefly because the expensive implementation of the Expedited Funds Availability legislation (EFA) was basically completed in 1989.

For our nonpriced cash operations—involving the distribution of currency and coin—unit costs have also been declining. Since 1983 the decline has averaged about 2.6 percent per year, with volumes increasing 5.2 percent per year. However, in our fiscal agency operations, also nonpriced, there has been an increase in unit costs of 2.9 percent per year since 1983, reflecting new operations and services for the Treasury. In this area the Federal Reserve System has managed several initiatives for the Treasury to improve long-term efficiency in Treasury securities and savings bonds and improve the quality of service to the public. Through 1990 the Federal Reserve has added 322 staff members and spent a cumulative $65 million on these Treasury initiatives.

It is difficult to measure productivity improvements in the supervision and regulation area, but these activities have required significant increases in resources over the last ten years. Between 1980 and 1990, the number of staff members for supervision and regulation increased 629 and annual expenditures increased $125.8 million. These resources have been employed to strengthen the ability of the Reserve Banks to identify and address problems in the banking organizations under their jurisdiction. Obviously, the Reserve Banks have had to deal with greatly increasing work loads in the last several years as reflected in the record number of bank failures and problem banks as well as in the increasingly complex issues they have had to face in reviewing and processing regulatory applications and in developing supervisory policies to deal with new and changing banking risks.

In presenting our spending plans for 1991, I would like to mention that both the Reserve Bank budgets and the Board's budget must be approved by the Board of Governors. Reserve Bank budgets are first approved by the Banks' Boards of Directors and then reviewed by the Committee on Federal Reserve Bank Activities before submission to the Board of Governors. Governor Kelley oversees the Board's budget, and I will turn to him for that discussion.

INTRODUCTION

I appreciate this opportunity to discuss the operating and capital budgets of the Board of Governors of the Federal Reserve System. This material was included in the *Annual Report: Budget Review 1990–91* furnished you in February, so I will not repeat the detailed data or analysis.

The 1991 operating budget of the Board of Governors totals $110.8 million. The growth in Board expenses between 1990 and 1991, at 7.6 percent, is slightly higher than the 7.5 percent increase from 1989 to 1990. The 1991 increase results from actions to further strengthen our supervision and regulation function, to fund the higher level of salaries needed to remain competitive with changes in the marketplace, and to meet a higher level of expenses for health insurance, Medicare, and the Board's Thrift Plan.

The budget authorized 1,557 positions for the Board's operations. The number of positions increased by a net of 3 as requirements in the supervision and regulation function and in the system policy direction and oversight function were largely met by offsetting reductions in staff in the support functions. From 1984 to 1986 our position level declined by about 80, even though we were increasing resources devoted to the supervision and regulation function. Since then the number of positions has remained substantially constant even as further increases were reallocated to the supervision and regulation function.

The foregoing figures do not include $1.8 million and nineteen positions budgeted for the Office of the Inspector General, which I will cover at the end of this statement.

I will now discuss the budget as it relates to the Board's four major operational areas.

Monetary and Economic Policy

This function is expected to cost $54.2 million in 1991, an increase of $3.0 million, or 5.8 percent, over 1990. Most of this change is caused by factors such as the increase in pay and benefits and the 1991 component of the automation plan supporting this function. There are no new positions in this function in spite of the continuing growth in the work load.

The budget provides resources to maintain the quality of economic analysis and continues major resource commitments to implement the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), to help develop the National Information Center (NIC), and to support analysis of changes in the country's financial industry.

The growth of expenses in this budget area is constrained because earlier investments in distributed processing systems have produced reductions in the cost of data previously provided by the large mainframe computer and has further limited cost growth by improving the productivity of existing staff.

Supervision and Regulation

The 1991 budget funds considerable growth in this operational area. The budget of $32.8 million is $3.7 million, or 12.7 percent, greater than expenses for 1990. Eight new positions are added, primarily related to policy development and implementation, supervision of large bank holding companies, and increased emphasis upon compliance with consumer protection statutes. Most of the positions are a result of underlying problems and new developments in the financial sector of the economy and ongoing work related to FIRREA.

Besides the direct costs associated with the new positions, the budget continues to support development of the NIC. This comprehensive database will be the only source of consolidated structure and financial data for depository institutions; it will greatly enhance supervision and regulation in an era of evolving structure in the banking and financial sector. Development of the NIC will avoid redundant costs, improve data integrity, and lead to more timely and meaningful analysis of applications, merger requests, and other actions in a rapidly changing environment.

The office automation networks supporting this functional area will be substantially upgraded during 1991. Besides acquiring new microcomputers, more advanced networking equipment will be installed.

Services to Financial Institutions and the Public

The budget includes $2.9 million for this operational area— $107,000, or 3.9 percent more than in 1990. This area is composed almost entirely of oversight of the payments system function of the Federal Reserve System.

A major factor in the higher level of costs is the continued emphasis on reducing risk in the payments system and ensuring that it responds in an efficient and timely manner to changes in the financial system. The budget includes two new positions to develop policies and procedures to reduce risks in both national and international payment and settlement systems.

The completion in 1990 of a large software development project to manage currency orders and cash shipments produces significant cost savings and thereby limits the overall increase in the 1991 budgets for the Board and the Reserve Banks.

System Policy Direction and Oversight

System Policy Direction and Oversight includes resources for the supervision of System and Board programs. This functional area has been partially redefined, and our trend data have been adjusted to reflect the new treatment of the budget for the Office of the Inspector General that began in the 1990 budget.

The $20.3 million budgeted for this function is $1.0 million, or 5.4 percent more than 1990 outlays.

There are no major mission increases in this functional area. Staffing increases for the Reserve Bank examination function are continued with the addition of an electronic data processing (EDP) auditor to help ensure that internal controls over major Reserve Bank automation systems are adequate.

The budget funds replacement of older microcomputer equipment in the Division of Reserve Bank Operations and Payment Systems and some initiatives in support of the division's local area network.

Increases by Object of Expense

The most significant increase in the 1991 budget is associated with salaries, not an unexpected outcome since 77 percent of the Board's budget is made up of personnel costs. The salary increment in this budget, $5.1 million, is significantly less than it was in 1990, when major actions were budgeted to fully implement the new compensation program. This program has succeeded in reducing the number of vacancies with the concomitant effect of increasing the salary budget.

A change in the Board's matching contribution for the Thrift Plan and a higher wage base subject to social security taxes are the principal factors resulting in the increase for retirement costs.

Our insurance costs rose sharply because of two factors. The most important factor is health insurance for which costs are rising sharply for the third consecutive year. Insurance costs also increased as a result of the recent legislation that raised the salary base subject to the employer's matching contribution to Medicare.

Capital Outlays

The capital budget of $5,131,700 is $1.0 million more than 1990 expenditures. The budget funds requirements in the areas of automation and telecommunication, facilities improvements, and equipment replacements.

A major element of the capital budget is $1,000,000 for the replacement of obsolescent analog telephone switching equipment with a digital, private branch exchange.

Continued investment in our office automation systems is in line with our long-range automation–telecommunication plan. Productivity gains from such investments have been critical in the past in limiting requirements for additional staff to meet the Board's increasing work load.

Several facilities improvements such as major roof repairs will require a total of $1,080,000.

Summary

The 1991 operating budget contains sufficient funding to meet the Board's major objectives in each functional area, including the following:

(1) expanding our oversight of the nation's financial institutions; (2) implementing risk-based capital standards; (3) supporting the FIRREA; (4) enhancing payments system operations while reducing payments system risk; (5) continuing investments in productivity initiatives, including office automation and the records management project; (6) continuing the development of the National Information Center to provide relevant banking structure data; and (7) maintaining a safe and effective working environment. Three new positions were added in response to continued growth in the work load as a result of problems in the financial industry, continuing implementation of FIRREA, and changes occurring in the payments system mechanism.

BUDGET OF THE INSPECTOR GENERAL

The Office of the Inspector General was created by the Board in July 1987. In 1989 its reporting relationships, duties, and responsibilities were brought into conformance with the Inspector General Act Amendments of 1988. To ensure the independence of the Office of the Inspector General (OIG), its budget is presented to the Board and reported on separately from the regular operating budget. That is, its funds are not commingled with Board operating funds.

The 1991 budget for the OIG is $1.8 million. This amount is $432,200, or 32.2 percent more than 1990 expenses. The increased level of resources is necessary to phase in broader audit and investigation coverage of the Board's mission areas and to provide resources to review new and existing laws and regulations for their impact on the economy and efficiency of Board programs and operations.

The $432,200 increment is largely tied to the full-year cost of four positions added late in 1990 and increases resulting from the Boardwide compensation program. The travel budget projects an increase of $55,000 associated with auditing functions delegated by the Board to Reserve Banks. The Office's 1991 budget provides for no increase in positions, leaving the position count at nineteen.

I will be happy to address any questions that you may have after Governor Angell concludes our joint testimony.

RESERVE BANK BUDGETS

The Reserve Bank 1991 expense increase—both priced and nonpriced—was budgeted at 5.8 percent more than the 1990 budget. The actual increase in expenses from 1989 to 1990 was only 4.2 percent since actual 1990 expenses were lower than budgeted. Nine major initiatives account for almost a third of the budgeted increase in Reserve Bank expenses.

The fiscal agency initiatives are expected to increase expenses by $4.9 million, with $4.2 million due to the nationwide implementation of the Regional Delivery System (RDS). This system, which provides for centralized issuance of U.S. savings bonds, is one of many services that we provide the U.S. government—directly to the Treasury Department—as its fiscal agent. This project will not be fully implemented until 1993 and will require a total staff increase of 350 by that time. A staff increase of 141 is expected in 1991. Other fiscal agency initiatives include expenses for processing savings bonds on high speed check processing equipment (EZ Clear) and centralized processing of payroll deductions for savings bonds (Masterfile). Expenses for these fiscal initiatives are fully reimbursable.

The supervision and regulation initiatives result from needs in several Reserve Districts for additional staff members to handle increases in work loads because of the greater complexity of examinations, more holding company examinations, increased examination of foreign banks, and more problem institutions. The expense impact is expected to be $4.0 million.

Of the "support" initiatives, the largest—$8.2 million—is for facility improvements. Approximately $5.5 million of this increase is for increased real estate taxes on recently completed Federal Reserve buildings. The remaining increase involves efforts to provide space for efficient operations at Cleveland, St. Louis, Kansas City, and the New York Reserve Bank's East Rutherford Operations Center.

Reserve Bank operations in today's environment require more reliable and secure computer systems, more office automation, more communication networks, and more efficient high-speed sorters and counters for checks and currency. The initiatives identified as contingency and automation initiatives, check operational improvements, and currency initiatives all result from these requirements.

The remaining initiatives include $4.5 million for the Reserve Banks' share of the matching contribution for the thrift plan and the two initiatives that have the effect of reducing costs through improved operational efficiency.

Besides these major initiatives, it may be helpful to look at 1991 budgeted expenses on the basis of our four service lines.

Expenses for *Services to Financial Institutions and the Public,* which include all of the priced and some of the nonpriced services, are budgeted at $992.1 million and account for two-thirds of total expenses. Expenses are increasing $53.2 million, or 5.7 percent more than 1990. Staffing is budgeted at 9,227, an increase of thirteen, which is 0.01 percent more than the 1990 level. Expenses of priced services are budgeted at $646.6 million, an increase of 3.8 percent; these services, incidentally, are expected to generate revenues of about $780 million. Nonpriced services are budgeted at $345.5 million, an increase of 9.3 percent.

Commercial check processing is by far the largest component in this service line ($492.0 million); it accounts for 49.6 percent of these expenses and employs 5,686 people. The anticipated increase in expenses is $18.9 million or 4.0 percent, while employment is expected to decline 35 or 0.6 percent. These levels represent anticipated stable operations, with both check volume and unit costs expected to increase 1.3 percent.

Our other large operations in this service line are currency ($166.7 million and 1,532 people), automated clearinghouse ($83.4 million and 370 people), and funds transfer ($70.0 million and 155 people). The currency service anticipates sizable volume and staff increases in the San Francisco District but with essentially stable operations elsewhere (expenses up 6.8 percent; staff up nineteen). Automated clearinghouse (expenses up 5.7 percent; staff up five) and funds transfer (expenses up 9.9 percent; staff up one) both anticipate some increased costs for automation-type projects concerned with improving efficiency and security of data.

Expenses for *Supervision and Regulation,* budgeted at $234.2 million for 1991, are expected to increase $22.3 million, or 10.5 percent over 1990. This service line has been the fastest growing of the service lines and now constitutes 15.6 percent of total System expenses, compared with 13.6 percent in 1985. The budgeted staff level is 2,305, an increase of 88 or 4.0 percent over 1990.

The expense increase is centered on the provision for the additional employees and compensation levels for the ongoing staff members as well as travel, training, and automation. The additional demands on the Federal Reserve's examination staff have necessitated increases in personnel. These increased demands on staff members include expanded bank examination programs, improved supervision of foreign banking agencies in the United States, the broadening level of detail covered in the examination process, compliance with the FIRREA and the Bank Secrecy Act, intensified surveillance of problem financial institutions, and increased focus on the requirements of the Community Reinvestment Act.

Expenses for *Services to the U.S. Treasury and Other Government Agencies* are budgeted at $167.2 million, an increase of $10.3 million or 6.6 percent over 1990. These expenses continue at about 11 percent of total expenses in 1991. Staffing levels are budgeted to increase by 96 or 5.3 percent. The major initiative driving the increases in both expenses and staff is the nationwide expansion of the Regional Delivery System (RDS) discussed earlier, which consolidates the issuance of U.S. savings bonds at one office in each District. RDS volume is expected to increase by 5.4 million bonds in 1991.

Expenses in 1991 for the conduct of *Monetary and Economic Policy* at the Federal Reserve Banks total $107.5 million and account for about 7 percent of the total budget. An increase of $8.5 million and 8.6 percent is anticipated in 1991. Employment budgeted at 786 reflects an increase of 14 over the actual level in 1990 but in fact brings the staff level only to the level approved in the 1990 budget—approved staffing for 1990 was not attainable because of attrition and the lag in finding qualified replacements. Besides providing for the staff additions, the expense increase represents salary administration actions and increased equipment and data-processing costs associated with automation initiatives.

Reserve Bank expenses on an object of expense basis also might be useful to the subcommittee.

Operating expenses for *Personnel* comprise officer and employee salaries, other compensation to personnel, and retirement and other benefits. Total personnel costs account for 64.5 percent of Reserve Bank expenses and are expected to increase 8.0 percent in 1991.

Salaries and other personnel expenses account for about 52 percent of 1991 budgeted expenses and are expected to be $49.3 million, or 6.7 percent above 1990 expenses. Salaries alone are budgeted to increase $52.6 million, or 7.3 percent, and will be partially offset by a decline in other personnel expenses of $3.2 million or 25.2 percent. The decrease in other personnel expenses results from a declining use of personnel agencies. Merit pay increases of $37.1 million, or 5.1 percent, are the primary reason for salary expense growth. Also contributing to additional salary expenses are staffing level increases, promotions, reclassifications, and structure adjustments. These increases are partially offset by position vacancies and reduced overtime.

Expenses for retirement and other benefits, which account for 12.3 percent of Reserve Bank budgets, are anticipated to increase $22.1 million, or 13.5 percent, in 1991. This increase is the result of continued escalation in hospital and medical costs, a rise in the social security tax, and an increase in the thrift plan match in 1991.

Nonpersonnel expenses account for 35.5 percent of Reserve Bank expenses and are projected to increase 4.5 percent in 1991.

Equipment expenses are expected to increase 7.2 percent and to account for 11.6 percent of total expenses in 1991. Most of the increase is in depreciation expenses resulting from acquisitions to expand data processing and data communications capabilities because of increased work loads.

Shipping costs (primarily for check operations) account for 5.8 percent of the 1991 budget and are projected to increase 4.1 percent in 1991. The increase is primarily the result of a substantial increase in postal rates in early 1991, an increase for the interdistrict transportation system (ITS), and increases from rebidding local transportation contracts.

Building expenses, which account for 9.1 percent of total expenses, are expected to increase 10.4 percent in 1991 because of higher real estate taxes in several Districts and the full-year effect of recently completed capital projects.

The plans of the Reserve Banks for *Capital* spending in 1991 show that outlays for buildings and for data processing and data communications equipment continue to dominate Reserve Bank capital budgets. By their nature, capital outlays vary greatly from year to year.

Special Budget Emphasis

The Board of Governors has continued approval in 1991 of two research and development projects intended to provide long-range benefits to the Federal Reserve and the banking industry. Because the spending on such projects is relatively high and short term, the Federal Reserve accounts for them separately from its operating expenses, although they are included in the total System budget. The budget for these "Special Projects" in 1991 is $7.6 million, compared with $5.2 million in 1990 and $7.5 million in 1989.

Since 1985, the Federal Reserve has been working on a project—digital imaging of checks—that could improve the efficiency of the check collection system through transition from paper delivery to electronic delivery. The System has been testing digital image technologies to produce high-quality images of check documents in a sustained high-speed check processing environment. The primary applications chosen for the testing were truncation of government checks and the processing of return items. Both of these check processes provide rigorous tests for image technology because they require the storage of large amounts of data and require a high level of quality in the retrieved image.

The focus of this project during 1991 will be on the systems development of a high-speed government check archival system, of personal computer systems for potential applications such as return-item processing, and of low-speed systems that will be efficient in very low-volume applications in the near term. The 1991 budget for this project is $3.7 million.

The second Special Project is the development of currency authentication systems. Our effort is to improve capabilities for detection of counterfeit notes in the processing of incoming currency deposits, and thereby promote the integrity of U.S. currency in circulation. The 1991 budget for this project is $3.9 million.

Before concluding my comments, I would like to add that the Federal Reserve knows a rigorous budget process is only one part of financial management. We are equally concerned about other areas of financial integrity. The structure of the Federal Reserve System provides for appropriate segregation of responsibilities; strong accounting control over assets, liabilities, revenues, and expenses; and an organizational structure that establishes responsibilities for audit and oversight of the objectives and goals of the Federal Reserve System.

This was the subject of our report to the subcommittee earlier this year in which we described and documented procedures and systems employed in supervising and controlling the Federal Reserve Banks. In brief summary, it is the policy of the Federal Reserve that the Board and each Reserve Bank maintain a system of internal controls that is designed to ensure that objectives of each are achieved and that they each operate in compliance with all prescribed rules, regulations, and policies. The management of each is responsible for maintaining adequate internal financial, custody, and data security controls over all aspects of their respective operations.

To ensure that these controls are operating in an effective manner at the Federal Reserve Banks, we have put the following procedures in place: (1) an internal audit function at each Reserve Bank is responsible for assessing practices and procedures for soundness and conformity with regulations in accordance with professional auditing standards; (2) the Board of Governors examiners conduct financial, operational, and procedural reviews at each of the Banks; (3) a certified public accountant firm reviews the procedures and practices of the Board's examination program; and (4) the Board's specialists review the effectiveness of each Reserve Bank's internal audit function. We believe that these measures offer excellent protection against financial impropriety.

Governor Kelley and I thank you for this opportunity to address the subcommittee on the Federal Reserve System budget. The existing budget processes are working well in controlling costs while at the same time encouraging quality improvements. We welcome your comments and would be pleased to address any questions you may have on our budget. □

Statement by Brent L. Bowen, Inspector General, Board of Governors of the Federal Reserve System, before the Subcommittee on Domestic Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 18, 1991

I am pleased to respond to your request to provide a brief review of the points made in our June 7, 1991, assessment of Governor Angell's report to the subcommittee entitled "System and Procedures for Financial Supervision and Control," and to outline our plans for examining the Board's systems of oversight and supervision of Federal Reserve Banks.

SUMMARY ASSESSMENT OF THE BOARD'S FINANCIAL CONTROL SYSTEM REPORT

The subcommittee asked that the Board's Office of Inspector General evaluate Governor Angell's report to the subcommittee by assessing the policies and procedures it describes and identifying any particular weaknesses or strengths in the System's design for auditing and controlling its own financial operations. Our assessment, which I request be made a part of this hearing record, noted the extensive internal controls present in the Federal Reserve's processes but identified two major points of possible concern.

First, we noted that the interactive participation of the Board in program management of

Reserve Bank financial activities may be beneficial from a day-to-day management perspective but may also present a potential conflict of interest from an oversight perspective: That is, participation by Board staff members in the management of Federal Reserve Bank financial operations could hinder their objective oversight or evaluation of those operations.

Second, we concluded that while the Board has an extensive internal control structure designed to prevent and detect fraud and abuse in Reserve Bank valuables handling, it does not have a specific program to prevent, detect, and investigate specific cases of suspected or actual fraud or abuse in other areas. Indeed, having such a program in the same oversight office would, in our opinion, cause some of the same concerns about the potential conflict of interest expressed in our first point.

The Inspector General Act gives my office the authority to audit and investigate all aspects of the Board's activities, which, by definition, include the Board's oversight of the Federal Reserve Banks. We can, therefore, review and report on those areas of Board and Bank activity that I have characterized as interactive participation by Board and Bank personnel to determine if the potential conflict of interest previously cited actually exists and can investigate allegations of wrongdoing and the appropriateness of investigations conducted by Board and Bank personnel.

PLANS FOR EXAMINING THE BOARD'S SYSTEMS OF OVERSIGHT

Our assessment of Governor Angell's report to the subcommittee includes an outline of the various mission areas of the Federal Reserve—monetary and economic policy, supervision and regulation of financial institutions, system policy direction and oversight (the area primarily addressed by Governor Angell's report), and administration—and the resources associated with those mission areas. In developing our five-year strategic plan, we identified topics of interest within each of these areas for specific audit attention, leaving investigations to be more reactive to allegations of specific wrongdoing that could come directly or through our nationwide hotline, from managers and staff, and from audit findings.

Although a risk analysis that we are developing could lead us to amend our priorities, we expect to devote about 25 percent of our resources to the area largely defined by Governor Angell's report over the next few years, with about 40 percent of our audit resources to be devoted to the mission area of supervision and regulation of financial institutions and the remainder of our resources to be about equally divided between the mission areas of monetary policy and administration.

We began our program to evaluate the effectiveness of the oversight of the Federal Reserve Banks with reviews of the operations of the Board's Division of Federal Reserve Bank Operations and Payment Systems and the Board's Office of Federal Reserve Bank Activities. We submitted those reports to the subcommittee last year. We have just begun an audit of the process used to examine the Federal Reserve Banks' financial operations, and our 1991 audit plan provides for an audit of the Board's oversight of the Reserve Bank budget process and an audit of Federal Reserve Bank branch building construction costs. We expect to then address the oversight of automation planning, communication planning, payment system risk, securities and fiscal services, cash review, check payments, electronic payments, financial accounting, building planning, protection and contingency planning, General Auditor functions, and other areas outlined in Governor Angell's report.

As for the other areas, we are currently conducting a nationwide audit of the Federal Reserve's commercial bank examiners' adherence to conflicts of interest policies and procedures; will release this week our report on the Federal Reserve's development of a national information center that contains a database of financial, organizational structure, and supervisory information on the nation's financial institutions; have completed operations reviews of the Board's monetary policy divisions; have completed the audits of the Board's new compensation system; and are proceeding with other audits identified in our strategic and annual plans.

This concludes my formal comments. I would be pleased to address any questions you may have. □

Statement submitted by the Board of Governors of the Federal Reserve System to the Committee on Ways and Means, U.S. House of Representatives, July 29, 1991

We are pleased to present the views of the Federal Reserve Board on the proposed Fair Trade in Financial Services Act of 1991. Given our direct responsibilities with respect to the financial services industry and our desire to ensure a healthy and efficient environment for the provision of financial services, the Federal Reserve has a special interest in this legislation.

The proposed act has two major elements that are relevant to a discussion of the policy issues presented by the proposed legislation. First, the Secretary of the Treasury would be required to submit to the Congress every two years a report identifying those countries that do not offer national treatment to U.S. banks, securities brokers and dealers, or investment advisers. A country offers national treatment to foreign firms if it offers "the same competitive opportunities (including effective market access)" as are available to their domestic firms. In the case of the country where a significant failure to accord national treatment is found, the Secretary of the Treasury must, in general, enter into negotiations with the country to end the discrimination. The Secretary may, at his discretion, publish in the *Federal Register* a determination that a country does not give national treatment; if he does so, regulatory agencies would have authority to use such a determination as a basis for denying applications by financial institutions from that country.

Second, if the Secretary of the Treasury has published in the *Federal Register* a determination with respect to a country, institutions from that country that are already operating in the United States may not commence "any new line of business" or conduct business from a "new location" without obtaining prior approval from the appropriate regulators. This provision would apply to new U.S. activities or U.S. offices for which no approval process is currently required for either domestic or foreign banks. For example, a foreign-owned U.S. bank may decide to begin to offer consumer mortgage lending or investment advisory services. Currently, no application for regulatory approval is required. However, under the proposed act such activities would be viewed as "new lines of business" requiring regulatory approval.

While we share the objectives of this proposed legislation, in that we too would like to encourage other countries to liberalize their financial markets, we think that the legislation itself is unwarranted and would have unfortunate consequences. It would reject national treatment—a policy that has been fundamental to the U.S. approach to the international operations of financial organizations. This policy should be preserved.

The principle of national treatment was established as U.S. policy with respect to foreign banks by the International Banking Act of 1978. Despite some individual legislative initiatives in recent years, it is acknowledged by virtually all major industrial countries as the principle upon which regulation of the international operations of banks ought to be based. Over many years the U.S. government has assumed a leadership role in building a consensus around this concept. At home, our policy of national treatment seeks to ensure that foreign and domestic banks have fair and equal opportunity to participate in our markets. The motivation is not merely a commitment to equity and nondiscrimination, though such a commitment in itself is worthy. More fundamentally, the motivation also is to provide consumers of financial services with access to a deep, varied, competitive, and efficient banking market in which they can satisfy their financial needs on the best possible terms.

Our policy of national treatment has served this country well. The U.S. banking market, and U.S. financial markets more generally, are the most efficient, most innovative, and most sophisticated in the world. It is not a coincidence that our markets are also among the most open to foreign competition. Foreign banks, by their presence and with the resources they bring from their parents, make a significant contribution to our market and to our economic growth; they enhance the availability and reduce the cost of financial services to U.S. firms and individuals, as well as to U.S. public sector entities.

The proposed act would replace the U.S. policy of national treatment with a policy of reciprocal national treatment. The United States would be saying that we are prepared to forgo the benefits of foreign banks' participation in our market if U.S. banks are not allowed to compete fully and equitably abroad.

Based on experience to date, the Federal Reserve feels strongly that there are better ways to encourage other countries to open their markets. Relying on market forces to induce liberalization may actually be the most potent force. It is well understood that any country that wants to have a financial market with sufficient international stature to compete with New York and London must liberalize and open its market. Many countries, including notably—but not only—Japan and Germany, are moving inexorably in that direction.

Nevertheless, we have not relied only on such a passive strategy, however successful such a strategy ultimately may be. In 1979, after the International Banking Act, the Treasury Department, with the help of other agencies including the Federal Reserve, prepared its first National Treatment Study, which has been updated several times, most recently last year, and which will be prepared regularly in the future, pursuant to the Omnibus Trade and Competitiveness Act of 1988. Based on the findings of those reports, the Treasury Department has engaged in bilateral talks with several countries, including Japan, partly as a consequence of which we have seen a substantial degree of liberalization in foreign financial markets.

Beyond those efforts, the Federal Reserve and others urged countries of the European Community (EC) strongly and with some success to soften the reciprocity provisions in their proposed Second Banking Directive. We have participated in a range of committees at the Bank of International Settlements in Basle and at the Organisation for Economic Co-operation and Development in Paris, where work has been aimed in part at establishing the legal, supervisory, and regulatory conditions that are a precondition for ensuring a "level playing field." In addition, the Federal Reserve has joined others in the U.S. government in working vigorously to reach a meaningful agreement on trade in financial services within the Uruguay round of multilateral trade negotiations.

There is one other issue that we would bring to the committee's attention. "Grandfathering" is a practice widely accepted internationally as a means of protecting investment in existing foreign banking operations at a time of statutory change. U.S. operations of foreign banks were grandfathered in the International Banking Act. With respect to foreign operations of U.S. banks, the Federal Reserve, along with others in the U.S. government and the U.S. financial industry, objected strenuously when the European Community was considering the elimination of grandfather rights for foreign banks, including U.S. banks, operating in Europe; in the end the EC preserved those rights. Consequently, European subsidiaries of U.S. banks may continue to conduct business and expand their operations on a national treatment basis.

By telling existing foreign-owned banks in the United States that the rules and procedures that have applied equally to them and to all other banks operating in the United States now apply only to U.S.-owned banks, we would be denying national treatment to foreign banks. We would run the risk of introducing instability and discouraging foreign investment in our markets. Moreover, we would be inviting almost certain retaliation.

In conclusion, the Federal Reserve would like to emphasize that we have witnessed substantial liberalization and structural reform in financial markets abroad over the past decade. Like members of the Congress, we too would like to see further progress. However, we must recognize also that U.S. markets are not as open as other countries would like, or for that matter as free as many in the United States, including the Federal Reserve, would like.

National treatment is an important concept, but in its implementation it is also an elusive one. Because it is enormously difficult to apply national treatment in a world in which the structures of banking markets in various countries differ significantly, it is tempting to seek what may appear to be direct, clear-cut solutions. However, lawmakers in each country, including the United States, must balance considerations of competitive equity with other legitimate concerns. We cannot insist that other countries adopt our structures any more than we can let others dictate to us.

It could prove to be a costly mistake if we jeopardize the gains we have made and are continuing to make in improving our own markets, in reforming markets abroad, and in gaining access for U.S. financial firms to those markets, for the sake of trying, probably in vain, to force others to adhere to our own timetable. □

Statement of Franklin D. Dreyer, Senior Vice President, Supervision and Regulation and Loans, Federal Reserve Bank of Chicago, before the Subcommittee on Policy Research and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 31, 1991

I thank you for this opportunity to discuss asset securitization as it relates to financial institutions. As you are aware, securitization of assets is one of several innovations changing the nature and complexity of our financial system. As with other innovations, an understanding of the benefits and risks involved in securitization is necessary to evaluate properly the role that it is increasingly playing in our financial markets. Staff members at the Federal Reserve have been carefully reviewing securitization to ensure that this process will not pose undue risk for depository institutions and their holding companies.

THE NATURE OF SECURITIZATION

Securitization is a process that transforms illiquid assets into marketable securities. The process has come to be considered a normal activity for depository institutions as well as for mortgage banks—indeed, the securitization of loans into tradable securities and subsequent sale of these securities now serve as an important substitute for retaining loans and funding these with bank deposits. Securitization activities started in the 1970s. Fostered by certain government and government-related agencies, primarily to support the housing industry, mortgage-related assets were the first instruments to be securitized. Since then, the economics of the process has sustained its momentum as other types of assets have recently been securitized.

Asset securitization, in its simplest form, consists of aggregating loans or similar assets having relatively homogeneous characteristics into pools that are transferred to a trust or special, limited-purpose corporation. This entity then issues securities backed directly by the pooled assets, and the principal and interest payments of these underlying assets flow directly through to the holders of the securities. The holders of these securities are essentially in the same position as if they owned the underlying assets directly. The trust or corporation that issues the securities is typically established by the organization that generated and pooled the underlying assets.

Over time, more complex securitization structures have evolved. These structures, originally issued in the form of collateral mortgage obligations (CMOs) and now issued as real estate mortgage investment conduits (REMICs), aggregate and then redirect the principal and interest cash flows coming from the underlying assets and assign payment priorities to different classes of investors. These more complex structures have been developed to provide some classes of investors with a security that has a more certain maturity or average life and thus a more predictable overall yield. However, by providing greater certainty to some investors, the maturity and overall yield to other classes of investors become less certain. The introduction of these features, while increasing the complexity of asset-backed structures, has enhanced their marketability to different types of investors by appealing to their differing investment objectives and risk preferences.

Regardless of the type of structure, almost all securitization programs involve the use of a servicer. The servicer is responsible for collecting interest and principal payments on the loans or other assets in the underlying pool and for transmitting these funds to a trustee, who, in turn, passes them on to investors. A servicer may be the originator of the pooled asset or another financial institution that has acquired the right to service the underlying assets on behalf of the investor for a fee.

Another aspect of securitization is credit enhancement. This procedure involves use of a guarantor to make sure that principal and interest payments will be received by investors on a timely basis, even if the servicer does not collect these payments from the underlying obligors. One form of credit enhancement is a recourse provision, or guarantee, that requires the originator to cover any losses up to an amount contractually agreed upon. Some asset-backed securities, such as those backed by credit card receivables, typically use a "spread account" as a credit enhancement. A spread account is actually an escrow account whose funds are derived from a portion of the spread between the interest earned on the assets in the underlying pool and the lower interest paid on securities issued by the trust.

Credit enhancement may also be provided through overcollateralization when the value of the underlying assets in the pool exceeds the face value of the securities issued against it. Senior–subordinated security structures also provide credit enhancement but generally benefit only the senior class. Other forms of credit enhancement include standby letters of credit or surety bonds from third parties. Asset-backed securities other than those securities supported by pools of mortgages generally depend on some form of credit enhancement provided by the originator or third party to insulate the investor from some or all of any credit losses. Issues of mortgage-backed securities can also be backed by the Government National Mortgage Association (GNMA), a government agency backed by the full faith and credit of the U.S. government, or by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), which are government-sponsored agencies.

The Securitization Market

Asset securitization has grown substantially over the past few years. Residential mortgage-backed, pass-through securities are the largest segment of the asset-backed securities market. They have increased 290 percent since 1984 to nearly $1.1 trillion by the end of 1990. As of year-end 1990, approximately 40 percent of outstanding one- to four-family residential mortgage debt has been securitized. Furthermore, over the same period, securities backed by other types of assets, such as credit card receivables, automobile loans, student loans, and other types of consumer loans, have also been created. The annual issuance of securities backed by assets other than mortgages has increased from slightly more than $1 billion in 1985 to almost $43 billion by the end of 1990. As of year-end 1990, approximately 10 percent of consumer debt had been securitized.

Generally, the biggest purchasers of asset-backed securities have been banks, savings and loan associations, life insurance companies, and pension funds. Based on third-quarter 1990 data, commercial banks held approximately 19.1 percent of the total mortgage-related securities outstanding. Savings and loan associations held 14.5 percent, life insurance companies held 14.3 percent, pension funds held 7.3 percent, and mutual funds held 4.5 percent, with the remaining amount held by other investors.

From the beginning, banking organizations have been involved in the securitization process as originators and securitizors of residential mortgages. Over the past few years, they have ventured into securitization of other types of assets, such as credit card receivables and other types of consumer loans. Also, many banking organizations have increased their reliance on securitization for funding, have acted as servicers or trustees for securitized issues, and have increased their holdings of asset-backed securities. More recently, as noted above, banking organizations have begun to purchase asset-backed securities or derivative instruments for investment or hedging purposes.

Banking organizations have found securitization an attractive way to reduce interest rate risk, and securitization provides an additional source of funding, generally at a lower cost than other funding sources. Securitization helps reduce interest rate risk since the assets are removed from the selling institution's books. This risk is passed on to the investors, and, at the same time, the cash received in the asset sale raises funds for further lending activities. Furthermore, the fees earned by banking organizations as servicers or trustees of asset-backed securities have provided a source of noninterest income.

Banking organizations may also seek to securitize assets to accomplish several other objectives. First, in selling, rather than holding, assets they have originated, banking organizations are able to lower both their reported liabilities and assets, thereby reducing reserve and capital requirements and deposit insurance premiums. This occurs because traditional lending activities are generally funded by deposits or other liabilities, and both the assets and related liabilities are reflected on the balance sheet. Deposit liabilities must generally increase to fund additional loans.

In contrast, so long as there is no recourse back to the banking organization that originated the assets, the securitization process generally does not increase on-balance-sheet liabilities in proportion to the volume of loans or other assets generated. When banking organizations securitize their assets and these transactions are treated as sales—that is, there is no recourse back to the banking organization that originated the loans—both the assets and the related asset-backed securities (that is, liabilities) are not reflected on the banking organization's balance sheet. The cash proceeds from the securitization transactions are generally used to originate or make additional loans for securitization, and the process is repeated. Thus, for the same volume of loan originations, securitization results in lower reported assets and liabilities when compared with traditional lending activities.

As noted above, banking organizations can earn fee income from servicing the loans that they originated and sold. Additional advantages include faster recognition of fee income than normal. Previously deferred loan fees related to assets that are sold, and any excess servicing fees created by the asset securitization process can, under generally accepted accounting principles (GAAP), be recognized at the time of sale rather than be amortized over the life of the asset as would be the case if it was held on the bank's books.

RISKS OF SECURITIZATION

While clear benefits accrue to banking organizations that engage in securitization activities as well as to those that invest in asset-backed securities, these activities have the potential of increasing the overall risk profile of the banking organization if they are not carried out in a prudent manner. For the most part, the risks that financial institutions encounter in the securitization process are identical to those that they face in traditional lending transactions. These involve credit risk, concentration risk, operational risk, liquidity risk, and interest rate risk, including prepayment risk. However, since the securitization process separates the traditional lending function into several limited roles, such as originator, servicer, credit enhancer, trustee, and investor, the types of risks that a banking organization may encounter will differ depending on the role it assumes.

As with direct investments in the underlying assets, investors in asset-backed securities will be exposed to credit risk, that is, the risk that obligors will default on principal and interest payments. Although investors in most asset-backed securities are largely shielded from credit risk because of government-related guarantees and other credit enhancements, investors are still subject to the risk that the various parties, for example, the servicer or credit enhancer, in the securitization structure will be unable to fulfill their contractual obligations. Moreover, investors may be susceptible to concentrations of risks across various asset-backed security issues through overexposure to an organization performing various roles in the securitization process or as a result of geographic concentrations within pools of assets.

Furthermore, since the secondary markets for certain asset-backed securities may be thin, investors may encounter greater-than-anticipated difficulties when seeking to sell their asset-backed securities. Additionally, investors are still subject to interest rate risk, which can vary greatly depending on the nature of the individual security they hold. Indeed, while certain security classes of a REMIC are structured so that investors are subject to substantially less interest rate risk than that associated with the underlying mortgages, other classes of the same REMIC are necessarily structured so that these investors are exposed to considerably greater interest rate risk. Banking organizations that provide credit enhancements to asset-backed security issues are, of course, subject to the credit risk inherent in the assets they are guaranteeing. In addition, as credit enhancer, a banking organization may be exposed to risk stemming from undue concentrations of assets coming from a limited geographical area or from an originator that may have allowed its own credit standards to deteriorate.

Also, to generate the higher volume of receivables necessary to maintain or expand a securitization program, a banking organization that originates the loans to be securitized may consciously or unconsciously lower its credit standards. Conversely, a banking organization that issues asset-backed securities may be subject to pressures to sell only their best assets, thus reducing the quality of their own loan portfolios.

Banking organizations that service the loans underlying asset-backed securities must ensure that their policies, operations, and systems will not permit breakdowns that may lead to defaults. The servicer, whether it be the originator of the assets or a third-party servicer, has a responsibility to perform, which includes having to undertake reasonable collection efforts to collect delinquent payments. In this regard, the collection costs that an anticipated volume of problem assets may require could substantially raise the overall costs of operations for the servicer and even exceed the related fee income. Furthermore, if a servicer fails to perform properly, the trustee may take away its right to continue to service assets and place those servicing rights with another servicer, which would, of course, collect the servicing fees.

Beyond the above operational risks, certain servicing contracts, such as those entered into with GNMA, FNMA, and FHLMC, increasingly contain recourse provisions that subject the servicer to direct credit risk. Issuers may face pressures to repurchase securities backed by loans or leases that they have originated but that have deteriorated and become nonperforming, thus providing "moral recourse" for the securities.

Regulatory Response

In view of the increasing involvement of banking organizations in the asset securitization process and the desire to foster prudent banking practice with respect to this activity, the Federal Reserve and the other banking regulators have taken several steps over the years to address securitization activities. These steps include the following: (1) regulatory reporting requirements that, in general, permit banks to take assets they have originated and securitized off their balance sheets only when they have "sold" those assets without recourse; (2) the issuance in 1988 of an interagency supervisory policy statement to address investments in stripped, asset-backed securities and residual interests and a subsequent proposed revision that will address "high risk" collateralized mortgage obligations; (3) development of examination guidelines addressing various aspects of the securitization process; and (4) development of the risk-based capital framework.

In April 1988, the three federal banking agencies issued a joint policy statement advising banking organizations on the selection of securities dealers and unsuitable investment practices. In addition, this policy also discussed several types of instruments, such as stripped mortgage-backed securities and residual interests in pools of securitized assets, with very volatile prices and high-risk characteristics due to extreme sensitivity to interest rate risk. The Board policy statement indicated that these investments may be unsuitable for most institutions. The three banking agencies, along with the Office of Thrift Supervision (OTS), are currently updating the 1988 policy statement to address other "high-risk" classes of CMOs and REMICs. The high-risk nature of these securities stems from the manner in which the embodied interest rate risk affects the cash flows to investors resulting in especially volatile price movements.

Examiner guidelines on asset securitization have been established for use by the Federal Reserve's examiners. These guidelines provide a structured framework for assessing the risks associated with the securitization process at banking organizations and for determining that banking organizations have implemented certain prudential policies and procedures in this area. In accordance with these guidelines, examiners are to determine the following:

- Securitization activities are integrated into the overall strategic objectives of the organization.
- Sources of credit risk are understood and properly analyzed and managed, without excessive reliance on credit ratings by outside agencies.
- Credit, operational, and other risks are recognized and are addressed through appropriate policies, procedures, management reports, and other controls.
- Possible sources of structural failure in securitization transactions are recognized, and the organization has adopted measures to minimize the impact of such failures should they occur.
- The organization is aware of the legal risks and uncertainty regarding various aspects of securitization.
- Concentrations of exposure in the underlying asset pools, in the asset-backed securities portfolio, or in the structural elements of securitization transactions are avoided.
- All sources of risk are evaluated at the inception of each securitization activity and are monitored on an ongoing basis.

Special seminars on asset securitization are conducted for senior Federal Reserve examiners, and securitization is a regular topic in the System's examiner schools. In-depth coverage of securitization issues will continue to be part of a regular examiner training program.

Capital requirements play an important role in the supervision of banking organizations. As a general, long-standing rule, bank regulatory agencies have maintained a basic tenet that when there is risk associated with a financial arrangement, capital should be held against that risk. The risk-based capital framework assigns assets and off-balance-sheet items to various broad risk categories, depending on the level of credit risk associated with that asset.

The risk-based capital framework has three main features that will affect the asset securitization activities of banking organizations. First, the framework assigns risk weights to loans, asset-backed securities, and other assets related to securitization. Second, bank holding companies that transfer assets with recourse to the seller as part of the securitization process are required under the risk-based capital guidelines to hold capital against their off-balance-sheet credit exposures. Under GAAP, such transactions may be treated as sales that remove the assets sold with recourse from the bank holding company's books. Third, banking organizations that provide credit enhancement to asset securitization issues through standby letters of credit or by other means must hold capital against the related off-balance-sheet credit exposure.

The risk weights assigned to asset-backed securities that banking organizations hold as investments depend on the issuer and whether the assets that comprise the collateral pool are mortgage related assets. Asset-backed securities issued by a trust or by a single-purpose corporation and backed by nonmortgage assets are typically assigned a risk weight of 100 percent.

Mortgage-backed, pass-through securities guaranteed by GNMA are risk weighted at 0 percent because GNMA is explicitly backed by the full faith and credit of the United States. Mortgage securities, such as participation certificates and CMOs issued by FNMA or FHLMC, are risk weighted at 20 percent because they are government-sponsored agencies that carry only the implied backing of the United States.

However, several types of securities issued by FNMA and FHLMC, such as residual interests and CMO classes that absorb more than their share of loss, are excluded from the lower risk weight and slotted in the 100 percent risk-weight category because of their extreme price volatility.

A privately issued, mortgage-backed security that meets certain criteria is considered either a direct or indirect holding of the underlying mortgage-related assets and is assigned to the same risk category as those assets (for example, the assets may be U.S. government agency securities, U.S. government-sponsored agency securities, FHA- and VA-guaranteed mortgages, and conventional mortgages). However, under no circumstances will a privately issued, mortgage-backed security be assigned to the 0 percent risk-weight category.

New Product Development

In the past few years, securitization of assets has become an increasingly complex activity. Product development in this field is being carried out at a very fast pace because of (1) computer models that assist in redirecting the cash flows from the underlying assets in a number of different directions, (2) investor demand for more specialized products to meet their individual needs, (3) the marketplace growth with respect to the number of originators and investors, and (4) the globalization of the asset-backed securities markets.

The increasing complexity makes it potentially more difficult to determine what the risk is and who has it. We expect banking organizations, when they participate in securitization in any capacity, to ensure that the activities are clearly and logically integrated into the overall strategic objectives of the organization. Appropriate policies, procedures, and controls should be established by a banking organization before participating in asset securitization. Controls should include well-developed management information systems. In addition, significant policies and procedures should be approved and reviewed periodically by the organization's Board of Directors.

Summary

Securitization has resulted in several benefits for banking organizations. It improves funding and enhances liquidity for the banking system, particularly in the housing and consumer sectors. It has also brought new investors into the marketplace because of the diversity of the securities offered. Securitization of assets has also helped banks to fund their portfolios.

But there are also potential drawbacks and risks associated with asset securitization. The complexity of risks in this process, coupled with the increasing pace of innovation, could make it difficult for banking organizations to liquidate some types of securities. Moreover, increasingly complex recourse or guarantee arrangements can make it more difficult to monitor the risks associated with this activity. In addition, adverse risk selection can weaken the credit underpinnings of the securitization process. Bank regulators must continue to carefully monitor the securitization processes now under way. □

Announcements

Recess Appointment of Alan Greenspan as Chairman of the Board of Governors

President Bush on August 9, 1991, announced the recess appointment of Alan Greenspan as Chairman of the Board of Governors of the Federal Reserve System, effective August 10, 1991. Following is the text of the White House statement:

The President today announced that he will recess appoint Alan Greenspan as Chairman of the Board of Governors of the Federal Reserve System, effective August 10, 1991.

Appointment of David W. Mullins, Jr., as Vice Chairman of the Board of Governors

President Bush, on January 14, 1991, announced his intention to appoint Governor David W. Mullins, Jr., as Vice Chairman of the Board of Governors, succeeding Manuel H. Johnson, who resigned effective August 3, 1990. Governor Mullins was subsequently confirmed by the Senate on July 11, 1991, and took the oath of office on July 24, 1991, for a four-year term.

A copy of the White House announcement follows:

The White House
Office of the Press Secretary

January 14, 1991

The President today announced his intention to nominate. . . David W. Mullins, Jr., of Arkansas, to be Vice Chairman of the Board of Governors of the Federal Reserve System for a term of four years. He would succeed Manuel H. Johnson. Since May 1990, Dr. Mullins has served as a member of the Board of Governors of the Federal Reserve System in Washington, D.C.

Revised Lists of OTC Margin Stocks and Foreign Margin Stocks Now Available

The Federal Reserve Board published on July 26, 1991, a revised List of Marginable OTC Stocks (OTC List) for over-the-counter (OTC) stocks that are subject to its margin regulations. Also published was the List of Foreign Margin Stocks (Foreign List) for foreign equity securities that are subject to Regulation T (Credit by Brokers and Dealers). The lists are effective August 12, 1991, and supersede the previous lists that were effective May 13, 1991.

The Foreign List indicates those foreign equity securities that are eligible for margin treatment at broker–dealers. Margin treatment of foreign equity securities was made possible by a 1990 amendment to Regulation T. Twenty companies were added to the Foreign List, bringing the total number of foreign equity securities to 295. There were no deletions from the Foreign List.

The changes that have been made to the revised OTC List, which now contains 2,714 OTC stocks, are as follows:

- One hundred eleven stocks have been included for the first time, 106 under national market system (NMS) designation.
- Forty-seven stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Thirty-four stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC List is published by the Board for the information of lenders and the general public. It includes all OTC securities designated by the Board pursuant to its established criteria as well as all OTC stocks designated as NMS securities for which transaction reports are required to be made pursuant to an effective transaction reporting plan. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for November 1991.

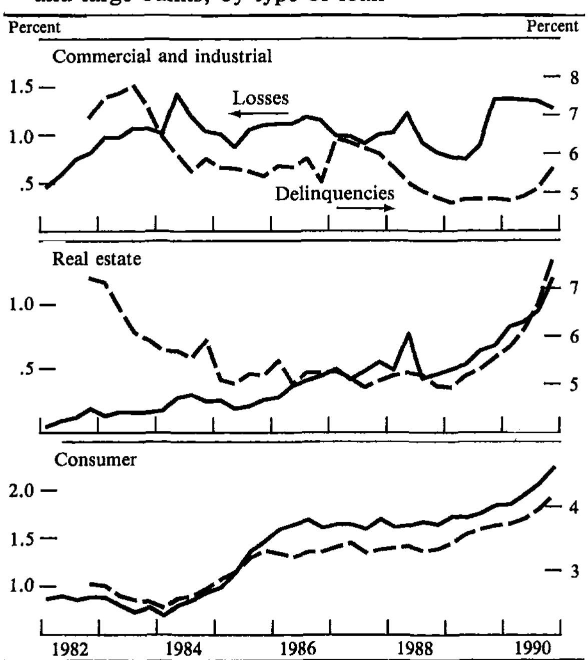
In addition to NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the OTC List.

ERRATA

Federal Reserve Bulletin

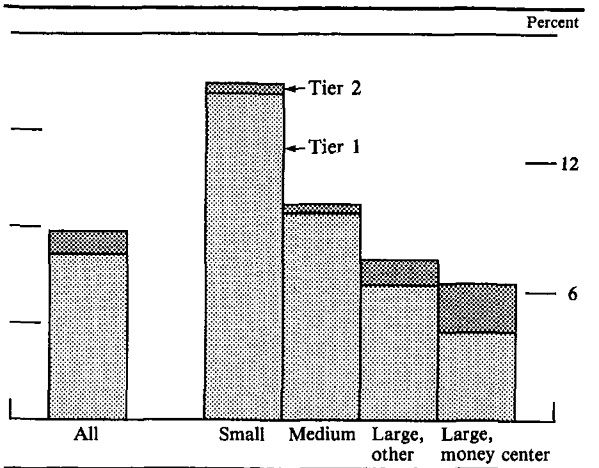
In chart 6 of the July 1991 *Bulletin* article, "Recent Developments Affecting the Profitability and Practices of Commercial Banks," page 512, the plotting is incorrect; and in chart 10 of the article, page 515, the labels for tier 1 and tier 2 are reversed. The corrected charts are shown here.

6. Loan losses and delinquencies at medium and large banks, by type of loan[1]



1. Percentages are annual rates of average amount outstanding, seasonally adjusted. Losses are net of recoveries; delinquent loans are those in nonaccrual status plus those accruing interest and at least thirty days past due.

10. Ratios of tier 1 and tier 2 capital to risk-adjusted assets, by size of bank, 1990:4[1]



1. See text discussion for definitions of capital tiers and risk adjustments.

Annual Report

On page 254 of the Board's *77th Annual Report, 1990*, the entry for the merger of Texas Bank with another institution is in error. The entry should read,

> Texas Bank, Weatherford, Texas, to merge with Citizens National Bank, Denton, Texas.

PROPOSED ACTION

The Federal Reserve Board, along with the Comptroller of the Currency and the Federal Deposit Insurance Corporation, issued on July 3, 1991, a request for public comment on the supervisory definition of highly leveraged transactions (HLTs). Comments were due to the Board by August 26, 1991.

CHANGES IN BOARD STAFF

The Federal Reserve Board announced the retirement of Robert F. Gemmill, Staff Adviser in the Division of International Finance, effective August 2, 1991.

The Board also announced, effective August 7, 1991, a revision in the functions and reporting relationships of the Office of the Staff Director for Federal Reserve Bank Activities and in the reporting relationships of the Division of Reserve Bank Operations and Payment Systems. The Staff Director and his staff will be transferred to the Office of Board Members; and Mr. Theodore E. Allison is appointed Assistant to the Board for Federal Reserve System Affairs. The Director of Reserve Bank Operations and Payment Systems, Mr. Clyde H. Farnsworth, will report directly to the Board of Governors through the Reserve Bank Activities Committee. The Office of the Staff Director has been disestablished.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 14, 1991

Domestic Policy Directive

The economic information reviewed at this meeting was mixed, but on balance it suggested that business activity might be in the process of stabilizing after declining in the fourth and first quarters. Retail sales were little changed in April, and housing markets apparently strengthened in many areas; however, business fixed investment remained weak, and some liquidation of inventories seemed to be continuing. Production held steady in April. Nonfarm payroll employment continued to decline but by much less than in previous months. Broad measures of prices and wages pointed to moderating inflation pressures, although a number of special factors tended to obscure underlying inflation trends.

Total nonfarm payroll employment fell further in April, but the reduction was substantially less than the declines in the latter part of 1990 and the early months of 1991. The job losses included much smaller decreases in manufacturing and construction; employment in wholesale and retail trade also continued to slide, and the loss more than offset a further gain at service establishments. The civilian unemployment rate declined somewhat in April to 6.6 percent.

After dropping sharply from October through March, industrial production was about unchanged in April. An upturn in the production of motor vehicles provided an important boost to industrial activity, and output of other consumer durable goods also edged up. These gains offset further declines in the production of consumer nondurable goods and business equipment. Industrial materials, while displaying a mixed pattern, continued to decline as a group. Capacity utilization rates generally fell further in April, and operating rates for most industry groups were at their lowest point in the current recession.

Real business fixed investment fell sharply in the first quarter, with outlays for both equipment and structures decreasing substantially. The plunge in expenditures for equipment included large declines in spending for computers, motor vehicles, and many types of industrial equipment; in contrast, outlays for aircraft were markedly higher. Recent data on orders received by domestic manufacturers pointed to additional cutbacks in spending for most types of equipment. The sizable reduction in first-quarter expenditures for nonresidential structures followed an even larger decline in the fourth quarter. Forward-looking indicators of nonresidential construction suggested continuing weakness. Nonfarm business inventories fell substantially further in the first quarter, largely as a result of continuing liquidation of stocks of motor vehicles. In March, housing starts lost part of their sharp February gain. However, more recent anecdotal reports and surveys of homebuilders suggested that reduced mortgage rates were continuing to stimulate consumer interest in purchasing homes.

Retail sales, which had risen substantially in February after sizable declines in previous months, were now indicated to have increased somewhat further in March and to have changed little in April. The improvement in retail sales was led by the durable goods category. Unit sales of motor vehicles rose in March but subsequently softened again in April. After rebounding earlier, consumer sentiment was reported to have declined slightly in April.

Producer and consumer prices changed little in March and April, partly because of some additional reduction in energy prices. Excluding their food and energy components, both producer and consumer prices were up considerably less in the latest two months than in previous months. Apparently reflecting an increase in the minimum wage, average hourly earnings rose at a faster rate in April than in earlier months of the year. In the first quarter, hourly compensation as measured by the employment cost index was boosted by special factors that included an increase in the wage bases for social security and medicare taxes.

The nominal U.S. merchandise trade deficit narrowed in February, and for January–February combined the deficit was considerably below its average rate in the fourth quarter. The improvement reflected a significant decline in the average price of oil imports, a lower volume of non-oil imports, and further expansion in the quantity of exports. In the first quarter, economic activity appeared to have continued to grow at a sluggish pace in the major foreign industrial nations as a group.

At its meeting on March 26, 1991, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that contained no presumption regarding the likely direction of possible intermeeting adjustments. Accordingly, the directive indicated that somewhat more or somewhat less pressure on reserve positions might be appropriate during the intermeeting period depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The contemplated reserve conditions were expected to be consistent with some reduction in the growth of M2 and M3 from accelerated rates in previous months to annual rates of about 5½ and 3½ percent respectively over the three-month period from March through June.

For much of the period after the Committee meeting, open market operations were directed toward maintaining the existing degree of pressure on reserve positions. On April 30, in response to indications of continuing weakness in the economy and in the context of abating inflation pressures, the discount rate was reduced from 6 to 5½ percent and part of this decline was allowed to show through to the federal funds rate. Adjustment plus seasonal borrowing averaged a bit above $150 million over the intermeeting period, close to expected levels. During this period, two technical increases were made to assumed levels of borrowing to reflect a normal upswing in seasonal credit. Federal funds traded at an average rate just below 6 percent until late April; the rate was under downward pressure at times from market expectations of some further easing in monetary policy and from unanticipated reserve surpluses. After the announcement of the reduction in the discount rate on April 30, federal funds traded in a range around 5¾ percent.

Most short-term interest rates declined somewhat more than the federal funds rate over the intermeeting period, apparently reflecting reactions to indications of continued weakness in the economy as well as the easing in reserve conditions. Banks reduced their prime rate from 9 to 8½ percent in early May after the easing of monetary policy. In long-term debt markets, yields on Treasury bonds were little changed on balance over the period as market participants appeared to focus increasingly on the prospects for very large Treasury financing needs. In private-sector bond markets, rates edged lower and risk premia fell further after declining sharply in February and March. Major stock price indexes retreated from record levels reached during April but still rose on balance over the period. Prices of bank debt and equities outpaced the broader indexes, in part because bank earnings for the first quarter were not as poor as many investors had feared.

In foreign exchange markets, the dollar tended to weaken in reaction to the easing of U.S. monetary policy in late April and the release of data that failed to confirm market expectations of a quick recovery in U.S. economic activity after the end of the Persian Gulf war. However, some decline in short-term interest rates abroad and reactions to political developments in Germany and the Soviet Union limited the downward pressure on the dollar. On balance, the dollar was little changed over the period in terms of the other G-10 currencies, and at the time of this meeting it was at a level well above its lows of mid-February.

After accelerating to a relatively rapid pace in February and March, growth of M2 slowed appreciably in April. The slowing was somewhat greater than had been anticipated and appeared to be related in part to a relatively small buildup in household deposit balances associated with a falloff in income tax payments. The expansion of M3, which already had moderated in March, stalled in April. Apart from the effect of reduced M2 growth, M3 was influenced by a runoff of large time deposits associated with contracting credit at depository institutions. For the year through April, M2 expanded at a rate close to the midpoint of the Committee's annual range; M3 grew at a pace in the upper half of the Committee's range, as the elimination of reserve requirements on nontransaction accounts induced some foreign banks to shift funding into the U.S. CD market.

The staff projection prepared for this meeting suggested that a recovery in economic activity was imminent and would be fully under way by the summer months; the expansion was projected to continue through 1992. In the context of moderate growth in consumer spending, the recovery would be stimulated by an upturn in homebuilding and a swing in coming months from decumulation to accumulation of inventories. Capital expenditures were expected to strengthen over time as sales trends improved. On balance, however, the projection pointed to a recovery that was less robust than most of those experienced in previous postwar cycles. Among the factors that would tend to inhibit the recovery were the effect of unoccupied nonresidential structures on construction activity, the absence of further significant impetus from net exports, and the prospect of some continued constraint on the availability of credit. Federal fiscal policy was expected to remain moderately restrictive, and efforts by states and localities to cope with budgetary imbalances also promised to exert some restraint on domestic demand. Against the background of some persisting slack in labor and product markets, the staff anticipated that the underlying rate of inflation would trend down in coming quarters.

In the Committee's discussion of the economic situation and outlook, members commented that current business indicators continued to provide mixed signals of the prospects for the economy but that a variety of developments appeared to have laid the groundwork for a recovery. Indeed, in the view of a number of members, the economy might well be close to its recession trough. Consumer spending, while disappointing to many business firms, appeared to have been better maintained in recent months than earlier reports had suggested, and demand for housing clearly had picked up across the nation. Overall spending had exceeded production by a considerable margin since the fall of 1990, and at some point the liquidation of inventories would end and a pickup in production would be needed to satisfy ongoing demand. On the financial side, the stock market remained strong; households and business firms were making progress in rebuilding their balance sheets; and the overall condition of the banking system appeared to be improving despite the continuing difficulties of a number of individual institutions. Negative factors included indications of relatively depressed business sentiment; business capital spending remained weak and members were concerned that additional retrenchment in business expenditures could develop, possibly induced by further disappointment over the level of consumer spending, that would deepen and prolong the recession. Consumer confidence had receded after its surge at the end of the Persian Gulf war. Consumer and business attitudes were seen as a critical factor bearing on the prospective performance of the economy.

Despite the uncertainties, the members generally viewed a business recovery in the months ahead as a reasonable expectation. At the same time, while acknowledging the unpredictability of the economy's momentum once the recovery got under way, many questioned the potential strength of the anticipated expansion. Their assessment of current conditions did not point to major sources of stimulus to the economy, aside perhaps from residential housing. Some members also observed that the rebuilding of balance sheets, to the extent that it continued, might temper the initial strength of the recovery though it would have obviously favorable implications for the sustainability of the recovery over time. With regard to inflation trends, members commented that on the whole recent price and wage developments were encouraging and provided a firmer basis than earlier for projections of appreciable progress in reducing the core rate of inflation over the next several quarters.

Reports from around the country indicated that business conditions were still uneven. Economic activity appeared to have weakened somewhat further in some regions over the course of recent months but had changed little or shown modest gains in other parts of the nation. Relatively weak economic conditions had limited the tax revenues of numerous state and local governments, including many major cities, and the imposition or the prospect of higher taxes along with efforts to cut services were having an unsettling influence on business and consumer confidence in many areas. More generally, fiscal developments, including trends in federal spending, were expected to have a retarding effect on the nation's economy over the balance of the year and in 1992.

Many of the members observed that the consumer sector might well remain relatively sluggish in the months ahead as consumer expenditures continued to be restrained by lagging growth in disposable incomes and by concerns about employment prospects, debt burdens, and the health of a number of financial institutions. With regard to the prospects for business capital spending, members continued to anticipate that significant strengthening would lag an improvement in consumer spending. In this connection, some commented that unless tangible evidence of stronger consumer spending began to emerge fairly soon, already gloomy business attitudes would be shaken further and could lead to an additional cutback in business capital expenditures. For now, the weakness in investment spending appeared to reflect in large measure a stretching out of major capital projects rather than widespread cancellations. The large issuance of new equity and long-term debt by business firms was being used at this point mainly to shore up balance sheets rather than to finance capital expenditures, but these activities implied that business firms would be in an improved position to finance more investment spending later in response to a pickup in the demand for their products and an ongoing need to modernize production facilities for competitive reasons. In any event, commercial construction activity was likely to remain depressed for an extended period until a severe overcapacity in office space and other facilities in many parts of the country could be worked down.

Several members commented that a turnaround in inventory investment could play a significant role, as it had historically, in helping to generate a business recovery. The members recognized that a good deal of uncertainty typically surrounded the outlook for inventories, and it seemed especially difficult to anticipate inventory behavior in the context of still evolving business policies aimed at much tighter inventory controls. Nonetheless, the general liquidation of inventories was not likely to persist, and its termination would at the minimum remove a major retarding influence on economic activity, should appreciable rebuilding of inventories fail to materialize in the near term. Indeed, the reduction in auto dealer inventories since late 1990 already had caused production schedules in the motor vehicles industry to be raised substantially for the second quarter despite still lagging sales. A question obviously remained regarding the prospective strength of the buildup in business inventories once there were relatively firm indications of a recovery in final demand from recession levels. In one view, a pickup in inventory investment was likely to be a key source of expansion in the economy. A differing view suggested a relatively limited role for inventories in buttressing an expansion in light of the now widespread business practice of tighter inventory management.

Housing construction also was cited as a sector of the economy that might make a significant contribution to a rebound in economic activity. Reports from around the country already indicated a marked revival in buyer interest, abetted by reduced mortgage rates and lower home prices in many areas. Those developments had greatly enhanced the affordability of houses. The availability of financing to many home builders remained subject to some uncertainty, but while lending institutions would probably apply stricter credit standards than in earlier years, the improving financial condition of these lenders should induce them in the context of strengthening housing markets generally to provide the financing that would be needed to translate increased home sales into more home construction.

With regard to the outlook for inflation, members indicated that they were encouraged by recent price and wage developments. Some observed that greater progress had been made in recent months than they had anticipated earlier, and many commented that more progress in reducing the core rate of inflation was a likely prospect over the next several quarters. In this connection, members reported that competitive pressures remained strong and that many business firms found it difficult to sustain price increases. Moreover, the prices paid by business firms for raw materials had tended to hold in a narrow range, and many business contacts indicated that they did not anticipate much change in such prices during the months ahead. More generally, the members continued to express confidence that the ongoing effects of earlier monetary policy actions and reduced monetary growth over an extended period, together with the slack that had emerged in labor and product markets, would result over time in a lasting downward adjustment in the core rate of inflation. In addition, the appreciation of the dollar in foreign exchange markets would tend with some lag to exert a favorable restraining effect on prices. A number of members cautioned, however, that a significant reduction in the core rate of inflation was not yet assured, and some observed that the failure of long-term bond yields to adjust more fully to recessionary economic conditions and to the substantial cumulative decline in short-term interest rates over the course of recent quarters might well be indicative of continued and still considerable inflationary expectations on the part of the public.

In the Committee's discussion of a desirable policy for the intermeeting period ahead, all of the members indicated their support of a proposal to maintain an unchanged degree of pressure on reserve positions. Most also preferred to retain the current instruction in the directive that did not bias possible intermeeting adjustments toward ease or toward restraint. Monetary policy appeared to be properly positioned at this point to help implement the Committee's objectives in that it reflected an appropriate balancing of the risks of an overly stimulative policy that would threaten progress against inflation versus the risks of a deepening recession or an overly delayed recovery. A number of members commented that some further deterioration in economic activity could not be ruled out, and some emphasized that the costs of a substantial shortfall in economic activity from current projections would be much greater than those of a markedly faster expansion than the members currently expected, since present levels of slack in labor and other resource use would tend to limit the price consequences of a period of robust economic growth. However, the System's earlier easing actions, including the most recent reduction in the discount rate in late April and some associated easing in reserve conditions, had provided a good deal of insurance against cumulative further weakening in business activity. Moreover, the System's commitment to the goal of reducing inflation argued for a cautious approach to any further easing at a time when the economy might be close to its recession trough. Steady progress against inflation would foster lower interest rates in long-term debt markets and would thus provide an added degree of stimulus to the economy; conversely, a resurgence in inflation would probably induce a backup in long-term interest rates, including mortgage rates, with adverse implications for housing markets and the economy. Against this background, the members concluded that a desirable policy was to take no action at this time but to monitor carefully the ongoing effects of the System's earlier easing moves.

In the course of the Committee's discussion, a number of members underscored the desirability of achieving monetary growth within the Committee's ranges for the year. According to a staff analysis prepared for this meeting, both M2 and M3 were likely to strengthen over the balance of the current quarter after showing little or no growth in April. For the quarter as a whole, expansion of both monetary aggregates was expected to be below the rates projected at the time of the March meeting, but their cumulative growth through midyear would still be in the middle portions of their respective annual ranges. The members recognized that the economy was subject to events beyond the Committee's control, but an appropriate rate of monetary expansion at this stage would support the view that policy was positioned to help prevent substantial further weakening in business activity on the one hand while guarding against disappointing inflation results later on the other. Subnormal monetary growth might be an indication that monetary policy was still too tight, perhaps because of the reluctance of depository institutions and other lenders to extend credit. In that regard, it might be especially useful in this period to scrutinize the asset side of bank balance sheets, notably the behavior of various categories of loans, and other data on debt trends in relation to typical cyclical behavior for possible clues regarding both the strength of credit demands and business activity and changes in lending practices and conditions.

Turning to possible adjustments to the degree of reserve pressure during the intermeeting period, all of the members supported or could accept a symmetrical directive in light of their current assessments of the prospects for the economy and the behavior of the monetary aggregates. Some members emphasized that the marked uncertainties in the current economic situation underscored the need for a great deal of vigilance in appraising ongoing economic developments. Some indicated a slight preference for a directive that was tilted toward possible easing. These members believed that the risks in the economy remained at least marginally tilted toward a weaker than projected economic performance and that any policy adjustments in the intermeeting period were likely to be in the direction of some easing. Should the incoming data suggest a substantial shortfall from expectations, monetary policy in this view should be adjusted promptly toward ease. In the view of a majority of the members, however, a symmetrical directive was warranted because the risks to the economy were reasonably well balanced at this point. While incoming data on business activity might remain relatively weak over the near term, a change in policy probably would not be called for so long as such data did not suggest a further cumulative decline in economic activity but tended to confirm already available anecdotal information and current Committee expectations.

At the conclusion of the Committee's discussion, all of the members indicated that they favored a directive that called for maintaining the existing degree of pressure on reserve positions. The members also noted that they preferred or could accept a directive that did not include a presumption about the likely direction of any intermeeting adjustments in policy. Accordingly, the Committee decided that somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable during the period ahead depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of around 4 and 2 percent respectively over the three-month period from March through June.

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 provides mixed signals regarding the course of economic activity, which had weakened appreciably further earlier in the year. Following sharp decreases in previous months, total nonfarm payroll employment fell somewhat further in April; the civilian unemployment rate edged down to 6.6 percent. Industrial output changed little in April after declining markedly in earlier months. Retail sales were about unchanged in April and are now indicated to have risen somewhat in March. Advance indicators continue to point to weakness in business fixed investment in coming months. Housing starts were down in March, partly offsetting a sizable advance in February, but sales of new and existing homes continued to rise. The nominal U.S. merchandise trade deficit declined in February and its January–February rate was considerably below the average rate in the fourth quarter. Producer and consumer prices were little changed over March and April, partly reflecting further reductions in energy prices.

Short-term interest rates have declined since the Committee meeting on March 26, while bond yields have changed little. The Board of Governors approved a reduction in the discount rate from 6 to 5½ percent on April 30. The trade-weighted value of the dollar in terms of the other G-10 currencies showed little change on balance over the intermeeting period.

Growth of M2 and M3 weakened in April; for the year thus far, expansion of M2 has been at the midpoint of the Committee's range, while growth of M3 has been in the upper half of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability, promote a resumption of sustainable growth in output, and contribute to an improved pattern of international transactions. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 2½ to 6½ percent and 1 to 5 percent, respectively, measured from the fourth quarter of 1990 to the fourth quarter of 1991. The monitoring range for growth of total domestic nonfinancial debt was set at 4½ to 8½ percent for the year. With regard to M3, the Committee anticipated that the ongoing restructuring of thrift depository institutions would continue to depress its growth relative to spending and total credit. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Depending upon progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, somewhat greater reserve restraint or somewhat lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from March through June at annual rates of about 4 and 2 percent, respectively.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Keehn, Kelley, LaWare, Mullins, and Parry. Votes against this action: None.

Legal Developments

FINAL RULE—AMENDMENT TO RULES REGARDING EQUAL OPPORTUNITY

The Board of Governors is amending 12 C.F.R. Part 268, its Rules Regarding Equal Opportunity, by adding a new Subpart J—Employment of Noncitizens, and making a conforming change to section 268.101(b) ("Purpose and scope"), in order to define the Board's practices regarding the employment of persons who are not citizens of the United States. The amendment will govern employment of such persons consistent with the Board's security requirements.

The amendment replaces the Board's Management Policy Statement regarding Employment of Noncitizens, which prohibited employment of noncitizens subject to limited exceptions. The amendment permits the employment of persons who are not United States citizens in all positions which do not require access to sensitive information of the Board. The amendment permits the employment of only United States citizens and persons intending to become United States citizens in positions which require access to sensitive information of the Board.

Effective July 11, 1991, the Board amends 12 C.F.R. Part 268 as follows:

Part 268—Rules Regarding Equal Opportunity

1. The authority citation for Part 268 continues to read as follows:

Authority: Secs. 10(4) and 11(*l*) of the Federal Reserve Act (partially codified in 12 U.S.C. 244 and 248(*l*)).

2. Section 268.101(b) is revised to read as follows:

Section 268.101—Authority, purpose, and scope.

* * * * *

(b) *Purpose and scope*. This regulation sets forth the Board's policy, program, and procedures for providing equal opportunity to Board employees and applicants for employment without regard to race, color, religion, sex, national origin, age, or physical or mental handicap. It also sets forth the Board's policy, program, and procedures for prohibiting discrimination on the basis of physical or mental handicap in programs and activities conducted by the Board, and in addition specifies the circumstances under which the Board will hire or decline to hire persons who are not citizens of the United States, consistent with the Board's operational needs, the requirements and prohibitions of the Immigration Reform and Control Act of 1986 (8 U.S.C. 1101 *et seq.*), and other applicable law.

3. Subpart J, consisting of sections 268.1001 through 268.1004, is added immediately following Subpart I to read as follows:

Subpart J—Employment of Noncitizens

Section 268.1001	Definitions.
Section 268.1002	Prohibitions.
Section 268.1003	Exception.
Section 268.1004	Applicability.

Subpart J—Employment of Noncitizens

Section 268.1001—Definitions.

(a) *Noncitizen* means any person who is not a citizen of the United States.
(b) *Sensitive* information means:
(1) Information that is classified for national security purposes under Executive Order No. 10,450, including any amendments or superseding orders that the President of the United States may issue from time to time;
(2) Information that consists of confidential supervisory information of the Board, as defined in 12 C.F.R. 261.2(b), or of similar confidential business information regarding the affairs of institutions, or their subsidiaries, which are supervised or regulated by the Board; or
(3) Information the disclosure or premature disclosure of which to unauthorized persons may be reasonably likely to impair the formulation or implementation of monetary policy, or cause unnecessary or unwarranted disturbances in securities or other financial markets, such that access to such informa-

tion must be limited to persons who are loyal to the United States.

For purposes of paragraph (b)(3) of this section 268.1001(b), information may not be deemed sensitive information merely because it would be exempt from disclosure under the Freedom of Information Act, 5 U.S.C. 552, but sensitive information must be information the unauthorized disclosure or premature disclosure of which may be reasonably likely to impair important functions or operations of the Board.
(c) *Sensitive position* means:
(1) Any position of employment with the Board of Governors of the Federal Reserve System in which the employee will be required to have access to sensitive information; or
(2) Any examiner position with any Federal Reserve Bank for which the appointment or selection must be made or approved by the Board of Governors of the Federal Reserve System pursuant to 12 U.S.C. 325, 326, 338, or 625.

Section 268.1002—Prohibitions.

(a) *Unauthorized aliens.* The Board will not hire any person unless that person is able to satisfy the requirements of section 101 of the Immigration Reform and Control Act of 1986 (8 U.S.C. 1324a(a)).
(b) *Employment in sensitive positions.* The Board will not hire any person to a sensitive position unless such person is a citizen of the United States or, if a noncitizen, is an intending citizen as defined in 8 U.S.C. 1324b(a)(3).
(c) *Preference.* Consistent with the Immigration Reform and Control Act of 1986 and other applicable law, applicants for employment who are citizens of the United States or intending citizens as defined in 8 U.S.C. 1324b(a)(3) shall be preferred over equally qualified applicants who are neither United States citizens nor intending citizens.

Section 268.1003—Exception.

The prohibition of section 268.1002(b) does not apply to hiring for positions for which a security clearance is required under Executive Order No. 10,450, including any subsequent amendments or superseding orders that the President of the United States may issue from time to time, where the noncitizen either has or can obtain the necessary security clearance. Any offer of employment authorized by this section 268.1003 shall be contingent upon receipt of the required security clearance in the manner prescribed by law.

Section 268.1004—Applicability.

This Subpart J applies to employment in all positions on the staff of the Board of Governors of the Federal Reserve System and to employment by Federal Reserve Banks of examiners who must be appointed, or selected and approved by the Board of Governors of the Federal Reserve System pursuant to 12 U.S.C. 325, 326, 338, or 625. This Subpart J shall be effective as of July 11, 1991.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

Banc One Ohio Corporation
Columbus, Ohio

Order Approving Acquisition of Banks

Banc One Corporation and Banc One Ohio Corporation, both of Columbus, Ohio (together, "Banc One"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of the following indirect subsidiaries of PNC Financial Corp, Pittsburgh, Pennsylvania ("PNC"): The Central Trust Company, Newark, Ohio; The Central Trust Company of Northern Ohio, N.A., Lorain, Ohio; The Central Trust Company of Northeastern Ohio, N.A., Canton, Ohio; and The Central Trust Company of Southeastern Ohio, N.A., Marietta, Ohio (collectively, "Banks").[1]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 22,871 (1991)). The time for filing comments has expired, and the Board has considered the applications and all com-

1. Banc One will not acquire the branch of The Central Trust Company of Southeastern Ohio, N.A., ("Central Trust-Marietta") located in Meigs County, Ohio. A subsidiary of PNC, The Central Trust Company, N.A., Cincinnati, Ohio, will purchase the assets and assume the liabilities of the branch, and Banc One has committed not to consummate its acquisition of Central Trust-Marietta until the branch is transferred.

ments received in light of the factors set forth in section 3(c) of the BHC Act.[2]

Banc One, with total consolidated assets of $44.0 billion, controls 53 banking subsidiaries in Ohio, Kentucky, Indiana, Michigan, Wisconsin, and Texas. Banc One is the second largest commercial banking organization in Ohio, controlling approximately $12.3 billion in deposits, representing approximately 13.8 percent of the total deposits in commercial banks in the state.[3] PNC is the seventh largest commercial banking organization in Ohio, controlling approximately $4.5 billion in deposits, representing approximately 5.1 percent of the total deposits in commercial banks in the state. Banks control approximately $1.8 billion in deposits, representing approximately 2 percent of the total deposits in commercial banks in the state. Upon consummation of the proposal, including the planned divestiture, Banc One would become the largest commercial banking organization in Ohio, controlling deposits of approximately $14.1 billion, representing approximately 15.9 percent of deposits in commercial banks in Ohio. Consummation of this proposal would not have a significantly adverse effect upon the concentration of commercial banking resources in Ohio.

Banc One and Banks compete directly in seven banking markets in Ohio. These markets are Dover-New Philadelphia, Akron, Cleveland, Columbus, Marietta-Parkersburg, Wooster, and Canton.

In the Dover-New Philadelphia market,[4] Banc One is the second largest of nine commercial banking organizations, controlling $213.7 million in deposits, representing approximately 29.9 percent of the deposits in commercial banks in the market. The Central Trust Company of Northeastern Ohio, N.A., is the fourth largest commercial banking organization in the market, controlling $59.5 million in deposits, representing approximately 8.3 percent of the commercial bank deposits in the market. The Dover-New Philadelphia market is considered highly concentrated. The HHI for the market is 2257 and would increase by 496 points to 2753 upon consummation of the proposal.[5]

In order to mitigate the anticompetitive effects that would result from consummation of this proposal in the Dover-New Philadelphia banking market, Banc One has committed to divest, on or before consummation of its acquisition of Banks, one banking office in the Dover-New Philadelphia market that controls deposits of $13.6 million. This divestiture represents approximately 1.9 percent of the deposits held by commercial banks in the market. The Board believes that this divestiture, together with the other facts of record, substantially mitigates the effects on competition of this proposal in the Dover-New Philadelphia banking market.

In particular, eight commercial banking organizations, including some of the largest commercial banking organizations in Ohio, would remain as competitors after consummation of the proposal. In addition, six thrift institutions that control approximately 21.2 percent of the combined deposits of banks and thrift institutions in the market actively compete in the market. Based upon the size, number, and market share of thrift institutions in the Dover-New Philadelphia banking market, the Board has concluded that thrift institutions exert a competitive influence that mitigates in part the anticompetitive effects of this proposal.[6]

Moreover, several characteristics of the Dover-New Philadelphia market indicate that it is attractive for entry. The Dover-New Philadelphia market's level of per capita income and deposits per bank office and the growth rates in bank deposits, employment, and retail sales exceed those of similar Ohio markets. Of these markets, Dover-New Philadelphia ranks first in the state in terms of total deposits. Since 1985, three commercial banks have entered the market by acquisition and one commercial bank has entered *de novo*. Finally, because Ohio banking law permits statewide branching and nationwide *de novo* entry on a reciprocal basis, there are many potential entrants into the Dover-New Philadelphia banking market.

Based upon all of these and other facts of record, the Board has concluded that consummation of this pro-

2. The Board received comments from the National Association of Life Underwriters, Inc.; the Ohio Association of Life Underwriters; the Professional Insurance Agents of America; the Professional Insurance Agents of Ohio; the Independent Insurance Agents of America; and the National Association of Casualty & Surety Agents regarding the sale of insurance on the premises of Central Trust-Marietta. Banc One has committed that Central Trust-Marietta will cease this activity upon consummation of this transaction.

3. State deposit data are as of December 30, 1990. Market deposit data are as of June 30, 1990.

4. The Dover-New Philadelphia market is approximated by Tuscarawas County, except for Lawrence and Sandy Townships.

5. 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 to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

6. If 50 percent of the deposits held by thrift institutions were included in the calculation of market concentration, Banc One's *pro forma* market share, after taking account of the planned divestiture, would be 32.0 percent and the HHI would increase by 302 to 2324. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

posal is not likely to result in a significantly adverse effect on competition in the Dover-New Philadelphia banking market.

The Board also has examined the effects of this proposal in the other six banking markets in which Banc One and Banks operate. After taking account of competition by thrifts in these markets, the increase in the HHI upon consummation would not exceed the revised Department of Justice Guidelines in any of these banking markets. Based on this and all the other facts of record, the Board believes that consummation of this proposal would not have a significantly adverse effect on competition in any relevant banking market.

The financial and managerial resources of Banc One and Banks and their future prospects are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of this application.

Based on the foregoing and other facts of record, including the proposal as finally structured, and commitments by Banc One, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is specifically conditioned on Banc One's compliance with the commitments discussed in this order and in the application and other submissions by Banc One, and these commitments are considered conditions imposed in writing in connection with the Board's findings and decision. This transaction 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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 22, 1991.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Fifth Third Bancorp
Cincinnati, Ohio

Fifth Third Bank
Cincinnati, Ohio

Fifth Third Bank
Columbus, Ohio

Order Approving the Acquisition of a Bank, the Acquisition of Certain Assets and Assumption of Certain Liabilities of a Bank, and the Establishment of Branches

Fifth Third Bancorp, Cincinnati, Ohio ("Bancorp"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Farmers Exchange Bank, Millersburg, Kentucky ("Farmers").[1] Fifth Third Bank, Cincinnati, Ohio ("Fifth Third Cincinnati"), and Fifth Third Bank, Columbus, Ohio ("Fifth Third Columbus") (collectively "Banks") have also applied to purchase certain assets and assume certain liabilities from several branches of Chase Bank of Ohio, Columbus, Ohio, under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act"). In addition, Banks have applied to establish certain branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321). Locations of all branches are set forth in the Appendix.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 21,493 (1991)). As required by the Bank Merger Act, reports on the competitive effects of the mergers were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. 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 section 3(c) of the BHC Act, the Bank Merger Act and the Federal Reserve Act.

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[2] 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." 12 U.S.C. § 1842(d). Bancorp's home state is Ohio, while Farmers is located in Kentucky.

The Board has determined that the laws of Kentucky expressly authorize the acquisition of Kentucky banks by Ohio bank holding companies.[3] Accordingly, the Board's approval of these applications is not precluded by the Douglas Amendment.

1. Bancorp proposes to merge Farmers into its subsidiary, Fifth Third Bank of Central Kentucky, N.A., Paris, Kentucky.
2. 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.
3. *National City Corporation*, 74 *Federal Reserve Bulletin* 581 (1988). *See also* Ky. Rev. Stat. Ann. § 287.900 (Michie/Bobbs-Merrill 1986) and Cooperative Agreement and Determination of Reciprocity between the Commonwealth of Kentucky and the State of Ohio, October 16, 1985.

Bancorp, with total deposits of $6.3 billion, operates subsidiary banks in Ohio, Indiana, and Kentucky.[4] Bancorp is the sixth largest banking organization in Ohio, controlling approximately $5.4 billion in deposits in Ohio, representing 6.4 percent of the total deposits in commercial banking organizations in the state. Bancorp is also the 11th largest banking organization in Kentucky, controlling approximately $401.1 million in deposits in Kentucky, representing 1.3 percent of the total deposits in commercial banking organizations in the state. Upon consummation of the proposals, Bancorp would remain the sixth largest banking organization in Ohio and would become the tenth largest banking organization in Kentucky.[5] Consummation of the proposal would not result in significantly adverse effects on the concentration of banking resources in Ohio or Kentucky.

Bancorp and Farmers compete directly in the Lexington, Kentucky, banking market.[6] Both Bancorp and Farmers control less than 1 percent of the deposits in commercial banking organizations in this market.[7] Upon consummation of the proposed transaction, Bancorp would become the 13th largest commercial banking organization in the market, controlling deposits of $51.5 million, representing 1.5 percent of the total deposits in commercial banking organizations in the market. The Herfindahl-Hirschman Index ("HHI") would increase by 1 point, to a level of 1518.[8]

Fifth Third Cincinnati and Chase Bank of Ohio compete directly in the Cincinnati banking market.[9] Fifth Third Cincinnati is the second largest commercial banking organization in the market, controlling deposits of $2.8 billion, representing 19.4 percent of the total deposits in commercial banking organizations in the market. The deposits in the branches to be acquired from Chase Bank of Ohio total $96.0 million and represent less than 1 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposal, the HHI would increase by 25 points, to a level of 1448.[10]

Fifth Third Columbus and Chase Bank of Ohio compete directly in the Columbus banking market.[11] Fifth Third Columbus is the ninth largest commercial banking organization in the market, controlling deposits of $355.6 million, representing 2.1 percent of the total deposits in commercial banking organizations in the market. The deposits in the branches to be acquired from Chase Bank of Ohio total $95.0 million and represent less than 1 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposal, the HHI would increase by 3 points, to a level of 1810.[12]

Based on all the facts of record, the Board has determined that consummation of this proposal would not have a significantly adverse effect on competition in any relevant banking market. The Board also determines that the financial and managerial resources and future prospects of Bancorp, Farmers and Banks are consistent with approval of these applications.

In considering the convenience and needs of the communities to be served under the BHC Act and the Bank Merger Act, and the applications to establish branches under the Federal Reserve Act, the Board has taken into account the record of Bancorp and Banks under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-

4. Total deposits are as of March 31, 1991. State banking data are as of June 30, 1990. Market share data are as of June 30, 1989.

5. Bancorp would control approximately $5.6 billion in deposits in Ohio, representing 6.6 percent of the total deposits in Ohio commercial banking organizations, and approximately $419.4 million in deposits in Kentucky, representing 1.4 percent of the total deposits in Kentucky commercial banking organizations.

6. The Lexington banking market is approximated by Bourbon County, Clark County, Fayette County, Jessamine County, Powell County, Scott County and Woodford County, all in Kentucky.

7. Bancorp is the 14th largest commercial banking organization in the market, controlling deposits of $33.2 million, and Farmers is the 18th largest commercial banking organization in the market, controlling deposits of $18.3 million.

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

9. The Cincinnati banking market is approximated by Hamilton County, Brown County, Clermont County, and portions of Butler County and Warren County in Ohio; Dearborn County, Indiana; and Boone County, Kenton County, Campbell County, Grant County and Pendleton County, in Kentucky.

10. Fifth Third Cincinnati would remain the second largest commercial banking organization in the market, controlling deposits of $2.9 billion, representing 20.3 percent of the total deposits in commercial banking organizations in the market.

11. The Columbus banking market is approximated by Franklin County, Delaware County, Fairfield County, Licking County, Madison County, Pickaway County, Union County, Perry Township in Hocking County and Thorn Township in Perry County, all in Ohio.

12. Fifth Third Columbus would become the eighth largest commercial banking organization in the market, controlling deposits of $450.6 million, representing 2.8 percent of the total deposits in commercial banking organizations in the market.

income neighborhoods, consistent with the safe and sound operation of the institution." 12 U.S.C. § 2901.

In this regard, the Board has considered comments filed by the Ohio Community Reinvestment Alliance and the Coalition of Neighborhoods, both in Cincinnati, Ohio (collectively, "Protestants"). Protestants allege that the performance of Banks under the CRA:

(i) does not demonstrate sufficient components of effective CRA programs, including board of director involvement, employee training, community outreach and marketing efforts;

(ii) reflects inadequate participation in CRA-related programs; and

(iii) indicates discriminatory lending practices.

The Board has carefully reviewed the CRA performance record of Bancorp and Banks, as well as Protestants' comments and Fifth Third Cincinnati's responses to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").[13] Banks have received a satisfactory rating from their primary regulator in the most recent examination of their CRA performance.[14] The Agency CRA Statement provides that a CRA examination is an important and often controlling factor particularly where, as in this case, many of the specific issues raised by the protests were incorporated in the reviews of Banks. In addition, the Board extensively reviewed the CRA performance of Banks in light of comments raising very similar issues received from Protestants in recent applications by Banks to establish branches and Customer Bank Communication Terminals in Ohio.[15] Accordingly, the Board has considered Protestants' comments in light of these satisfactory ratings and the Board's findings in the March Order.

In this regard, the March Order noted certain deficiencies in Banks' CRA performance and Banks' representations that these deficiencies would be corrected. As discussed below, Banks have taken some steps to correct these deficiencies. Banks are required to report quarterly to the Federal Reserve Bank of Cleveland ("Reserve Bank") on their progress in correcting these deficiencies and Banks' first quarterly reports are due on July 30, 1991. Banks' progress in correcting these deficiencies will be carefully considered in reviewing future applications by Banks.

Components of CRA Programs

Protestants allege that components of Banks' CRA programs are deficient in board-of-director involvement, employee training, community outreach, and marketing efforts.[16] For the reasons fully set forth in the March Order, the Board believes that Banks have adopted many elements of an effective CRA program as outlined in the Agency Policy Statement, including procedures for coordinating ascertainment efforts and CRA activities with board-of-director involvement.

Banks have a CRA officer who is responsible for coordinating the Banks' CRA program, keeping the board of directors current on CRA developments, and acting as the liaison between the bank and the community. Banks also have CRA committees that include representatives from senior management, all lending areas, the legal department, marketing, community affairs, and the banking centers. These committees meet twice a month to review ascertainment efforts, discuss CRA concerns, and on occasions to meet with community groups. CRA policies for each bank are set by its board of directors and their CRA statements are reviewed annually.[17]

Employee training is also part of Banks' CRA program.[18] For example, Fifth Third Cincinnati states that new customer service representatives are required to attend mandatory training sessions which include ed-

13. 54 *Federal Register* 13,742 (1989). The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance. The Agency CRA Statement also suggests that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution.

14. Protestants generally allege that these ratings are erroneous and criticize the examination process. Protestants do not, however, factually rebut the examination findings but rather rely on comparisons of certain factors chosen by Protestants with two other Cincinnati banks that received satisfactory ratings by other federal regulators to support their allegations. The Board notes that the CRA performance ratings of Banks are based on a review of the relevant CRA assessment factors as applied to the individual banks.

15. *Fifth Third Bank*, 77 *Federal Reserve Bulletin* 347 (1991) ("March Order").

16. Protestants also charge that Fifth Third Cincinnati does not have adequate minority representation on its board of directors and in senior management. While the Board fully supports affirmative programs designed to promote equal opportunity in every aspect of a bank's personnel policies and practices in the employment, development, advancement, and treatment of employees and applicants for employment, the Board believes that the alleged deficiencies in the banks' general personnel practices are beyond the scope of factors assessed under the CRA.

17. Protestants have questioned certain deficiencies noted in the March Order regarding community delineations and listings of the types of credit products available. These deficiencies raised technical compliance issues and have been corrected by the bank.

18. The Ohio Community Reinvestment Alliance alleges that its "checkers/testers" have found that no CRA training has been implemented. There have been no facts presented to support these allegations.

ucation on CRA obligations within the first month of their employment. In addition, its legal department conducts lender compliance training sessions quarterly which include CRA compliance for commercial and consumer lending officers. Fifth Third Cincinnati's CRA officer also regularly makes CRA presentations to banking center managers and annually presents a summary of CRA program components to consumer and commercial lending officers which emphasizes community needs assessment, documentation, community outreach and overall calling efforts in all communities.[19]

Community outreach efforts have been criticized by Protestants as omitting contact with certain civil rights groups.[20] Banks have undertaken programs to insure contact with their entire community. For example, this year Fifth Third Cincinnati sponsored minority arts and cultural programs that included the Black Music Repertory Ensemble; Dr. Martin Luther King, Jr. Tribute at the School for Creative and Performing Arts; and the American Negro Spiritual Festival. In addition, the Fifth Third Foundation has met with 53 community groups this year and made grants in amounts of approximately $1.3 million.[21] Groups that have received grants include the Urban League, the Cincinnati Human Relations Commission and the YMCA Black Achievers. Banks' CRA officers, banking center managers, and lending officers also maintain contacts with the business community, including minority businesses, through specific call programs as discussed in the March Order.[22]

Fifth Third Cincinnati has formed a Minority Business Development Committee ("Committee") within the last year and this committee has called on 300 minority-owned businesses to ascertain their banking needs. On the basis of these calls, the Committee has identified a need for technical assistance and Fifth Third Cincinnati's CRA Officer is participating on a committee with representatives of local financial institutions and the Chamber of Commerce to explore the marketing of various technical assistance programs to small and minority-owned businesses. The Committee has also identified the need for certain alternative loan programs for small and minority-owned businesses, which Fifth Third Cincinnati is adding to its list of existing loan programs. In addition, the Committee has updated Fifth Third Cincinnati's brochure on loan applications procedures and published this information in minority and small business magazines.

The Board noted in its March Order that there were some weaknesses in the effectiveness of Banks' advertising efforts in low- and moderate-income communities.[23] Banks have committed to review and strengthen their efforts in reaching these markets and Banks' improvement in this regard will be reviewed as part of Banks' quarterly reporting to the Reserve Bank as required by the March Order.

Fifth Third Cincinnati has begun to strengthen its marketing efforts by introducing two major loan campaigns that use billboards and transit advertising to target low- and moderate-income communities.[24] Fifth Third Cincinnati has also initiated a radio campaign to inform customers of its Good Neighbor Mortgage Loan program that targets low- and moderate-income individuals with income below $35,000.[25]

Participation in CRA-Related Programs

Protestants generally allege that Banks' participation in CRA-related programs is insufficient. Specifically, Protestants criticize Banks for lack of participation in local development and redevelopment projects and programs. In addition, Protestants allege that Banks have insufficient involvement with minority small business development and that small business lending has been inadequate. In its March Order, the Board specifically reviewed Banks' participation in CRA-related programs, including community development projects and Small Business Administration ("SBA") lending,

19. This year Fifth Third Cincinnati has held six new training sessions for new customer representatives, five sessions for commercial lenders, two sessions for consumer lenders and forty-one presentations to the banking centers.

20. Fifth Third Cincinnati states that it welcomes meetings with representative community groups, and in June 1991 senior management officials met with representatives of the Ohio Community Reinvestment Alliance, the Cincinnati Chapter of the NAACP, and the Coalition of Neighborhoods.

21. Protestants have suggested that a percentage of Banks' charitable gifts be directed to established black service organizations. The Board concluded in the March Order that Banks' charitable activities were consistent with meeting the convenience and needs of communities served by Banks.

22. Approximately 1,000 CRA-related calls have been made by bank officers this year. Fifth Third Cincinnati denies Protestants' allegation that calls on black realtors have been discontinued. During the first quarter of 1991, Fifth Third Cincinnati made approximately 90 calls on minority realtors or realtors located in targeted neighborhoods.

23. In response to Protestants' criticism of insufficient advertising in black media publications, Fifth Third Cincinnati notes that it hired a minority-owned public relations firm and placed advertisements in several papers including the *Call and Post*, *East Side Daily News*, and *The Report* to promote the opening of its Glenville branch, an office located in a low- and moderate-income neighborhood and under minority management.

24. The "Right Loan, Right Here, Right Now" campaign includes the use of 20 outdoor billboards, 16 external boards on local Metro buses, advertisements placed in the *Cincinnati Herald* and *Blackbook*, brochures and posters, and television advertisement. In addition, Fifth Third Cincinnati has initiated a mortgage loan campaign that uses outdoor advertising in selected low- and moderate-income neighborhoods.

25. As part of this campaign, Fifth Third Cincinnati has pledged to donate $100 to two local housing organizations for every home run hit by the Cincinnati Reds baseball team.

and found that participation to be consistent with approval. Since January 1991, Fifth Third Cincinnati has also committed to lend more than $2.4 million to local community development and redevelopment projects in Cincinnati, including several new projects to provide housing to low- and moderate-income families.[26]

Protestants criticize Banks for their lack of participation in various CRA-related programs, including the Ohio Equity Fund for Housing ("OEFH"), the Cincinnati Minority Enterprise Small Business Investment Company ("MESBIC"), and the Cincinnati Minority and Female Small Business Incubator ("Incubator"). Fifth Third Cincinnati states that it intends to carefully consider participating in the OEFH this year and notes that it has recently committed $85,000 to the Dayton and Cincinnati MESBICs. Fifth Third Cincinnati is also involved in discussions with the Executive Director of the Incubator.

Discriminatory Lending Practices

Protestants allege without providing any factual basis that Banks engage in discriminatory lending practices, including substantial noncompliance with anti-discrimination laws and regulations.[27] The Board's March Order stated that recent examinations of Banks found no evidence of loan discrimination against individuals in low- and moderate-income neighborhoods. In addition, these examinations also found no evidence of substantial noncompliance with anti-discrimination laws and regulations.

Protestants criticize Banks' lending patterns in low- and moderate-income neighborhoods and allege that Banks have no review or reporting mechanism to monitor lending patterns for discriminatory effects.[28] The Board's March Order concluded that data under the Home Mortgage Disclosure Act ("HMDA") showed some weaknesses in Fifth Third Cincinnati's pattern of lending in Dayton and in Hamilton and Middletown Counties and in Fifth Third Columbus's pattern of lending in Columbus.[29] The Board noted, however, that Banks have committed to take steps to target additional marketing toward minority and low- and moderate-income communities and to improve their lending performance to these areas. These steps include increasing the amount of funds available for marketing Banks' products in low- and moderate-income neighborhoods and progress on achieving these goals must be reported quarterly to the Reserve Bank.

Protestants also believe that portions of the black community have only limited access to Banks' offices. In the March Order the Board concluded that Banks' banking center locations appear to be accessible to all segments of the community.[30] In addition, Fifth Third Cincinnati received approval in the Board's March Order to open an additional full-service branch in a low- and moderate-income and predominately minority area. In this proposal, two of the branches that Fifth Third Columbus is applying to open will be located in low- and moderate-income areas.

For the reasons discussed above and in the March Order, the Board believes that, on balance, and subject to the commitments to address the deficiencies noted in Banks' performance under the CRA, convenience and needs considerations, including the record of performance under the CRA of Bancorp and Banks, are consistent with approval of these applications. The Board continues to expect Banks to further improve their record of performance under the CRA and to

26. These projects include the Lewiston Project in the East End ($790,000), Avondale Redevelopment Project (commitment to participate), and Enterprise Social Investment Corporation ($500,000).

27. Protestants cite a survey by the Deputy Superintendent/Treasurer of the Cincinnati Board of Education of vendors doing business with the Board of Education to support their allegations that Fifth Third Cincinnati does not lend to black male and female vendors. Although the number of loans made by Fifth Third Cincinnati to black vendors who answered the survey is small, Fifth Third Cincinnati argues that the response rate of 40 percent of the vendors surveyed impairs the usefulness of the survey. The survey also does not distinguish loans made to white females and black females. In addition, the Cincinnati Minority Supplier Development Council has expressed appreciation for Fifth Third Cincinnati's support of its efforts and the bank's role in building a positive partnership in minority business development. Under these circumstances, the Board does not believe that this survey sustains Protestants' allegations of racial discrimination in Fifth Third Cincinnati's lending.

28. Fifth Third Cincinnati states that, as part of enhancing its CRA performance in response to its last CRA performance examination, two loan officers must review any commercial loan before the application is denied. In addition, Fifth Third Cincinnati now tracks annually its credit cards, small business loans, auto loans, and home equity loans by low-, moderate-, and high-income area zip codes. The results of the analysis for 1990 are being compiled and this information will be presented to its CRA committee for future planning.

29. Protestants also allege that Banks' CRA public comment files do not contain Banks' HMDA data in the form of a Loan Application Register and that individuals seeking to view the public comment files were subject to harassment. Although financial institutions are required to make their HMDA Disclosure Statements available upon request, they are not required to place this information in the public comment files. Moreover, they are not required to release the HMDA Loan Application Registers (from which the Disclosure Statements are derived), only the statements. In addition, the HMDA Disclosure Statements for 1990, the first reports compiled under the revised HMDA requirements referred to by Protestants, are not yet available; their release to the public is expected to take place by November 1, 1991. Finally, Protestants have not alleged any specific instances of harassment.

30. Fifth Third Cincinnati has 64 full-service offices located throughout its community, four limited-service offices at retirement centers, two limited-service branches at a large manufacturing plant and 12 automatic teller machines at a chain of grocery stores. Fifth Third Columbus has 18 branches located in the Columbus Primary Metropolitan Statistical Area. Four are in low- and moderate-income areas and six are in middle-income areas. Fifth Third Columbus also has automatic teller machines at a chain of grocery stores.

report on their progress in addressing the areas of weakness in their performance as previously discussed. The Reserve Bank will closely monitor this performance.

Fifth Third Cincinnati and Fifth Third Columbus have also applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish branches at various locations in Cincinnati and Columbus. The Board has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and finds those factors to be consistent with approval.

Based on all the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval, however, is conditioned upon applicants' complying with all commitments and obtaining all required approvals under applicable state laws. The acquisition of Farmers 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 Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 12, 1991.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Fifth Third Columbus will establish the following branches:

(1) 2161 Eakin Road, Columbus, Ohio;
(2) 7970 Worthington-Galena Road, Columbus, Ohio;
(3) 1630 Morse Road, Columbus, Ohio;
(4) 1955 West Henderson Road, Columbus, Ohio;
(5) 21 East State Street, Columbus, Ohio;
(6) 155 East Main Street, New Albany, Ohio;
(7) 170 South Hamilton Road, Columbus, Ohio;
(8) 118 B Worthington Square, Worthington, Ohio;
(9) 420 Metro Place South, Dublin, Ohio; and
(10) 1440 Bethel Road, Columbus, Ohio.

Fifth Third Cincinnati will establish the following branches:

(1) 6677 Pearl Road, Cleveland, Ohio;
(2) 34700 Vine Street, Cleveland, Ohio;
(3) 7747 Old Troy Pike, Dayton, Ohio;
(4) 2917 West Alex Bell Road, Dayton, Ohio;
(5) 8588 Princeton-Glendale Road, Union Township, Ohio;
(6) 4530 Eastgate Blvd., Union Township, Ohio;
(7) 1783 Ohio Pike, Amelia, Ohio;
(8) 2250 Shiloh Springs Road, Trotwood, Ohio;
(9) 9689 Montgomery Road, Cincinnati, Ohio;
(10) 3427 Edwards Road, Cincinnati, Ohio;
(11) 6218 Glenway and Parkcrest, Cincinnati, Ohio; and
(12) 200 West Benson Street, Reading, Ohio.

First Lindsay Corporation
Lindsay, Oklahoma

Order Approving Formation of a Bank Holding Company

First Lindsay Corporation, Lindsay, Oklahoma ("First Lindsay"), has applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring up to 100 percent of the voting shares of First National Bank of Lindsay, Lindsay, Oklahoma ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 21,493 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

First Lindsay is a nonoperating corporation formed for the purpose of acquiring Bank. Bank, controlling deposits of approximately $17.6 million, is the 269th largest commercial banking organization in Oklahoma, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[1] Based on all the facts of record, the Board believes that consummation of the proposal would have no adverse effect on the concentration of banking resources in Oklahoma.

Bank operates in the Garvin County, Oklahoma, banking market,[2] where it controls 8.3 percent of the total deposits in commercial banks. First Lindsay and its principals are not affiliated with any other depository institution. Based on all the facts of record, consummation of the proposed transaction would not result in any adverse effects on existing or potential competition, nor would it increase the concentration

1. Data are as of March 31, 1991.
2. The Garvin County banking market is approximated by all of Garvin County except for the town of Stratford.

of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval.

The financial and managerial resources and future prospects of First Lindsay and Bank appear to be consistent with approval of this application.[3] Considerations relating to the convenience and needs of the community to be served also are 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 Board's approval is specifically conditioned upon the commitments made by First Lindsay in this application. The transaction 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 the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 22, 1991.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Fleet/Norstar Financial Group, Inc. Providence, Rhode Island

Order Approving the Acquisitions of a Bank Holding Company and Banks

Fleet/Norstar Financial Group, Inc., Providence, Rhode Island ("Fleet"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire the New Bank of New England, N.A., Boston, Massachusetts ("New BNE"), and New Connecticut Bank & Trust Company, N.A., Hartford, Connecticut ("New Connecticut"). Fleet will establish a new second-tier bank holding company, Fleet/Norstar Holdings, Inc. ("Holdings"), to acquire New BNE and New Connecticut.[1]

Fleet Bank of Maine, Portland, Maine, also seeks approval under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with New Maine National Bank, Portland, Maine ("New Maine"), and to establish the branches of New Maine set forth in the Appendix as branches of Fleet Bank of Maine pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321). New BNE, New Maine, and New Connecticut (together "bridge banks") are bridge banks created by the Federal Deposit Insurance Corporation ("FDIC") to acquire the assets and assume the deposits and other liabilities of the three subsidiary banks of Bank of New England Corporation, Boston, Massachusetts.[2]

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

Douglas Amendment

Under the Douglas Amendment (section 3(d) of the BHC Act), the Board may not approve an application by a bank holding company to acquire control of any bank located outside of the holding company's home state unless authorized by the statute laws of the state in which the bank to be acquired is located.[3] The Garn–St Germain Act, however, authorizes the Board to approve the interstate acquisition of a bridge bank with assets of $500 million.[4] Accordingly, the provi-

3. The Board has received comments from six minority shareholders of Bank expressing their concern that the cash amount that First Lindsay offered for their shares did not equal the full book value of their shares. First Lindsay contends that its offer was reasonable because the shareholders could exchange their bank shares for shares of First Lindsay having an equivalent value to the book value of the bank shares exchanged. In addition, the minority shareholders are not required to sell or exchange their bank shares. In *Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973), the court concluded that a stock acquisition price offer was not a relevant factor for consideration by the Board under the BHC Act.

1. The acquisitions of New BNE and New Connecticut are subject to review by the Office of the Comptroller of the Currency ("OCC") and applications under the Bank Merger Act are pending.

2. On April 22, 1991, the FDIC approved in principle Fleet's bid to acquire certain assets and assume the deposits and the liabilities of the bridge banks. In order to stabilize the bridge banks during the final negotiation process, the FDIC entered into interim contracts with Fleet for the management of the bridge banks. On April 23, the Board approved Fleet's application to exercise control over the bridge banks through the interim management contracts. *See Fleet/Norstar Financial Group*, 77 *Federal Reserve Bulletin* 483 (1991).

3. Fleet's home state is Rhode Island. 12 U.S.C. § 1842(d). The bridge banks are located in Massachusetts, Connecticut, and Maine.

4. 12 U.S.C. §§ 1821(n)(8)(b) and 1823(f). Each of the bridge banks was established by the FDIC pursuant to section 11(n) of the Federal

sions of the Douglas Amendment do not bar approval of the proposed acquisitions.

Financial and Managerial Considerations

In evaluating an application under the Bank Merger Act and section 3 of the BHC Act, the Board is required to consider the financial and managerial resources and future prospects of the companies involved, the effect of the proposal on competition, and the convenience and needs of the communities to be served. Under the proposal, Fleet will recapitalize each of the bridge banks and will provide the bridge banks with new management officials with demonstrated management capability. As a result of these actions by Fleet, the bridge banks will be able to continue to provide a full range of services to their customers and the communities they serve. The Board notes that Fleet will have raised approximately $600 million in new capital prior to consummating the acquisition. Based on these and all other facts of record, the Board concludes that the financial and managerial resources and future prospects of Fleet, its subsidiaries, and the bridge banks are consistent with approval of these applications.

Competitive Considerations

Fleet is the largest depository organization in Maine, controlling deposits of $2.9 billion, representing approximately 21.8 percent of deposits in depository institutions in the state ("state deposits").[5] New Maine is the sixth largest depository organization in Maine, controlling deposits of $1.0 billion, representing approximately 7.2 percent of state deposits. Upon consummation of the proposal, Fleet would remain the largest depository institution in Maine, controlling deposits of $3.8 billion, representing approximately 28.6 percent of state deposits.

Fleet is the eighth largest depository organization in Connecticut, controlling deposits of $1.8 billion, representing approximately 2.8 percent of state deposits. New Connecticut is the second largest depository organization in Connecticut, controlling deposits of $6.9 billion, representing approximately 10.5 percent of state deposits. Upon consummation of the proposal, Fleet would become the second largest depository organization in Connecticut, controlling deposits of $8.7 billion, representing approximately 13.3 percent of state deposits.

Fleet controls one depository organization in Massachusetts that currently has no deposits. New BNE is the third largest depository organization in Massachusetts, controlling deposits of $9.1 billion, representing approximately 8.1 percent of state deposits. Upon consummation, Fleet would become the third largest depository organization in Massachusetts, controlling deposits of $9.1 billion, representing approximately 8.1 percent of state deposits.

The Board believes that consummation of this proposal would not have a significantly adverse effect upon the concentration of commercial banking resources in Maine, Connecticut or Massachusetts.[6]

Fleet and the bridge banks compete directly in 17 banking markets in New England. Consummation of the proposal would result in the elimination of a competitor and in an increase in the concentration in each market as measured by the Herfindahl–Hirschman Index ("HHI").[7] After considering the competition offered by thrift institutions,[8] the number

Deposit Insurance Act, has total assets in excess of $500,000,000, and will be acquired by Fleet in an assisted transaction in conformance with section 13(f) of the FDI Act. *Id.*

5. State data are as of June 30, 1990. Market data are as of March 31, 1991, unless otherwise noted.

6. The Board received comments maintaining that the proposal would result in substantially anticompetitive effects in the state of Maine. The commenter's analysis, however, is based on product and geographic market concepts that differ substantially from those employed in the Board's analysis, which is based on the product and geographic market concepts recently affirmed by the Board in *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Based on the facts of record, and for the reasons discussed in this order, the Board does not believe that the proposal would substantially lessen competition for banking services in the state of Maine as a whole or result in an undue concentration of banking resources in the State.

This commenter also requested that the Board hold a public hearing on the competitive issues in this proposal. Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully reviewed this request. In the Board's view, the commenter has had ample opportunity to present submissions, and has submitted written comments that have been considered by the Board. The record indicates that the commenter disputes the manner of analyzing the competitive effects of the proposal rather than material facts. In light of these circumstances, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record on the issues raised in this comment, or otherwise warranted in this case. Accordingly, this request for a public hearing or meeting is denied.

7. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the 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 more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

8. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *WM Bancorp*, 76 *Federal Reserve Bulletin* 788

of competitors remaining in the markets, the increase in concentration, and the other facts of record, the Board has concluded that consummation of the proposal would not result in a significantly adverse effect in competition in the following 12 banking markets: the Danielson, Hartford, New London, and Old Saybrook banking markets in Connecticut; the Augusta,[9] Brunswick, Farmington, and Lewiston-Auburn banking markets in Maine; the Boston and Fall River banking markets in Massachusetts; the Portsmouth banking market in New Hampshire; and the Providence banking market in Rhode Island.

The remaining banking markets in which Fleet and New Maine compete include the Presque Isle-Caribou, Portland, Bangor, and Pittsfield, Maine banking markets, and the Willimantic, Connecticut banking market. The Superintendent of the Maine Bureau of Banking has commented that the proposal would have a significantly adverse competitive effect in the Bangor and Pittsfield, Maine banking markets. The Department of Justice ("Department") has commented that the proposal would have an anticompetitive effect in these two markets, as well as in the Presque Isle-Caribou, Maine banking market. The Maine Attorney General has raised objections to the proposal in these markets as well as in the Portland, Maine banking market.

Presque Isle-Caribou and Portland Banking Markets

The Department and the Maine Attorney General have commented that a substantial increase in concentration would occur in the Maine banking market of Presque Isle-Caribou.[10] The Department's analysis differs from the cluster of bank products and services approach used by the Board. For the reasons explained in previous decisions, the Board continues to believe that competitive analysis of bank expansion proposals should be based on the availability of the cluster of banking services to a range of customers in the local banking market.[11] The Department's analysis also does not account for substantial deposit runoff that has occurred in this market since June 1990.

Finally, the Department does not include thrifts as full competitors in this market. The record indicates that Maine thrift institutions in general compete actively in the full range of banking products and services, providing transaction accounts as well as traditional savings accounts and engaging actively in commercial and consumer lending. Thrifts in Maine in fact offer all or virtually all of the cluster of banking products and services.[12]

Thrift institutions in the Presque Isle-Caribou market maintain on average a significantly higher percentage of their assets in commercial loans and consumer loans than thrift institutions generally. The Board believes that the actual provision of most of these products and services by thrifts in Maine as well as the potential that these institutions will exercise their existing authority to expand these activities justify including thrift institutions as full competitors of banks in the calculation of market share in this market.[13] With thrift deposits weighted at 100 percent, Fleet would control 19.5 percent of market deposits and the HHI would increase by 186 points to 1981 in the Presque Isle-Caribou market upon consummation of the proposal.[14] Four commercial banks and three thrifts would remain as competitors in the market after consummation of the proposal.

The Maine Attorney General has also commented that anticompetitive effects would result from the

(1990); *First Union Corporation*, 76 *Federal Reserve Bulletin* 83 (1990); *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989). During the evolutionary period of the past several years in which thrifts have begun to act in the marketplace increasingly like banks, the Board's practice has been to shade down the market share of banks to account for the growing competition from thrifts. Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g., First Hawaiian, Inc., supra.*

9. For the reasons discussed in this order, the Board has considered thrift institutions in Maine as full competitors with commercial banks. On this basis, consummation of the proposal in the Augusta, Maine banking market would increase the HHI by 143 points to 1867. If thrifts were weighted at only 75 percent in this market, the HHI would increase by 177 points to 2120. In the remaining 11 markets, the increases in the HHIs would not exceed the threshold standards set forth in the Department's revised merger guidelines even if thrift deposits were weighted at 50 percent.

10. The Maine Attorney General has commented on the basis of anecdotal evidence that non-depository financial institutions, such as brokerage and mortgage finance companies, compete less effectively with banks in the Presque Isle-Caribou market, as well as in the Bangor and Pittsfield markets, than is the case nationally. In his view, the general standards of the Department's merger guidelines, rather than the modified standard that the Department applies routinely to bank acquisitions, should apply to the competitive analysis of the proposal with respect to these markets. The Maine Attorney General recognizes, however, that thrifts are significant competitors of banks in Maine, and argues that credit unions in Maine are also significant competitors of banks. The Board believes that sufficient alternative providers of banking services operate in Maine to justify use of the higher HHI threshold recommended by the Department for review of bank expansion proposals.

11. *See First Hawaiian, Inc., supra; United States v. Philadelphia National Bank*, 374 U.S. 321 (1963).

12. These banking products and services include FDIC-insured transaction accounts, consumer loans, commercial real estate loans and other commercial loans, as well as mortgage and home improvement loans.

13. The Board has recognized in other decisions that thrifts in certain markets compete fully with banks and should be fully weighted in analyzing the competitive effect of bank expansion proposals. *See, e.g., BanPonce Corporation*, 77 *Federal Reserve Bulletin* 43 (1991); *Fleet Financial Group, Inc.*, 74 *Federal Reserve Bulletin* 62 (1988).

14. The Board has also considered the recent *de novo* entry in 1990 of First Citizens Bank, an institution with $21 million in deposits, representing 5.7 percent of the market.

proposal in the Portland, Maine banking market.[15] For the reasons discussed above, the Board believes that thrifts in the Portland market are full competitors with commercial banks. With thrifts weighted at 100 percent, Fleet would control 28.5 percent of market deposits and the HHI would increase by 295 points to 1605.[16] The Board has also considered that seven commercial banks and eight thrifts would remain as competitors in the market after consummation of the proposal.

On the basis of these and all of the other facts of record, the Board believes that consummation of the proposal would not result in substantially adverse effects on competition in the Presque Isle-Caribou and Portland banking markets.

Bangor, Pittsfield and Willimantic Banking Markets

In the Bangor banking market,[17] Fleet is the largest of five commercial banking organizations, controlling deposits of $536.7 million, representing approximately 66.7 percent of the total deposits in commercial banks in the market. New Maine is the third largest commercial banking organization in the market, controlling deposits of $71.5 million, representing approximately 8.9 percent of the total deposits in commercial banks in the market. The Bangor banking market is considered to be highly concentrated and, upon consummation of the proposal, Fleet would control approximately 75.6 percent of the total deposits in commercial banks in the market. The HHI would increase by 1186 points to 5964. Four commercial banks and two thrift institutions would remain in the Bangor market as competitors following consummation of the proposal.

For the reasons previously discussed, the Board believes that these statistics do not reflect the true state of competition in this market because they fail to account for the competition afforded by thrifts. After including 100 percent of market thrift deposits in the calculation of market share, upon consummation Fleet would control approximately 49.6 percent of the total deposits in depository institutions in the market ("market deposits") and the HHI would increase by 510 points to 3271.

In the Pittsfield, Maine banking market,[18] Fleet is the smallest of three commercial banking organizations, controlling deposits of $25.1 million, representing approximately 28.1 percent of the total deposits in commercial banks in the market. New Maine is the second largest commercial bank in the market, controlling deposits of $29.0 million, representing approximately 32.4 percent of the total deposits in commercial banks in the market. The Pittsfield banking market is considered to be highly concentrated and, upon consummation of the acquisition, Fleet would control approximately 60.5 percent of the total deposits in commercial banks in the market. The HHI would increase by 1818 points to 5218. Two commercial banks and two thrift institutions would remain in the Pittsfield market following consummation of the proposal.

The Board believes that, for the same reasons discussed above, thrift deposits in this market should be weighted at 100 percent. After including 100 percent of thrift deposits in the calculation of market share, upon consummation Fleet would control approximately 33.4 percent of market deposits and the HHI would increase by 556 points to 2605.

In the Willimantic, Connecticut banking market,[19] Fleet is the largest of three commercial banking organizations, controlling deposits of $131.3 million, representing approximately 57.6 percent of the total deposits in commercial banks in the market. New Connecticut is the second largest commercial bank in the market, controlling deposits of $93.2 million, representing approximately 40.9 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Fleet would control approximately 98.5 percent of the total deposits in commercial banks in the market and the HHI would increase by 4713 points to 9707. Two commercial banks and seven thrift institutions would remain in the Willimantic banking market after consummation of the proposal.

The Board has considered the types of commercial loans and banking products offered by thrifts in this

15. The Maine Attorney General has also recommended divestitures in the towns of York and Wells. These towns are located in the Portsmouth, New Hampshire banking market. The effects of this proposal in this market do not appear to justify divestitures in this market. Upon consummation, over 25 banks and thrift competitors would remain in the market and the HHI would increase by 129 points to 819 with thrifts weighted at 50 percent.

16. With thrifts weighted at 75 percent, the HHI would increase by 356 points to 1718.

17. The Bangor banking market is approximated by the Bangor MSA; the townships of Alton, Amherst, Argyle, Bradford, Bradley, Carmel, Charlestown, Clifton, Corinth/East Corinth, Dixmont, Etna, Greenbush, Greenfield, Hudson, LaGrange, Levant, Milford, Newburgh, and Stetson in Penobscot County; Bucksport, Castine, Dedham, Orland, Otis, and Verona in Hancock County; Frankfort, Prospect, and Stockton Springs in Waldo County; and the unorganized townships T1N.D and T3M.D.

18. The Pittsfield banking market is approximated by the township of Burnham in Waldo County; Cambridge, Detroit, Harmony, Hartland, Palmyra, Pittsfield, Ripley, and St. Albans in Somerset County; Corinna, Dexter, Exeter, Garland, Newport, and Plymouth in Penobscot County; and Wellington in Piscataquis County.

19. The Willimantic banking market is approximated by the City of Willimantic, with the addition of Mansfield township in Tolland County and the townships of Chaplin, Hampton, Scotland, and Windham in Windham County, all in Connecticut.

market, and for the same reasons discussed for the Maine banking markets, the Board believes that thrift deposits should be weighted in this market at 100 percent. Upon consummation of the proposal, and with thrift deposits weighted at 100 percent, Fleet would control deposits representing 38.4 percent of market deposits and the HHI would increase by 716 points to 2219.[20]

The increase in concentration in these three markets resulting from the proposal is in excess of the levels specified in the Department's revised merger guidelines as indicating that the proposal could have substantial anticompetitive effects. The BHC Act and the Bank Merger Act provide that the Board may not approve an acquisition if the effect of the acquisition in any section of the country "may be substantially to lessen competition . . . unless [the Board] finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served."[21] Under applicable law, the Board may approve a proposal that substantially lessens competition in a banking market only if the Board finds that demonstrable public benefits are likely to result from the proposal and could not reasonably be expected to result through other means less injurious to competition.[22]

Although the effect of Fleet's proposal would be to increase market concentrations to levels above the Department's revised merger guidelines in these three markets, we believe that any lessening of competition is outweighed by the important and substantial public benefits resulting from this proposal. Fleet is acquiring the failed subsidiary banks of the Bank of New England and thereby will insure that these banks will continue as viable competitors in these markets. In addition, Fleet's recapitalization of the bridge banks will enhance their ability to provide credit opportunities and banking services in the communities formerly served by Bank of New England.[23] Fleet's proposal was selected by the FDIC under the procedures specified by Congress for resolving failed banks. The FDIC considered this proposal in light of competing proposals submitted by other bidders and determined that Fleet's bid represented the lowest cost to the Bank Insurance Fund. On this basis, the Fleet proposal is the only means before the Board of achieving the public benefits discussed above. In this regard, the FDIC has advised the Board that, as required by statute, it has reviewed the competitive effects of the Fleet proposal and does not find those effects to be unacceptable in light of the relevant circumstances.

Under these circumstances, we believe that any anticompetitive effects of this proposal in the relevant markets, including any substantial lessening of competition in the Bangor, Pittsfield, and Willimantic markets, are clearly outweighed in the public interest by the probable effect of the Fleet proposal in meeting the convenience and needs of the communities to be served.

Convenience and Needs Considerations

In considering the convenience and needs of the communities to be served by these institutions, the Board has carefully reviewed the performance of Fleet's subsidiary banks in light of the Community Reinvestment Act (12 U.S.C. § 2901) (the "CRA"), the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act (the "Agency CRA Statement"). The Board notes that each of Fleet's bank subsidiaries received CRA ratings of satisfactory or outstanding from their primary supervisors in their most recent examinations. Fleet's lead bank, Fleet National Bank, Providence, Rhode Island received a rating of "outstanding." The Agency CRA Statement provides that the CRA record of an institution, as reflected in its examination reports, will be accorded great weight in the applications process.

As discussed above, the Board believes that the proposal will result in substantial benefits to the convenience and needs of the communities to be served by maintaining and enhancing the bridge banks' service to those communities. The Board also notes that Fleet has announced a $100 million Community Reinvestment Plan for low- and moderate-income neighborhoods and communities in Massachusetts that will become effective upon Fleet's acquisition of the bridge banks. According to Fleet, this plan will create over 1,750 affordable homes and help minority-owned and other small businesses in Boston and other Massachusetts communities.[24]

20. The Board notes that the Department has concluded that anticompetitive effects are unlikely to occur in Willimantic as a result of Fleet's proposal because of recent substantial new entry and expansion in Connecticut. The OCC, the primary federal regulator for Fleet's acquisition of New Connecticut, has also reviewed the proposal and does not object on competitive grounds.

21. 12 U.S.C. §§ 1842(c)(2) and 1828(c)(5)(B).

22. *United States v. Third National Bank in Nashville*, 390 U.S. 171 (1967).

23. Fleet will provide $233 million in new capital for New Connecticut; $229 million for New BNE; and $40 million for New Maine.

24. Fleet will make $91 million available to increase production of new affordable housing, help rehabilitate properties for use as affordable housing, and provide low-interest mortgages to first-time homebuyers or homeowners who were injured by high-cost mortgage lending practices in Boston. Fleet will also provide over $7 million in lines of credit, equity investments, and grants to agencies helping small businesses in minority and low- and moderate-income

The Board received comments relating to convenience and needs considerations from a community group. The community group has requested that Fleet comply with the community reinvestment provisions of the Massachusetts interstate banking law and assume BNE's participation in a community investment plan announced by the Massachusetts Banker's Association in January 1990. Fleet has agreed to continue implementation of a CRA plan begun by the Bank of New England in Massachusetts and to comply with the community reinvestment provisions of the Massachusetts interstate banking statute as part of Fleet's CRA Plan.[25]

The Board also received comments regarding Fleet's proposal in Maine from several individuals expressing:

(1) dissatisfaction with the bidding process and Fleet's services and foreclosure policies;

(2) general concerns over the loss of a Maine-based bank; and

(3) concerns over potential unemployment.

As discussed above, Fleet was selected as the winning bidder by the FDIC in a process that is within the exclusive jurisdiction of the FDIC and not subject to review by the Board. Also as noted above, Fleet's Maine subsidiary bank has a satisfactory record in meeting the convenience and needs of its entire community, including low- and moderate-income neighborhoods. These comments do not specify why out-of-state ownership of New Maine would prevent it from serving the credit needs of the community. Finally, the potential for unemployment at New Maine is offset by the substantial public benefit to the entire community of preserving New Maine as a competitor, employer, and provider of credit opportunities. Accordingly, the Board does not believe that the matters raised by these comments warrant denial of these applications under the convenience and needs factor.

On the basis of these and all the facts of record, the Board believes that considerations relating to the convenience and needs of the communities to be served favor approval of these applications.

Other Comments and Request for Public Hearing

The Union Neighborhood Assistance Corporation, Boston, Massachusetts ("UNAC") has filed comments alleging that Fleet's subsidiary banks and its nonbank mortgage subsidiary, Fleet Finance, Inc. ("Fleet Finance"), financially support mortgage finance companies that engage in abusive lending practices. According to UNAC, these mortgage companies lend to borrowers, particularly low-income individuals, at inflated interest rates and with substantial loan charges, even though the borrowers do not have sufficient income to repay the loans. UNAC alleges that a disproportionately high number of borrowers from these finance companies eventually lose their homes through foreclosure as a result of these practices.[26] UNAC asserts that a public hearing is necessary to develop an adequate factual record to consider its allegations.[27]

While Fleet acknowledges that certain of its bank subsidiaries extended credit to several Massachusetts mortgage finance companies identified by UNAC, Fleet maintains that these loans were small and all lending relationships with these companies were ended as of March 1990.[28] In addition, Fleet has announced an $11 million Homeowner's Assistance Plan to aid low-income and minority homeowners who received burdensome mortgage loans from mortgage companies that obtained financing from Fleet and Bank of New England. Fleet plans to:

(1) create a $10 million mortgage refinancing program featuring below-market pricing and customized underwriting criteria;

(2) grant up to $1 million for assistance to homeowners who suffered losses through the actions of the mortgage finance companies;

(3) contribute $100,000 to a legal defense fund for homeowners unable to afford legal representation; and

areas. Finally, Fleet will provide over $1 million to improve access to banking products and services to Boston's minority, low- and moderate-income areas.

25. Another individual commented that a branch of Fleet Bank of Maine failed to make available the bank's public CRA file. Fleet maintains that this error was the result of a misunderstanding and has undertaken to ensure that the bank does not repeat such an error.

26. UNAC specifically alleges that Fleet:
(1) lends directly to mortgage finance companies engaged in abusive practices in Massachusetts; and
(2) purchases loans through Fleet Finance that were made without proper underwriting standards. UNAC also generally alleges that Fleet purchases loans in violation of the Truth in Lending Act and questions Fleet Finance's relationship with certain "master brokers" based in Georgia. In addition, UNAC generally questions Fleet's lending relationship with all mortgage companies but has not provided specific facts regarding these relationships.

27. UNAC also alleges that Fleet controls two insurance subsidiaries that provide credit life insurance and that credit life insurance is often a requirement for loan applicants. Fleet denies that loan applicants are required to purchase insurance from the Fleet companies as a condition of any loan. In this regard, the Board notes that the Bank Holding Company Act and the Board's regulations prohibit tying an extension of credit to the condition that the borrower purchase credit insurance from an affiliate. 12 U.S.C. § 1972.

28. UNAC also alleges that Fleet purchases loans from a lender alleged to have engaged in fraudulent home improvement lending activities. Fleet states that it has terminated its activities with this company.

(4) support proposed Massachusetts legislation designed to regulate mortgage finance companies and home improvement contractors that lend to customers.

Fleet also states that it reviews all mortgages that it purchases from mortgage finance companies for compliance with Fleet's own underwriting standards. According to Fleet, the effectiveness of its underwriting standards has been verified by a recent securitization of mortgage loans originated and purchased by Fleet Finance.[29] Fleet denies that Fleet Finance has knowingly purchased loans that violate Truth in Lending Act and usury laws and states that Fleet Finance reviews such loans according to established procedures in order to minimize the possibility that Fleet would acquire mortgage loans from lenders engaged in illegal or improper activities.[30]

In this regard, the Board notes that the Federal Reserve Bank of Boston ("Reserve Bank") has commenced an examination and review of Fleet Finance's mortgage practices in consultation with the Federal Trade Commission ("FTC"). The FTC has jurisdiction over any violations of the Truth in Lending Act and any unfair and deceptive practices by Fleet Finance or the mortgage companies identified by UNAC as originating the loans. In conjunction with its review, the Reserve Bank will provide an opportunity to members of the public to provide information on matters relating to Fleet's mortgage lending practices. The Reserve Bank also has offered to hold a meeting with banks, public officials, and community leaders to discuss issues relating to mortgage lending practices in Massachusetts generally. The Board will evaluate the results of the Reserve Bank's examination and review to determine whether any supervisory action is appropriate.

The Board expects that this review will take several weeks to conclude. The FDIC has written the Board, urging that it act upon these applications as quickly as possible in light of substantial continuing losses at the bridge banks and the substantial costs to the FDIC that will continue until the proposal is consummated. In view of the FDIC's request and the very substantial public benefits of this proposal, including the important benefits to the convenience and needs of the New England communities served by the bridge banks, the Board believes that it must act promptly on these applications and will not defer action in order to hold a public hearing or until the review is completed.[31]

As previously noted, Fleet's proposal will recapitalize each of the bridge banks, preserving and revitalizing a provider of banking services in numerous communities in New England. By restoring the bridge banks as effective competitors, Fleet will create the bases for new credit opportunities in these communities. The Board believes that consummation of the proposal will be beneficial to the New England banking system and economy.

After carefully considering the facts of record, including UNAC's comments and Fleet's responses, as well as the significant public benefits that are expected to result from this proposal, the Board concludes that UNAC's comments do not warrant denial of these applications under applicable statutory criteria.

Other Considerations

Fleet Bank of Maine has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish branches at the existing sites of the branches of New Maine. Fleet Bank of Maine meets all the criteria in the Federal Reserve Act to establish branches. Accordingly, the application of Fleet Bank of Maine to establish branches at the existing sites of New Maine branches is approved.

Based on the foregoing and other considerations reflected in the record, and subject to the commitments made by Applicants in this case and to Fleet's obtaining all necessary state approvals, the Board has determined that the applications should be, and hereby are, approved. The FDIC has indicated that an emergency exists and has requested that the Board act expeditiously. Based on these requests and all the facts of record, the Board finds that an emergency exists requiring expeditious action. Accordingly, as

29. Independent sampling of these loans indicates that borrowers had sufficient current verifiable income to meet debt with an average installment debt to gross income ratio of approximately 35 percent.

30. Fleet generally requires that:
(1) purchased loans conform with Fleet's own underwriting standards;
(2) selling lenders warrant that each loan complies with all legal requirements; and
(3) selling lenders agree to repurchase loans that do not comply with applicable laws. Fleet also reviews the licenses and reputations of selling lenders and appropriate loan documents to ensure that the seller complies with relevant laws.

31. The Board is not required to hold a public hearing on these applications under the Bank Merger Act or section 3 of the BHC Act because the state banking commissioners of Maine, Connecticut and Massachusetts have not objected to the proposal within the comment periods specified in those Acts. The Board has provided UNAC and other interested commenters an opportunity to present information, and UNAC has submitted two sets of written comments. As noted above, the Reserve Bank has also commenced an examination of Fleet Finance and will make its staff available to receive information on this matter from the public. In light of these efforts, and the statement by the FDIC that an emergency exists in this case that requires expeditious action on this proposal as well as the substantial public benefits that would result from consummation of this proposal, the Board has determined not to exercise its discretion to grant the request by UNAC for a public hearing, and denies the request.

provided in section 18(c)(6) of the FDI Act and section 11 of the BHC Act, the transaction may be consummated on or after the fifth calendar day following the effective date of this order.

By order of the Board of Governors, effective July 1, 1991.

Voting for this action: Chairman Greenspan and Governor LaWare. Concurring in this action: Governor Mullins. Voting against this action: Governors Angell and Kelley.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

181 Center Street
Auburn, Maine 04210

206 Main Street
Biddeford, Maine 04006

21 Armory Street
Agusta, Maine 04330

77 North Main Street
Brewer, Maine 04005

124 State Road
Elliot, Maine 03903

19 North Street
Windham Shopping Center
North Windham, Maine 04062

1356 Washington Street
Portland, Maine 04104

15 Hinckley Drive
South Portland, Maine 04101

415 Gorham Road
Mall Plaza
South Portland, Maine 04106

Wallingford Square
Kittery, Maine 03904

Forest Avenue
Portland, Maine 04104

215 Maine Street
South Berwick, Maine 03906

218 York Street
York, Maine 03909

38 Bangor Street
Augusta, Maine 04330

110 Maine Street
Brunswick, Maine 04011

One Merchants Plaza
Bangor, Maine 04401

Caribou Mall,
Sweden Street
Caribou, Maine 04736

77 West Maine Street
Ft. Kent, Maine 04743

69 Main Street
Orono, Maine 04473

Union and Limerick
Rockland, Maine 04841

Route 1
Wells, Maine 04090

106 U.S. Route 1
Falmouth, Maine 04105

13 Main Street,
U.S. Route 1
Ogunqui, Maine 03907

351 Main Street
Presque Isle, Maine 04798

Main Street
Thomaston, Maine 04561

559 Union Street
Bangor, Maine 04401

Access Highway Branch
Route 89
Caribou, Maine 04736

83 Front Street
Bath, Maine 04530

Main Street
Dixifield, Maine 04224

Federal Road
Kazar Falls, Maine 04047

400 Congress Street
Portland, Maine 04104

430 U.S. Route 1
Scarborough, Maine 04074

63 Main Street
Yarmouth, Maine 04096

Commercial Street
Hartland, Maine 04943

27 Main Street
Pittsfield, Maine 04967

108 Congress Street
Rumford, Maine 04276

Plaza Shopping Center
Westbrook, Maine 04092

Concurring Statement of Governor Mullins

I concur in the decision to approve these applications. In the context of this transaction, I do not believe that the anticompetitive effects are so serious in any relevant banking market as to warrant either denial or divestitures. There is no persuasive evidence of anticompetitive pricing or profits in any of the relevant banking markets that would indicate that the markets are overly concentrated or would become so upon consummation of the proposal. In addition, there would remain an adequate number of bank and thrift competitors in each of the relevant banking markets, and there do not appear to be significant barriers to entry into these markets by other potential competitors. In light of these and the other facts of record and in the context of this transaction, I believe that the competitive factors in this case are consistent with approval.

I concur with the other findings made in the opinion of Chairman Greenspan and Governor LaWare.

July 1, 1991

Dissenting Statement of Governor Angell and Governor Kelley

We must reluctantly disagree with the decision of the majority in this case. We cannot vote to approve without requiring that the Applicant make certain limited divestitures to avoid what we believe are serious anticompetitive effects in three markets. We wish to emphasize that our point of disagreement with the majority is on the narrow issue of whether divestitures, representing less than 1 percent of the deposits to be acquired in this case, are necessary in three markets. We are in agreement with the findings made in the majority opinion on all other aspects of this case.

In our view, the proposal would have a significantly adverse effect on competition in the Bangor and Pittsfield, Maine banking markets, and in the Willimantic, Connecticut banking market. The proposal would result in significant increases in concentration in these already highly concentrated markets. Upon consummation, Applicant would control at least 60 percent of deposits in commercial banks and 33 percent of deposits in all banks and thrifts in each of these markets. These increases, and the corresponding increases in the levels of the Herfindahl–Hirschman Index in these markets of over 500 points, exceed the levels in the Department of Justice Merger Guidelines and previously approved by the Board in other cases. The anticompetitive effects of the proposal could, in our judgment, be addressed through divestitures representing a total for all three markets of approximately $90 million, out of a total acquisition of approximately $15 billion.

We recognize that the FDIC has chosen the Applicant as the single winning bidder in this case. However, given the facts of this case and the limited nature of divestitures necessary, we do not believe that the Board should approve this proposal without requiring divestitures that would eliminate the substantial anticompetitive effects of the proposal in the three markets.

Applicant has given no indication that the limited amount of divestitures cannot be completed or that the contemplated divestitures would in any significant respect have affected the bidding process for the bridge banks. In fact, Applicant has agreed to make whatever divestitures would be required by the Board to address anticompetitive effects. Given these circumstances, we do not believe that the small amount of divestitures that would be required to address anticompetitive effects in the three markets would interfere with achievement of the public benefits of the proposal, which we recognize are substantial. Accordingly, we must dissent from the decision of the majority to approve these applications without divestitures in the three markets.

July 1, 1991

Orders Issued Under Section 4 of the Bank Holding Company Act

Swiss Bank Corporation
Basel, Switzerland

Order Approving an Application to Engage in Trading in Futures, Options, and Options on Futures Based on U.S. Government Securities and Certain Money Market Instruments

Swiss Bank Corporation, Basel, Switzerland ("Applicant"), a foreign bank subject to the provisions of the Bank Holding Company Act (the "BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), for the Board's approval to engage through its wholly owned subsidiary, SBC Government Securities, Inc., New York, New York ("Company"), in trading, for its own account, in futures, options, and options on futures based on U.S. government securities that are permissible investments for national banks ("bank-eligible securities") and certain money market instruments.[1]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (55 *Federal Register* 29,896 (1990)). 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 is the 27th largest banking organization in the world, controlling total consolidated assets of approximately U.S. $152.2 billion.[2] Applicant has branches in New York, New York; Chicago, Illinois; and San Francisco, California; and agencies in Atlanta, Georgia; Miami, Florida; and Houston, Texas. Company is a primary dealer in government securities.

In order to approve an application submitted pursuant to section 4(c)(8) of the BHC Act, the Board is required to determine that the proposed activity is "so closely related to banking as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8). In considering whether a proposed new activity would be a proper incident to banking, the Board must find that the proposed acquisition "can reasonably be expected to produce benefits to the public . . . that outweigh the possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

A. Closely Related to Banking Analysis

Under the established test for determining when an activity is closely related to banking, the Board may find that an activity is closely related to banking for purposes of section 4(c)(8) of the BHC Act if:

(1) banks generally do in fact conduct the proposed activity;

(2) banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed services; or

(3) banks generally provide services that are so integrally related to the proposed service as to require their provision in a specialized form.[3]

In this case, the record shows that banks do conduct the proposed trading activity. The Office of the Comptroller of the Currency ("OCC") has permitted national banks to purchase and sell instruments based on bank-eligible securities.[4] The OCC has approved trading in derivative instruments for the company's own account through an operations subsidiary of a national bank, finding the activity incidental to the purchase and sale of bank-eligible securities, including government securities.[5] The OCC required that the bank limit the use of these instruments to those contracts which represented securities that a bank may purchase or sell for its own account.

The Board has approved applications to trade in derivative instruments based on foreign exchange for the company's own account for other than hedging

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1. In particular, Applicant has proposed to trade the derivative instruments listed in Appendix A. Company would hedge its positions in these instruments with the instruments listed in Appendix B.

The Board has previously determined that bank holding companies may purchase derivative instruments based on government securities for the purpose of reducing the holding company's interest rate exposure. *Statement of policy concerning bank holding companies engaging in futures, forward and options contracts on U.S. Government and agency securities and money market instruments*, 12 C.F.R. 225.142 ("*Policy Statement*").

2. Banking data are as of December 31, 1990.

3. *See National Courier Association v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). The Board may also consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Ass'n v. Board of Governors*, 468 U.S. 207, 210–11 n.5 (1984).

4. *See* OCC Interpretive Letter No. 260 (June 27, 1983), *reprinted in* [1983-1984 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,424.

5. OCC Interpretive Letter No. 422 (April 11, 1988), *reprinted in* [1988–89] Transfer Binder Fed. Banking L. Rep. ¶ 85,645. The OCC noted that derivative instruments "bear an intrinsic relationship to their underlying financial instruments inasmuch as a futures contract represents a commitment to buy or sell the underlying financial instruments." OCC Interpretive Letter No. 86-13 (August 8, 1986), *reprinted in* [1988–89 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 84,019.

purposes.[6] The Board determined that a bank holding company may purchase and sell derivative instruments based on foreign exchange under section 4(c)(8) of the BHC Act because banks may trade in foreign exchange and the applicant instituted controls to monitor the risks of the trading operations. The Board has also authorized bank holding companies to act as futures commission merchants and to offer advice with regard to futures and options on futures on bank-eligible securities, pursuant to sections 225.25(b)(18) and (b)(19) of the Board's Regulation Y (12 C.F.R. 225.25(b)(18),(19)).

The Board believes that purchasing and selling derivative instruments which represent the right to purchase or sell bank-eligible securities is closely related to banking.[7] The experience gained by banks in dealing in the securities that underlie these instruments would likewise equip the banks to trade in instruments based on these securities. In addition, the derivative instruments based on money market instruments that Applicant proposes that Company trade in require a market judgment on interest rates. Banks, through lending and funding activities, have developed expertise in judging interest rates and predicting future price movements. In sum, the Board believes that the proposed activity of trading for Company's own account in derivative instruments based on bank-eligible securities and certain money market instruments is closely related to banking for purposes of section 4(c)(8) of the BHC Act pursuant to the standards set forth in the *National Courier* case, because banks conduct the proposed activity, and generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed services.

B. Proper Incident to Banking Analysis

In determining whether an activity is a proper incident to banking the Board must consider whether the 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 interest, or unsound banking practices."

6. *The Hongkong and Shanghai Banking Corporation, Kellett, N.V., HSBC Holdings, B.V., and Marine Midland Banks, Inc.*, 75 *Federal Reserve Bulletin* 217 (1989).

7. Applicant would not be authorized to purchase derivative instruments based on securities or instruments that a state member bank may not purchase for its own account.

1. *Public Benefits.* Applicant maintains that its activities relating to derivative instruments would enhance its ability to operate efficiently in the government securities business because of the close correlation between the markets. Competition in the market would be increased, because Company would be a *de novo* competitor. Using the technology and computer models that Applicant has obtained by entering into a joint venture with a commodities trading firm,[8] Applicant maintains that it may profitably trade in derivative instruments in a manner that is consistent with safe and sound banking practices.[9]

2. *Adverse Effects.* The Board has previously noted that trading in derivative instruments for other than hedging purposes could pose significant financial risks to the parent bank holding company, raising safety and soundness concerns. Other adverse effects could involve conflicts of interests between Company's trading activities and any advisory services concerning these instruments.

The Board notes that, as a primary dealer, Company has broad experience in trading and monitoring bank-eligible securities positions.[10] In addition, Applicant has developed expertise in dealing in derivative instruments from its trading activities outside the United States. The resulting familiarity with the operations and controls associated with these products should help to ensure prudent operations, since Company already has the operational, accounting and control systems in place to properly monitor positions resulting from trading these contracts. Applicant maintains that these sophisticated risk management controls would tend to minimize the likelihood of potentially significant losses resulting from the proposed activities. Applicant would use the instruments listed in Appendix B to ensure that compliance with the risk limits established by management would be maintained by Company.

Applicant has also established counterparty credit risk guidelines, which would limit its exposure to third parties. As a registered broker-dealer Company would be required to comply with the Securities and Exchange Commission's net capital rule.[11] Applicant and Company will have comprehensive review procedures in place to insure that Applicant and Company adhere to the risk limits established for the trading operation.

8. *Swiss Bank Corporation*, 77 *Federal Reserve Bulletin* 126 (1991) ("*Swiss Bank*").

9. Company would not become a specialist or market-maker with respect to these instruments.

10. As a primary dealer, Company is subject to regular review and reporting requirements to allow the Federal Reserve Bank of New York to monitor Company's performance.

11. 15 C.F.R. 240.15c3-1.

Company's exposure to risk related to the proposed activities in respect of options on government obligations will be monitored in connection with hedging and risk control mechanisms, including risk limits established for the trading operation. The proposed activities would be monitored separately from Company's activities as a primary dealer. Applicant anticipates that Company's position in derivative instruments would be small in comparison with its primary dealer operations.

Both business management and internal auditing personnel will monitor Company's compliance with risk limits. Senior management will be periodically informed of the potential risk to which Company is exposed. Auditing personnel will report directly to senior management to ensure that any violations of risk limitations are corrected. In addition, in addressing any potential conflicts of interests issues raised by Applicant's investment advisory activities, the Board notes that Applicant provides through its joint venture subsidiary, investment advice on derivative instruments based on bank-eligible and non-financial instruments only to Applicant, its affiliates and a co-venturer commodity trading organization through the joint venture arrangement.[12] In sum, the record shows that consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices.

The financial and managerial resources of Applicant are considered consistent with approval. Based on 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 subject to the conditions of this Order, the Board has determined that the proposed application should be, and hereby is, approved.

The Board's determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. 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 July 12, 1991.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

12. *Swiss Bank, supra.* This joint venture subsidiary would not provide advice to third parties without prior Board approval. *Id.*

Appendix A

Applicant has proposed to trade for its own account in the following instruments:

(i) Options on U.S. Treasury Bond Futures, which are traded on the Chicago Board of Trade ("CBOT");
(ii) Options on Ten Year U.S. Note Futures, which are traded on the CBOT;
(iii) Options on Eurodollar Futures, which are traded on the Chicago Mercantile Exchange ("CME");
(iv) Options on U.S. Treasury Bill Futures, which are traded on CME;
(v) Options on 30-day LIBOR Futures, which are traded on the CME;
(vi) Options on 30-Year U.S. Treasury Bonds Specific Issues, which are traded on the Chicago Board Options Exchange ("CBOE");
(vii) Options on 5-Year U.S. Treasury Notes Specific Issues, which are traded on the CBOE;
(viii) Options on Short Term Treasury Index, which are traded on the CBOE;
(ix) Options on Long Term Treasury Index, which are traded on the CBOE;
(x) Options on U.S. Treasury Bills, Notes and Bonds, which would be traded on the over-the-counter market ("OTC");
(xi) Options on Five Year Treasury Note Futures, which are traded on the New York Commodities Exchange ("NYCE");
(xii) Options on Eurodollar Futures, which are traded on the London International Financial Futures Exchange ("LIFFE"); and
(xiii) Options on U.S. Treasury Bond Futures, which are traded on the LIFFE.[1]

1. Applicant has indicated that SBCGSI would also trade in:
(i) futures contracts on two-year U.S. Treasury notes, which would be traded on the CBOT;
(ii) options on futures on two-year and five-year U.S. Treasury notes, which would be traded on the CBOT. These contracts have not commenced trading on the CBOT.

Appendix B

Applicant would hedge its positions in the contracts listed in Appendix A through the purchase of the following exchange-traded contracts:[1]

(i) U.S. Treasury Bond Futures, which are traded on the CBOT;
(ii) U.S. Treasury Ten Year Note Futures, which are traded on the CBOT;
(iii) U.S. Treasury Five Year Note Futures, which are traded on the CBOT;
(iv) 3O-Day Interest Rate Futures, which are traded on the CBOT;[2]
(v) Eurodollar Futures, which are traded on the CME;
(vi) U.S. Treasury Bill Futures, which are traded on the CME;
(vii) 30-day LIBOR Futures, which are traded on the CME;
(viii) Five Year Treasury Note Futures, which are traded on the NYCE;
(ix) U.S. Two Year Treasury Note Futures, which are traded on the NYCE;
(x) Eurodollar Futures, which are traded on the LIFFE;
(xi) U.S. Treasury Bond Futures, which are traded on the LIFFE; and
(xii) Futures and options on futures on *The Bond Buyer* Municipal Bond Index, which are traded on the CBOT.

Applicant would also purchase and sell the following OTC contracts for hedging purposes:

(i) U.S. Treasury Bills, Notes and Bonds;
(ii) Warrants and Forward Rate Agreements on Interest Rates of Major Currencies;[3]
(iii) Options on Forward Rate Agreements on Interest Rates of Major Currencies;
(iv) Interest Rate or Currency Swaps;
(v) Options on Interest Rate or Currency Swaps;
(vi) Caps, Floors, or Collars on Interest Rates of Major Currencies; and
(vii) Options on Interest Rate or Currency Caps, Floors, or Collars.

1. Applicant has indicated that Company would use these instruments in accordance with detailed hedging strategies that are designed to measure and control various price, market and portfolio risks. SBCGSI would examine the instruments available and make a decision based on quantity, maturity, and its risk analysis. Applicant has represented that movements in these instruments have a statistically significant correlation to movements in options on government securities, and thus appear at the present time to be appropriate hedging devices.

2. The 30-day interest rate futures contract is cash-settled against the average daily Federal funds rate for the delivery month period.

3. Applicant describes these contracts as interest rate contracts denominated in a foreign country's currency.

Orders Issued Under the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA Orders")

Recent orders have been issued by the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
BankAmerica Corporation, San Francisco, California	Commerce Federal Savings Association, San Antonio, Texas	Bank of America Texas, N.A., Houston, Texas	July 12, 1991

FIRREA Orders—Continued

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
First Commercial Corporation, Little Rock, Arkansas	First Savings of Arkansas, F.A., Little Rock, Arkansas (Van Buren, Helena, Asher, Rodney Parham, McCain, Home Office and Cabot Branches) First Commercial Bank, N.A., Little Rock, Arkansas	First Commercial Bank of Lonoke County, England, Arkansas	July 26, 1991
Rebank Netherlands Antilles Miami, Florida Republic Banking Corporation of Florida Miami, Florida	Ensign Federal Savings Bank, New York, New York (Kendale Lake, Florida Branch)	Republic National Bank of Florida, Miami, Florida	July 19, 1991
Simmons First National Corporation, Pine Bluff, Arkansas	First Savings of Arkansas, F.A., Little Rock, Arkansas (Fort Smith and Pine Bluff Branches)	Simmons First National Bank, Pine Bluff, Arkansas	July 26, 1991

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

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

Section 4

Applicant(s)	Bank(s)	Effective Date
BankAmerica Corporation, San Francisco, California	BAC Coyote Interim Federal Savings Bank, Houston, Texas	July 12, 1991
First Commercial Corporation, Little Rock, Arkansas	Pinnacle Federal Savings and Loan, Little Rock, Arkansas Cypress Bayou Federal Savings and Loan, England, Arkansas	July 26, 1991
Rebank Netherlands Antilles, Miami, Florida Republic Banking Corporation of Florida, Miami, Florida	Republic Federal Interim Bank II, F.S.B., Miami, Florida	July 19, 1991

Section 4—Continued

Applicant(s)	Bank(s)	Effective Date
Simmons First National Corporation, Pine Bluff, Arkansas	Simmons Federal Savings and Loan Association, Pine Bluff, Arkansas	July 26, 1991

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
A.N.B. Holding Company, Ltd., Terrell, Texas	The American National Bank of Terrell, Terrell, Texas	Dallas	July 16, 1991
Columbia Bancorp-Delaware, Inc., Wilmington, Delaware	The First State Bank, Columbus, Texas	Dallas	July 19, 1991
Columbus Bancorp, Inc., Columbus, Texas	Columbia Bancorp-Delaware, Inc., Wilmington, Delaware The First State Bank, Columbus, Texas	Dallas	July 19, 1991
First National Security Company, DeQueen, Arkansas	Bank of Waldron, Waldron, Arkansas	St. Louis	July 17, 1991
Lisco State Company, Lisco, Nebraska First Nebraska Bancs, Inc., Sidney, Nebraska	First National Financial Corporation, Estes Park, Colorado	Kansas City	July 5, 1991
LS Bancorp, Inc., La Salle, Illinois	La Salle State Bank, La Salle, Illinois	Chicago	June 28, 1991
Overton Financial Corporation, Overton, Texas	Lindale Bancshares, Inc., Lindale, Texas Lindale State Bank, Lindale, Texas	Dallas	July 22, 1991
Rawlins National Bancorporation, Inc., Denver, Colorado	The Rawlins National Bank, Rawlins, Wyoming	Kansas City	July 19, 1991
RCN Holding Company, Sisseton, South Dakota	The Roberts County National Bank of Sisseton, Sisseton, South Dakota	Minneapolis	July 18, 1991

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Swatara Bancorp, Inc., Jonestown, Pennsylvania	Jonestown Bank and Trust Company, Jonestown, Pennsylvania	Philadelphia	July 23, 1991
Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia	Athens Federal Savings Bank, Athens, Georgia	Atlanta	July 12, 1991
Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia	CB Bancshares, Inc., Fort Valley, Georgia	Atlanta	July 12, 1991

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Bankers Trust New York Corporation, New York, New York	BT Asset Management, Inc., New York, New York	New York	July 16, 1991
BanPonce Corporation, Hato Rey, Puerto Rico	Spring Financial Services, Inc., Mt. Laurel, New Jersey	New York	July 25, 1991
Brooke Holdings, Inc., Jewell, Kansas	Mid America Real Estate and Insurance, Phillipsburg, Kansas	Kansas City	July 10, 1991
Caisse Nationale de Credit Agricole, Paris, France	Credit Agricole Futures, Inc., Chicago, Illinois	Chicago	July 18, 1991
Commercial Banshares, Inc., Mitchell, South Dakota	Spectrum Life Insurance Company, Omaha, Nebraska	Minneapolis	July 1, 1991
Norwest Corporation, Minneapolis, Minnesota	Norwest Financial Services, Inc., Des Moines, Iowa Norwest Financial, Inc., Des Moines, Iowa Prime Rate Premium Finance Corporation, Inc., Florence, South Carolina Agency Technologies, Inc., Florence, South Carolina IFCO, Inc., Fayetteville, North Carolina	Minneapolis	July 24, 1991

APPLICATIONS APPROVED UNDER BANK MERGER ACT

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Commercial State Bank Interim of Orlando, Orlando, Florida	Commercial State Bank of Orlando, Orlando, Florida	Atlanta	July 12, 1991
First Exchange Bank of Madison County, Fredericktown, Missouri	Jackson Exchange Bank and Trust Company, Jackson, Missouri	St. Louis	June 27, 1991

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.

Hanson v. Greenspan, No. 91–1599 (D.D.C., filed June 28, 1991). Suit for return of funds and financial instruments allegedly owned by plaintiffs.

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

State of Illinois v. Board of Governors, No. 90–3824 (7th Circuit, appeal filed December 19, 1990). Appeal of injunction restraining the Board from providing state examination materials in response to a Congressional subpoena. On November 30, 1990, the U.S. District Court for the Northern District of Illinois issued a preliminary injunction preventing the Board and the Chicago Reserve Bank from providing documents relating to the state examination in response to the subpoena. The House Committee on Banking, Finance and Urban Affairs appealed the injunction. On July 25, 1991, the court of appeals dismissed the appeal as moot.

Citicorp v. Board of Governors, No. 90–4124 (2d Circuit, filed October 4, 1990). Petition for review of Board order requiring Citicorp to terminate certain insurance activities conducted pursuant to Delaware law by an indirect nonbank subsidiary. On June 10, 1991, the Court of Appeals granted the petition and vacated the Board's order.

Stanley v. Board of Governors, No. 90–3183 (7th Circuit, filed October 3, 1990). Petition for review of Board order imposing civil money penalties on five former bank holding company directors. Oral argument was held May 16, 1991.

Sibille v. Federal Reserve Bank of New York and Board of Governors, No. 90-CIV-5898 (S.D. New York, filed September 12, 1990). Appeal of denial of Freedom of Information Act request. On May 13, 1991, the court heard argument on the plaintiff's motion for a Vaugn index and the Board's motion to dismiss. On July 9, the court denied the plaintiff's motion and granted the Board's motion to dismiss.

Burke v. Board of Governors, No. 90–9509 (10th Circuit, filed February 27, 1990). Petition for review of Board orders assessing civil money penalties and issuing orders of prohibition. Oral argument took place May 7, 1991.

Kaimowitz v. Board of Governors, No. 90–3067 (11th Cir., filed January 23, 1990). Petition for review of Board order dated December 22, 1989, approving application by First Union Corporation to acquire Florida National Banks. Petitioner objects to approval on Community Reinvestment Act grounds.

Consumers Union of U.S., Inc. v. Board of Governors, No. 90–5186 (D.C. Cir., filed June 29, 1990). Appeal of District Court decision upholding amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act. On July 12, 1991, the Court of Appeals affirmed the majority of district court decision upholding the Board's regulations, but remanded two issues to the Board for further action.

Synovus Financial Corp. v. Board of Governors, No. 89–1394 (D.C. Cir., filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia. Awaiting decision.

MCorp v. Board of Governors, No. 89–2816 (5th Cir., filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine. 900 F.2d 852 (5th Cir. 1990). On March 4, 1991, the Supreme Court granted the parties' cross-petitions for *certiorari*, Nos. 90–913, 90–914. The Board's brief was filed on April 18, and MCorp's brief was filed on June 10, 1991.

MCorp v. Board of Governors, No. CA3–88–2693 (N.D. Tex., filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. Stayed pending outcome of *MCorp v. Board of Governors*, 900 F.2d 852 (5th Cir. 1990).

White v. Board of Governors, No. CU-S-88–623-RDF (D. Nev., filed July 29, 1988). Age discrimination complaint. Board's motion to dismiss or for summary judgment was denied on January 3, 1991. Awaiting trial date.

Final Enforcement Orders Issued by the Board of Governors

Community National Bancorp, Inc.
Staten Island, New York

The Federal Reserve Board announced on July 24, 1991, the issuance of a Cease and Desist Order and an Order of Assessment of a civil money penalty against Community National Bancorp, Inc., Staten Island, New York.

Jose M. Valle
Miami, Florida

The Federal Reserve Board announced on July 24, 1991, the issuance of an Order of Prohibition against Jose M. Valle, a former employee of the Banco del Pinchincha, Miami, Florida.

Written Agreements Approved by Federal Reserve Banks

Boca Bank
Boca Raton, Florida

The Federal Reserve Board announced on July 30, 1991, the execution of a Written Agreement among the Federal Reserve Bank of Atlanta, the State Comptroller and Banking Commissioner of the State of Florida, and the Boca Bank, Boca Raton, Florida.

Southeast Banking Corporation
Miami, Florida

The Federal Reserve Board announced on July 8, 1991, the execution of a Written Agreement between the Federal Reserve Bank of Atlanta and Southeast Banking Corporation, Miami, Florida.

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

Percent annual rate of change, seasonally adjusted[1]

Monetary and credit aggregates	1990		1991		1991				
	Q3	Q4	Q1	Q2	Feb.	Mar.	Apr.	May[r]	June
Reserves of depository institutions[2]									
1 Total	-.5	3.9	9.2	3.4	3.5	-1.1	-4.1	16.4	8.7
2 Required	-.5	1.7	4.7	9.3	12.8	14.7	-.6	16.7	9.4
3 Nonborrowed	3.8	7.8	9.1	3.8	10.5	-.8	-3.9	14.7	7.8
4 Monetary base[3]	9.1	9.9	14.5	3.9	16.9	6.0	-1.5	3.4	3.8
Concepts of money, liquid assets, and debt[4]									
5 M1	3.7	3.4	5.9	7.4	14.1	9.5	-1.1	13.5	9.6
6 M2	3.0	2.0	3.4	4.6	8.4	7.4	2.8	4.3	1.3
7 M3	1.6	.9	4.0	1.7	10.4	2.5[r]	.4	.4	-2.1
8 L	1.9[r]	1.7[r]	3.3[r]	n.a.	6.7[r]	-.5[r]	-9.5[r]	-6.2	n.a.
9 Debt	7.1	5.5	4.8	4.2	6.7	4.3	1.6[r]	5.6	n.a.
Nontrgnsaction components									
10 In M2[5]	2.7	1.5	2.6	3.7	6.5	6.7	4.1[r]	1.2	-1.5
11 In M3 only[6]	-3.8	-3.5	6.7[r]	-10.7	18.8	-17.9[r]	-9.8[r]	-16.5	-17.1
Time and savings deposits									
Commercial banks									
12 Savings	5.9	5.2	10.2	16.4	10.7	15.4	18.1	14.9	20.4
13 MMDAs	8.2	3.5	6.1	16.7	17.5	17.8	14.8	18.6	13.8
14 Small-denomination time[7]	15.5	11.5	8.8[r]	-1.7	7.8[r]	4.6[r]	-7.3	-5.8	1.0
15 Large-denomination time[8,9]	-2.2	-8.5	12.0	-.6	21.6	-3.6	-5.7	.9	-4.2
Thrift institutions									
16 Savings	-3.3	-7.3	-.5[r]	16.7	8.5[r]	14.7[r]	20.7	18.1	11.9
17 MMDAs	-7.7	-7.2	-.9	21.5	7.5	18.7	23.9	30.7	12.3
18 Small-denomination time[7]	-11.0	-8.6	-9.8[r]	-13.6	-11.1[r]	-14.2[r]	-9.6[r]	-14.7	-26.3
19 Large-denomination time[8]	-27.3	-26.3	-31.9	-35.3	-31.5	-34.5	-30.1[r]	-47.4	-42.5
Money market mutual funds									
20 General purpose and broker-dealer	10.0	9.8	18.2	6.7	14.6	17.8	2.3	3.0	-2.6
21 Institution-only	21.6	30.4	49.9	23.0	84.9	23.3	30.4	4.9	-23.8
Debt components[4]									
22 Federal	14.4	11.6	12.2	5.4	15.2	5.1	-4.1	10.3	n.a.
23 Nonfederal	4.8	3.7	2.4	3.8	3.9	4.1	3.5[r]	4.1	n.a.

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 regulatory changes in reserve requirements. (See also table 1.20.)

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

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

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

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, money market deposit accounts (MMDAs), savings and small-denomination time deposits (time deposits—including retail repurchase agreements (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 all depository 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

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

6. Sum of large time deposits, term RPs, term Eurodollars of U.S. residents, and 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. 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.

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factor	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1991			1991						
	Apr.	May	June	May 15	May 22	May 29	June 5	June 12	June 19	June 26
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**285,272**	**286,418**	**291,288**	**287,157**	**285,118**	**286,542**	**291,731**	**291,168**	**290,052**	**291,196**
U.S. government securities[1, 2]										
2 Bought outright-system account	240,832	243,104	247,135	242,872	243,428	243,829	248,558	247,738	246,321	246,157
3 Held under repurchase agreements	608	298	527	663	0	477	0	0	0	1,195
Federal agency obligations[2]										
4 Bought outright	6,314	6,246	6,213	6,250	6,250	6,240	6,213	6,213	6,213	6,213
5 Held under repurchase agreements	21	29	98	28	0	76	0	0	0	149
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	69	60	201	52	44	107	31	167	44	84
8 Seasonal credit	79	151	222	137	156	174	173	179	214	270
9 Extended credit	85	89	7	132	95	22	14	3	6	9
10 Float	541	492	402	278	177	326	600	286	465	99
11 Other Federal Reserve assets	36,722	35,949	36,481	36,746	34,967	35,290	36,141	36,583	36,789	37,019
12 Gold stock	11,058	11,058	11,060	11,058	11,058	11,057	11,057	11,058	11,062	11,062
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,599	20,670	20,723	20,664	20,674	20,684	20,697	20,710	20,724	20,738
ABSORBING RESERVE FUNDS										
15 Currency in circulation	287,527	288,789	290,896	288,692	288,623	289,767	290,670	290,994	290,921	290,567
16 Treasury cash holdings	640	641	623	653	626	628	628	627	623	620
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	4,931	5,275	6,428	4,931	5,583	4,644	5,942	5,158	5,977	5,745
18 Foreign	246	227	228	206	218	244	227	242	226	216
19 Service-related balances and adjustments	3,089	3,504	3,194	3,231	3,397	3,160	3,181	3,124	3,253	3,178
20 Other	239	222	210	216	223	223	218	192	204	224
21 Other Federal Reserve liabilities and capital	6,556	7,415	8,288	7,462	7,463	7,640	8,460	8,734	8,241	8,190
22 Reserve balances with Federal Reserve Banks[3]	23,720	22,091	23,223	23,506	20,734	21,997	24,176	23,883	22,412	24,275

Factor	End-of-month figures			Wednesday figures						
	1991			1991						
	Apr.	May	June	May 15	May 22	May 29	June 5	June 12	June 19	June 26
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**288,432**	**291,168**	**291,795**	**288,690**	**285,005**	**290,722**	**292,398**	**293,500**	**291,139**	**294,980**
U.S. government securities[1, 2]										
2 Bought outright-system account	244,493	248,111	247,484	241,778	243,581	244,293	248,876	248,624	248,626	246,578
3 Held under repurchase agreements	0	0	962	4,638	0	3,342	0	0	0	4,611
Federal agency obligations[2]										
4 Bought outright	6,250	6,213	6,213	6,250	6,250	6,213	6,213	6,213	6,213	6,213
5 Held under repurchase agreements	0	0	477	196	0	534	0	0	0	748
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions[2]										
7 Adjustment credit	55	20	1,182	228	141	58	22	307	61	68
8 Seasonal credit	105	163	290	140	158	174	179	191	241	275
9 Extended credit	131	23	7	58	101	24	2	6	8	8
10 Float	913	457	433	369	−334	618	780	1,472	−711	−792
11 Other Federal Reserve assets	36,484	36,181	34,747	35,032	35,108	35,466	36,326	36,687	36,700	37,271
12 Gold stock	11,058	11,057	11,062	11,058	11,057	11,057	11,057	11,061	11,062	11,062
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,617	20,694	20,752	20,664	20,674	20,684	20,697	20,710	20,724	20,738
ABSORBING RESERVE FUNDS										
15 Currency in circulation	286,766	290,507	291,563	288,859	288,995	290,666	290,841	291,142	290,907	290,941
16 Treasury cash holdings	652	629	613	626	628	629	628	623	622	613
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	13,682	6,619	11,822	3,835	5,319	3,945	4,915	4,519	7,483	5,419
18 Foreign	292	196	224	222	241	266	206	226	244	233
19 Service-related balances and adjustments	3,174	3,185	3,283	3,231	3,397	3,160	3,181	3,125	3,253	3,178
20 Other	276	225	213	240	205	242	190	191	210	262
21 Other Federal Reserve liabilities and capital	6,826	8,570	7,082	7,302	7,425	7,575	8,419	8,133	7,878	8,107
22 Reserve balances with Federal Reserve Banks[3]	18,457	23,008	18,826	26,115	20,545	25,998	25,790	27,331	22,346	28,046

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. Beginning with the May 1990 *Bulletin*, this table has been revised to correspond with the H.4.1 statistical release.
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. Components may not sum to totals because of rounding.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1988	1989	1990	1990	1991					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 Reserve balances with Reserve Banks[2]	37,837	35,436	30,237	30,237	22,023	19,827	21,734	23,508	22,287	23,686
2 Total vault cash[3]	28,204	29,822	31,777	31,777	33,220	33,477	30,896	30,556[r]	30,720	30,524
3 Applied vault cash[4]	25,909	27,374	28,884	28,884	28,969	28,724	26,853	26,793	26,776	26,722
4 Surplus vault cash[5]	2,295	2,448	2,893	2,893	4,250	4,753	4,043	3,763[r]	3,944	3,801
5 Total reserves[6]	63,746	62,810	59,120	59,120	50,992	48,551	48,586	50,301	49,063	50,409
6 Required reserves	62,699	61,888	57,456	57,456	48,824	46,743	47,408	49,271	48,033	49,399
7 Excess reserve balances at Reserve Banks[7]	1,047	922	1,665	1,665	2,168	1,809	1,179	1,030	1,029	1,009
8 Total borrowings at Reserve Banks	1,716	265	326	326	534	252	241	231	303	340
9 Seasonal borrowings at Reserve Banks	130	84	76	76	33	37	55	79	151	222
10 Extended credit at Reserve Banks[8]	1,244	20	23	23	27	34	53	86	88	8
	Biweekly averages of daily figures for weeks ending									
	1991									
	Mar. 6	Mar. 20	Apr. 3	Apr. 17	May 1	May 15	May 29	June 12[r]	June 26	July 10
1 Reserve balances with Reserve Banks[2]	20,228	22,209	21,949	24,257	23,061	22,907	21,363	24,027	23,344	23,860
2 Total vault cash[3]	32,005	30,286	31,067	30,309	30,705[r]	30,340[r]	31,235[r]	29,787	30,926	31,327
3 Applied vault cash[4]	27,629	26,413	26,989	26,762	26,781	26,532	27,114[r]	26,115	27,048	27,405
4 Surplus vault cash[5]	4,376	3,873	4,078	3,547	3,924[r]	3,809[r]	4,121[r]	3,672	3,878	3,922
5 Total reserves[6]	47,857	48,622	48,938	51,019	49,842	49,438	48,477	50,142	50,392	51,265
6 Required reserves	46,637	47,616	47,564	50,218	48,645	48,469	47,358	49,411	49,110	50,376
7 Excess reserve balances at Reserve Banks[7]	1,221	1,007	1,374	801	1,198	970	1,120[r]	731	1,282	889
8 Total borrowings at Reserve Banks	426	185	212	224	244	314	299	283	314	601
9 Seasonal borrowings at Reserve Banks	41	51	68	70	92	138	165	176	242	290
10 Extended credit at Reserve Banks[8]	50	47	62	76	103	128	59	9	8	5

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance sheet "as-of" adjustments.
3. Total "lagged" vault cash held by those depository institutions currently subject to reserve requirements. 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.
4. All vault cash held during the lagged computation period by "bound" institutions (i.e., those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (i.e., those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. 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.
9. Data are prorated monthly averages of biweekly averages.

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

Millions of dollars, averages of daily figures

Maturity and source	1991, week ending Monday								
	Jan. 21	Jan. 28	Feb. 4	Feb. 11	Feb. 18	Feb. 25	Mar. 4	Mar. 11	Mar. 18
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	74,840	74,301	81,956	77,369	77,708	74,061	80,759	79,628	75,762
2 For all other maturities	17,810	16,906	16,423	16,373	16,890	15,830	15,491	16,159	17,951
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	28,746	32,895	33,366	31,641	32,389	30,568	31,090	30,565	27,997
4 For all other maturities	21,015	21,157	20,974	20,923	20,465	20,124	20,826	20,988	21,676
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	9,343	9,645	10,466	8,867	9,251	10,175	10,522	10,881	10,781
6 For all other maturities	21,917	20,821	21,622	21,241	18,651	17,298	17,441	17,643	17,273
All other customers									
7 For one day or under continuing contract	24,749	24,779	25,808	25,119	26,218	25,408	24,972	23,766	24,677
8 For all other maturities	11,350	12,119	12,145	11,855	11,635	11,292	11,340	11,584	11,888
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	40,215	44,641	48,386	42,209	42,099	40,092	46,140	42,822	41,746
10 To all other specified customers[2]	20,612	18,073	21,528	19,334	19,820	18,528	21,409	17,879	20,324

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 7/26/91	Effective date	Previous rate	On 7/26/91	Effective date	Previous rate	On 7/26/91	Effective date	Previous rate	Effective date
Boston	5½	4/30/91	6	5½	4/30/91	6	6.40	7/25/91	6.55	7/11/91
New York		4/30/91			4/30/91			7/25/91		7/11/91
Philadelphia		4/30/91			4/30/91			7/25/91		7/11/91
Cleveland		5/1/91			5/1/91			7/25/91		7/11/91
Richmond		4/30/91			4/30/91			7/25/91		7/11/91
Atlanta		4/30/91			4/30/91			7/25/91		7/11/91
Chicago		4/30/91			4/30/91			7/25/91		7/11/91
St. Louis		5/2/91			5/2/91			7/25/91		7/11/91
Minneapolis		4/30/91			4/30/91			7/25/91		7/11/91
Kansas City		4/30/91			4/30/91			7/25/91		7/11/91
Dallas		4/30/91			4/30/91			7/25/91		7/11/91
San Francisco	5½	4/30/91	6	5½	4/30/91	6	6.40	7/25/91	6.55	7/11/91

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	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
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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. 21	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
1988—Aug. 9	6–6½	6½
11	6½	6½
1989—Feb. 24	6½–7	7
27	7	7
1990—Dec. 19	6½	6½
1991—Feb. 1	6–6½	6
4	6	6
Apr. 30	5½–6	5½
May 2	5½	5½
In effect July 26, 1991	5½	5½

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 for 1986 and 1987 but was not renewed for 1988.

2. Extended credit is available to depository institutions, when 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 thirty 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 four 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]

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–$41.1 million	3	12/18/90
More than $41.1 million	12	12/18/90
Nonpersonal time deposits[5, 6]	0	12/27/90
Eurocurrency liabilities[7]	0	12/27/90

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

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1988, the exemption was raised from $3.2 million to $3.4 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); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits 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).

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 change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 18, 1990 for institutions reporting quarterly and Dec. 25, 1990 for institutions reporting weekly, the amount was increased from $40.4 million to $41.1 million.

5. The reserve requirements on nonpersonal time deposits with an original maturity of less than 1-1/2 years were reduced from 3 percent to 1-1/2 percent on the maintenance period that began December 13, 1990, and to zero for the maintenance period that began December 27, 1990, for institutions that report weekly. The reserve requirement on nonpersonal time deposits with an original maturity of 1-1/2 years or more has been zero since October 6, 1983.

6. For institutions that report quarterly, the reserves on nonpersonal time deposits with an original maturity of less than 1-1/2 years were reduced from 3 percent to zero on January 17, 1991.

7. The reserve requirements on Eurocurrency liabilities were reduced from 3 percent to zero in the same manner and on the same dates as were the reserves on nonpersonal time deposits with an original maturity of less than 1-1/2 years (see notes 5 and 6).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1988	1989	1990	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	8,223	14,284	24,739	6,658	0	0	1,967	313	908	3,411
2 Gross sales	587	12,818	7,291	0	2,350	120	0	0	0	0
3 Exchanges	241,876	231,211	241,086	25,981	16,939	19,747	21,381	18,808	21,981	27,548
4 Redemptions	2,200	12,730	4,400	0	3,000	1,000	0	0	0	0
Others within 1 year										
5 Gross purchases	2,176	327	425	325	0	0	100	700	700	200
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	23,854	28,848	25,638	3,531	1,991	989	2,292	413	4,324	5,175
8 Exchanges	−24,588	−25,783	−27,424	−4,315	0	−1,326	−3,045	−1,877	−993	−4,887
9 Redemptions	0	500	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	5,485	1,436	250	0	0	0	0	2,950	550	0
11 Gross sales	800	490	200	0	200	0	0	0	0	0
12 Maturity shifts	−17,720	−25,534	−21,770	−3,258	−1,991	−778	−1,909	−213	−4,214	−3,410
13 Exchanges	22,515	23,250	25,410	3,915	0	929	2,545	1,877	777	4,287
5 to 10 years										
14 Gross purchases	1,579	287	0	0	0	0	350	50	0	0
15 Gross sales	175	29	100	0	100	0	0	0	0	0
16 Maturity shifts	−5,946	−2,231	−2,186	127	0	−212	−23	−200	−110	−1,605
17 Exchanges	1,797	1,934	789	0	0	397	400	0	216	400
More than 10 years										
18 Gross purchases	1,398	284	0	0	0	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−188	−1,086	−1,681	−400	0	0	−361	0	0	−160
21 Exchanges	275	600	1,226	400	0	0	100	0	0	200
All maturities										
22 Gross purchases	18,863	16,617	25,414	6,983	0	0	2,417	4,013	7,397[r]	3,611
23 Gross sales	1,562	13,337	7,591	0	2,650	120	0	0	0	0
24 Redemptions	2,200	13,230	4,400	0	3,000	1,000	0	0	0	0
Matched transactions										
25 Gross sales	1,168,484	1,323,480	1,369,052	116,601	125,844	130,751	127,589	151,096	185,662	147,796
26 Gross purchases	1,168,142	1,326,542	1,363,434	114,488	123,442	131,087[r]	127,502	151,412	187,032	147,803
Repurchase agreements[2]										
27 Gross purchases	152,613	129,518	219,632	36,457	45,684	36,337	44,688	23,821	16,173	9,241
28 Gross sales	151,497	132,688	202,551	34,105	31,022	38,462	44,809	38,589	16,173	9,241
29 Net change in U.S. government securities	15,872	−10,055	24,886	7,222	6,608	−2,909[r]	2,209	−10,439	8,768[r]	3,618
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	587	442	183	0	1	0	0	0	91	0
Repurchase agreements[2]										
33 Gross purchases	57,259	38,835	41,836	2,774	2,091	4,416	3,546	2,518	640	885
34 Gross sales	56,471	40,411	40,461	2,504	1,021	3,571	4,466	3,784	640	885
35 Net change in federal agency obligations	198	−2,018	1,192	270	1,070	845	−920	−1,266	−91	0
36 Total net change in System Open Market Account	**16,070**	**−12,073**	**26,078**	**7,492**	**7,678**	**−2,064[r]**	**1,290**	**−11,705**	**8,676[r]**	**3,618**

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

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

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

Millions of dollars

Account	Wednesday, 1991					End of month, 1991		
	May 29	June 5	June 12	June 19	June 26	Apr. 30	May 31	June 30
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,058	11,057	11,061	11,062	11,062	11,058	11,057	11,062
2 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
3 Coin	577	575	582	590	580	643	577	575
Loans								
4 To depository institutions	255	203	504	310	351	291	206	1,479
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	6,213	6,213	6,213	6,213	6,213	6,250	6,213	6,213
8 Held under repurchase agreements	534	0	0	0	748	0	0	477
U.S. Treasury securities								
9 Bought outright[2]	244,293	248,876	248,624	248,626	246,578	244,493	248,111	247,484
10 Bills	116,323	120,706	120,454	120,457	118,409	116,523	119,942	119,314
11 Notes	96,507	96,707	96,707	96,707	96,707	96,707	96,707	96,707
12 Bonds	31,463	31,463	31,463	31,463	31,463	31,263	31,463	31,463
13 Held under repurchase agreements	3,342	0	0	0	4,611	0	0	962
14 Total U.S. Treasury securities	247,635	248,876	248,624	248,626	251,189	244,493	248,111	248,446
15 **Total loans and securities**	**254,638**	**255,292**	**255,341**	**255,150**	**258,502**	**251,035**	**254,530**	**256,615**
16 Items in process of collection	7,625	6,387	5,547	5,542	4,871	9,640	5,531	4,859
17 Bank premises	915	915	927	928	931	906	915	931
Other assets								
18 Denominated in foreign currencies[3]	30,002	30,835	30,871	30,945	31,058	29,816	30,835	28,682
19 All other[4]	4,606	4,604	4,930	5,027	5,346	5,862	4,416	5,379
20 **Total assets**	**319,439**	**319,684**	**319,277**	**319,262**	**322,369**	**318,978**	**317,879**	**318,121**
Liabilities								
21 Federal Reserve notes	271,188	271,347	271,637	271,395	271,397	267,445	271,019	272,000
Deposits								
22 Depository institutions	29,704	29,106	29,766	25,750	32,414	22,081	26,223	22,202
23 U.S. Treasury—General account	3,945	4,915	4,519	7,483	5,419	13,682	6,619	11,822
24 Foreign—Official accounts	266	206	226	244	233	292	196	224
25 Other	242	190	191	210	262	276	225	213
26 **Total deposits**	**34,156**	**34,417**	**34,702**	**33,686**	**38,328**	**36,330**	**33,263**	**34,460**
27 Deferred credit items	6,519	5,501	4,805	6,302	4,537	8,377	5,028	4,579
28 Other liabilities and accrued dividends[5]	2,373	2,521	2,680	2,416	2,634	2,277	2,614	2,392
29 **Total liabilities**	**314,236**	**313,786**	**313,823**	**313,800**	**316,895**	**314,429**	**311,923**	**313,431**
Capital Accounts								
30 Capital paid in	2,548	2,545	2,547	2,549	2,546	2,513	2,545	2,546
31 Surplus	2,198	2,377	2,393	2,410	2,423	1,808	2,216	2,114
32 Other capital accounts	457	976	514	503	504	228	1,195	31
33 **Total liabilities and capital accounts**	**319,439**	**319,684**	**319,277**	**319,262**	**322,369**	**318,978**	**317,879**	**318,121**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	243,789	244,525	245,223	245,333	242,774	241,334	249,523	243,233
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Bank)	315,767	316,818	318,508	320,160	323,981	312,160	315,843	325,417
36 LESS: Held by bank	44,579	45,471	46,871	48,765	52,584	44,716	44,824	53,450
37 Federal Reserve notes, net	271,188	271,347	271,637	271,395	271,397	267,445	271,019	271,967
Collateral held against notes net:								
38 Gold certificate account	11,057	11,057	11,061	11,062	11,062	11,058	11,057	11,062
39 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	250,113	250,271	250,558	250,315	250,316	246,369	249,944	250,887
42 **Total collateral**	**271,188**	**271,347**	**271,637**	**271,395**	**271,397**	**267,445**	**271,018**	**271,967**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover. Components may not add to totals because of rounding.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 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 Holding

Millions of dollars

Type and maturity grouping	Wednesday					End of month		
	1991					1991		
	May 29	June 5	June 12	June 19	June 26	Apr. 30	May 31	June 28
1 Loans—Total	255	202	503	310	351	291	206	351
2 Within 15 days	227	80	377	287	123	254	106	123
3 16 days to 90 days	29	123	127	287	42	38	100	42
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	247,635	248,876	248,624	248,626	253,189	244,493	248,111	247,483
10 Within 15 days[1]	15,009	11,567	7,507	9,700	15,476	10,648	6,562	8,106
11 16 days to 90 days	57,228	62,155	62,914	60,573	57,086	59,405	65,504	62,897
12 91 days to 1 year	76,110	75,401	78,451	78,601	78,876	74,599	76,293	76,727
13 More than 1 year to 5 years	61,989	62,453	62,453	62,453	62,452	61,376	62,453	62,454
14 More than 5 years to 10 years	12,584	12,584	12,584	12,584	12,583	13,789	12,584	12,583
15 More than 10 years	24,716	24,716	24,715	24,716	24,189	24,676	24,716	24,715
16 Federal agency obligations—Total	6,747	6,213	6,213	6,213	6,962	6,250	6,213	6,213
17 Within 15 days[1]	836	46	44	234	953	99	302	205
18 16 days to 90 days	748	1,028	1,032	842	827	732	748	888
19 91 days to 1 year	1,507	1,483	1,475	1,475	1,484	1,763	1,507	1,423
20 More than 1 year to 5 years	2,458	2,459	2,464	2,464	2,498	2,442	2,458	2,498
21 More than 5 years to 10 years	1,010	1,010	1,010	1,010	1,010	1,026	1,010	1,010
22 More than 10 years	188	188	187	188	187	188	188	188

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

NOTE: Components may not sum to totals because of rounding.

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

Billions of dollars, averages of daily figures

Item	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 **Total reserves**[3]	**45.81**	**47.60**	**47.73**	**49.10**	**48.24**	**49.10**	**49.47**	**49.61**	**49.57**	**49.39**	**50.07**	**50.43**
2 Nonborrowed reserves[4]	45.03	45.88	47.46	48.78	48.01	48.78	48.93	49.36	49.32	49.16	49.77r	50.09
3 Nonborrowed reserves plus extended credit[5]	45.52	47.12	47.48	48.80	48.04	48.80	48.96	49.39	49.38	49.25	49.85	50.10
4 Required reserves	44.77	46.55	46.81	47.44	47.30	47.44	47.30	47.80	48.39	48.36	49.04	49.42
5 Monetary base[6]	246.28	263.46	274.17	299.79	297.55	299.79	305.15	309.44	310.98	310.60	311.48	312.47
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Not seasonally adjusted											
6 **Total reserves**[7]	**47.04**	**49.00**	**49.18**	**50.58**	**48.42**	**50.58**	**50.76**	**48.55**	**48.59**	**50.30**	**49.06**	**50.41**
7 Nonborrowed reserves	46.26	47.29	48.91	50.25	48.19	50.25	50.22	48.30	48.34	50.07	48.76	50.07
8 Nonborrowed reserves plus extended credit[5]	46.75	48.53	48.93	50.28	48.21	50.28	50.25	48.33	48.40	50.16	48.85	50.08
9 Required reserves[8]	46.00	47.96	48.26	48.91	47.47	48.91	48.59	46.74	47.41	49.27	48.03	49.40
10 Monetary base[9]	249.93	267.46	278.30	304.04	298.44	304.04	306.03	305.74	308.19	310.86	311.02	314.06
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 **Total reserves**[11]	**62.14**	**63.75**	**62.81**	**59.12**	**62.05**	**59.12**	**50.99**	**48.55**	**48.59**	**50.30**	**49.06**	**50.41**
12 Nonborrowed reserves	61.36	62.03	62.54	58.79	61.82	58.79	50.46	48.30	48.35	50.07	48.76	50.07
13 Nonborrowed reserves plus extended credit[5]	61.85	63.27	62.56	58.82	61.84	58.82	50.48	48.33	48.40	50.16	48.85	50.08
14 Required reserves	61.09	62.70	61.89	57.46	61.10	57.46	48.82	46.74	47.41	49.27	48.03	49.40
15 Monetary base[12]	266.06	283.00	292.55	313.70	312.69	313.70	309.30	308.53	311.04	313.95	314.25	317.26
16 Excess reserves[13]	1.05	1.05	.92	1.66	.95	1.66	2.17	1.81	1.18	1.03	1.03	1.01
17 Borrowings from the Federal Reserve	.78	1.72	.27	.33	.23	.33	.53	.25	.24	.23	.30	.34

1. 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.
2. Figures reflect adjustments for discontinuities or "breaks" associated with regulatory changes in reserve requirements.
3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).
4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).
5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.
6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves, the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).
8. To adjust required reserves for discontinuities because of regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves are equal to break-adjusted required reserves held against transactions deposits.
9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.
10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.
11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.
12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. After the introduction of CRR, currency and vault cash figures are measured over the computation periods ending on Mondays.
13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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

Billions of dollars, averages of daily figures

Item[2]	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1991 Mar.	1991 Apr.	1991 May	1991 June
				Seasonally adjusted				
1 M1	749.7	786.4	793.6	825.4	843.0	842.2	851.7[r]	858.5
2 M2	2,910.1	3,069.9	3,223.1	3,327.6	3,374.9[r]	3,382.8[r]	3,394.9[r]	3,398.6
3 M3	3,677.4	3,919.1	4,055.2	4,111.7	4,168.8[r]	4,170.3[r]	4,171.6[r]	4,164.3
4 L	4,337.0	4,676.0	4,889.9	4,965.5[r]	5,008.4[r]	4,968.6[r]	4,943.1	n.a.
5 Debt	8,345.1	9,107.6	9,790.4	10,436.1	10,563.9	10,578.0[r]	10,627.3	n.a.
M1 components								
6 Currency[3]	196.8	212.0	222.2	246.4	256.7	256.6	256.8	257.6
7 Travelers checks[4]	7.0	7.5	7.4	8.4	8.1	7.9	8.0	7.8
8 Demand deposits[5]	286.5	286.3	278.7	276.9	277.1	275.7[r]	278.6[r]	280.9
9 Other checkable deposits[6]	259.3	280.7	285.2	293.8	301.0	302.0	308.3	312.2
Nontransaction components								
10 In M2[7]	2,160.4	2,283.5	2,429.5	2,502.2	2,531.9	2,540.6[r]	2,543.2[r]	2,540.1
11 In M3 only[8]	767.3	849.3	832.1	784.1	794.0	787.5[r]	776.7[r]	765.6
Time and savings accounts								
Commercial banks								
12 Savings deposits	178.3	192.1	187.7	199.4	205.8	208.9	211.5	215.1
13 Money market deposit accounts	356.4	350.2	353.0	378.4	388.9	393.7	399.8	404.4
14 Small time deposits[9]	388.0	447.5	531.4	598.1	607.8	604.1	601.2[r]	601.7
15 Large time deposits[10, 11]	326.6	368.0	401.9	386.1	399.9	398.0	398.3[r]	396.9
Thrift institutions								
16 Savings deposits	233.7	232.3	216.4	211.4	214.7	218.4	221.7[r]	223.9
17 Money market deposit accounts	168.5	151.2	133.1	127.6	130.3	132.9	136.3	137.7
18 Small time deposits[9]	529.7	584.3	614.5	566.1	550.5	546.1[r]	539.4	527.6
19 Large time deposits[10]	162.6	174.3	161.6	121.0	111.6	108.8[r]	104.5	100.8
Money market mutual funds								
20 General purpose and broker-dealer	221.7	241.1	313.6	345.4	363.5	364.2	365.1	364.3
21 Institution-only	88.9	86.9	101.9	125.7	142.0	145.6	146.2	143.3
Debt components								
22 Federal debt	1,957.9	2,114.2	2,268.1	2,534.3	2,599.7	2,590.8	2,613.1	n.a.
23 Nonfederal debt	6,387.2	6,993.4	7,522.3	7,901.8	7,964.2	7,987.1[r]	8,014.1	n.a.
				Not seasonally adjusted				
24 M1	766.2	804.2	811.9	844.3	835.0	852.9	841.6[r]	857.8
25 M2	2,923.0	3,083.3	3,236.6	3,341.6	3,374.1[r]	3,396.3[r]	3,374.3[r]	3,391.6
26 M3	3,690.3	3,931.5	4,067.0	4,123.8	4,168.1[r]	4,179.5[r]	4,152.8[r]	4,158.8
27 L	4,352.8	4,691.8	4,907.4	4,984.0[r]	5,006.6[r]	4,980.0[r]	4,928.1	n.a.
28 Debt	8,329.1	9,093.2	9,775.9	10,423.3	10,518.6	10,533.4[r]	10,582.4	n.a.
M1 components								
29 Currency[3]	199.3	214.8	225.3	249.6	255.6	256.0	257.4	259.1
30 Travelers checks[4]	6.5	6.9	6.9	7.8	7.8	7.5	7.8	8.1
31 Demand deposits[5]	298.6	298.9	291.5	289.9	270.1	277.6	271.5	279.5
32 Other checkable deposits[6]	261.8	283.5	288.2	297.0	301.6	311.8	305.0	311.0
Nontransaction components								
33 In M2[7]	2,156.8	2,279.1	2,424.7	2,497.3	2,539.1	2,543.5[r]	2,532.7[r]	2,533.9
34 In M3 only[8]	767.3	848.2	830.4	782.2	794.1	783.1[r]	778.5[r]	767.2
Time and savings accounts								
Commercial banks								
35 Savings deposits	176.8	190.6	186.4	197.7	205.8	209.5	212.0	216.5
36 Money market deposit accounts	359.0	353.2	356.5	381.6	391.1	394.0	395.8	401.8
37 Small time deposits[9]	387.2	446.0	529.2	596.1	607.4	604.2	600.9[r]	602.1
38 Large time deposits[10, 11]	325.8	366.8	400.4	386.1	399.4	395.8[r]	397.8	396.4
Thrift institutions								
39 Savings deposits	231.4	229.9	214.2	209.6	214.7	219.0	222.3	225.3
40 Money market deposit accounts	168.6	151.6	133.7	128.7	131.0	133.0	134.9	136.8
41 Small time deposits[9]	529.5	583.8	613.8	564.1	550.1	546.2	539.1[r]	527.9
42 Large time deposits[10]	163.3	175.2	162.6	121.1	111.5	108.1	104.4	100.7
Money market mutual funds								
43 General purpose and broker-dealer	221.1	240.7	313.5	345.5	370.0	368.5	360.5	358.0
44 Institution-only	89.6	87.6	102.8	127.0	143.9	144.1	145.2	141.0
Repurchase agreements and eurodollars								
45 Overnight	83.2	83.4	77.3	74.0	69.1	69.1	67.2[r]	65.5
46 Term	197.1	227.7	179.8	161.5	154.3	150.3[r]	146.5[r]	143.9
Debt components								
47 Federal debt	1,955.6	2,111.8	2,265.9	2,532.1	2,602.8	2,593.0	2,609.2	n.a.
48 Nonfederal debt	6,373.5	6,981.4	7,509.9	7,891.2	7,915.8	7,940.4[r]	7,973.2	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, 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 all depository 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

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

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

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

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

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

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

9. Small-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.

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	1988	1989	1990	1990		1991			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	219,795.7	256,150.4	277,916.3	294,468.6	267,479.9	279,437.8	280,494.1	271,546.1	295,451.1
2 Major New York City banks	115,475.6	129,319.9	131,784.0	140,531.5	130,154.6	138,638.1	138,037.7	132,697.5	146,929.3
3 Other banks	104,320.2	126,830.5	146,132.3	153,937.1	137,325.3	140,799.7	142,456.4	138,848.6	148,521.8
4 ATS–NOW accounts[4]	2,478.1	2,910.5	3,349.6	3,479.2	3,368.4	3,559.1	3,533.7	3,245.9	3,806.6
5 Savings deposits[5]	537.0	547.5	558.8	565.8	527.2	572.9	551.4	525.5	581.6
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	622.9	735.1	800.6	857.1	779.5	828.3	817.8	792.4	868.8
7 Major New York City banks	2,897.2	3,421.5	3,804.1	4,320.4	3,949.1	4,259.7	4,125.7	4,095.8	4,523.3
8 Other banks	333.3	408.3	467.7	494.9	442.7	461.9	460.2	447.5	482.8
9 ATS–NOW accounts[4]	13.2	15.2	16.5	16.8	16.2	17.0	16.7	15.1	17.7
10 Savings deposits[5]	2.9	3.0	2.9	2.9	2.7	2.9	2.7	2.6	2.8
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	219,790.4	256,133.2	277,400.0	277,536.6	275,664.8	283,545.5	259,372.9	278,280.4	294,771.5
12 Major New York City banks	115,460.7	129,400.1	131,784.7	133,220.6	133,491.9	136,578.8	127,287.3	134,974.7	145,700.2
13 Other banks	104,329.7	126,733.0	145,615.3	144,316.0	142,172.9	146,966.7	132,085.5	143,305.7	149,071.4
14 ATS–NOW accounts[4]	2,477.3	2,910.7	3,342.2	3,259.5	3,430.2	3,923.1	3,237.8	3,310.7	3,972.1
15 MMDA[6]	2,342.7	2,677.1	2,923.8	2,805.0	2,938.6	3,106.8	2,512.7	2,771.6	2,984.2
16 Savings deposits[5]	536.3	546.9	557.9	505.1	530.1	589.2	494.9	524.5	627.9
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	622.8	735.4	799.6	800.0	765.8	820.3	778.7	835.8	860.7
18 Major New York City banks	2,896.7	3,426.2	3,810.0	4,067.4	3,760.0	3,993.4	3,899.0	4,378.5	4,565.4
19 Other banks	333.2	408.0	466.3	459.3	438.2	471.9	439.7	474.3	480.0
20 ATS–NOW accounts[4]	13.2	15.2	16.4	15.8	16.2	18.4	15.3	15.3	17.8
21 MMDAs[6]	6.6	7.9	8.0	7.4	7.8	8.2	6.6	7.1	7.6
22 Savings deposits[5]	2.9	2.9	2.9	2.6	2.7	3.0	2.5	2.6	3.0

1. Historical tables containing revised data for earlier periods may be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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 MMDA, ATS, and NOW accounts.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks

Billions of dollars; averages of Wednesday figures

Item	1990						1991					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Seasonally adjusted											
1 **Total loans and securities[1]**	**2,683.0**	**2,704.9**	**2,708.0**	**2,713.6**	**2,716.6**	**2,723.6**	**2,721.2**	**2,735.1**	**2,750.9**	**2,751.6**	**2,750.0**	**2,758.1**
2 U.S. government securities	442.8	445.7	450.1	453.1	454.0	454.2	454.1	458.0	471.4	479.2	484.9	492.9
3 Other securities	177.3	178.8	178.8	177.8	175.9	175.6	177.7	177.6	177.6	175.7	173.9[r]	173.1
4 Total loans and leases[1]	2,062.9	2,080.4	2,079.0	2,082.7	2,086.7	2,093.8	2,089.4	2,099.5	2,102.0	2,096.7	2,091.1	2,092.1
5 Commercial and industrial	644.4	645.1	644.7	643.7	646.5	648.1	644.3	643.9	646.0	640.0	633.2	629.7
6 Bankers acceptances held[2]	7.6	7.4	7.5	7.3	7.4	7.5	7.7	6.9	6.7	6.7[r]	6.8[r]	6.5
7 Other commercial and industrial	636.7	637.7	637.1	636.4	639.1	640.5	636.6	637.1	639.4	633.3[r]	626.4[r]	623.2
8 U.S. addressees[3]	632.5	633.4	632.6	631.7	634.0	635.3	631.1	631.5	633.7	627.8[r]	620.6[r]	617.3
9 Non-U.S. addressees[3]	4.3	4.3	4.5	4.7	5.1	5.3	5.5	5.5	5.7	5.5	5.8	5.9
10 Real estate	814.5	818.0	822.5	827.7	832.0	836.5	837.3	842.6	846.3	850.7	854.7	857.7
11 Individual	376.4	378.2	378.6	379.7	378.7	378.9	375.9	377.7	375.5	374.1	373.4[r]	371.7
12 Security	38.7	44.6	41.3	40.5	39.6	40.6	43.1	43.2	38.8	39.8	39.8	38.3
13 Nonbank financial institutions	34.7	35.0	35.2	34.8	34.6	34.7	34.2	35.3	36.1	35.2	36.1	36.2
14 Agricultural	31.3	31.5	31.8	32.2	32.5	33.0	33.5	33.5	34.0	33.9	33.6	33.0
15 State and political subdivisions	36.4	35.8	35.2	35.1	34.8	34.3	33.2	33.1	32.8[r]	32.2	31.8	31.0
16 Foreign banks	7.0	7.9	8.1	9.0	8.1[r]	7.2[r]	6.0[r]	6.1[r]	7.2[r]	6.9	6.4	6.0
17 Foreign official institutions	3.2	3.2	3.3	3.2	3.2	3.2	3.0	3.1	3.2	3.0	3.0	3.0
18 Lease financing receivables	32.6	32.7	32.8	33.3	32.9	32.7	32.4	32.8	33.0	32.7	32.7	32.8
19 All other loans	43.6	48.2	45.5	43.6	43.7[r]	44.7[r]	46.4[r]	48.2[r]	49.1[r]	48.2	46.4	52.7
	Not seasonally adjusted											
20 **Total loans and securities[1]**	**2,677.5**	**2,700.1**	**2,707.0**	**2,715.5**	**2,720.1**	**2,730.5**	**2,721.0**	**2,737.3**	**2,748.3**	**2,751.3**	**2,749.2**	**2,758.8**
21 U.S. government securities	439.9	444.0	448.2	450.8	454.1	451.5	455.8	463.9	475.8	480.5	485.1	491.5
22 Other securities	176.4	179.1	179.0	178.0	176.6	176.3	177.9	177.3	176.9	175.1	173.8	173.2
23 Total loans and leases[1]	2,061.1	2,077.1	2,079.8	2,086.7	2,089.3	2,102.7	2,087.3	2,096.1	2,095.7	2,095.7	2,090.3[r]	2,094.1
24 Commercial and industrial	644.6	643.5	640.9	641.2	644.5	648.0	641.1	643.0	648.3	644.7	637.1	632.0
25 Bankers acceptances held[2]	7.3	7.2	7.5	7.4	7.6	7.7	7.6	7.0	6.6	6.6[r]	6.7[r]	6.6
26 Other commercial and industrial	637.3	636.3	633.4	633.8	636.9	640.3	633.4	636.1	641.6	638.1[r]	630.4[r]	625.4
27 U.S. addressees[3]	632.9	631.8	628.8	629.1	631.9	635.1	628.2	630.6	636.2	632.2[r]	624.5[r]	619.4
28 Non-U.S. addressees[3]	4.4	4.5	4.6	4.7	5.0	5.2	5.3	5.5	5.4	5.9	5.9	6.0
29 Real estate	814.9	819.9	824.2	830.3	834.0	837.9	837.1	839.5	842.6	848.1	853.8	857.7
30 Individual	374.1	377.4	380.4	380.6	379.8	383.8	380.1	377.1	372.8	371.5	371.8	369.7
31 Security	38.6	43.9	40.3	39.5	38.5	40.0	40.9	44.7	40.1	41.3	39.0	40.5
32 Nonbank financial institutions	34.6	35.0	34.9	34.7	35.0	36.1	34.7	34.9	35.4	34.8[r]	35.7	36.2
33 Agricultural	32.1	32.5	32.9	33.1	32.9	32.9	32.8	32.6[r]	32.6	32.8	33.1	33.3
34 State and political subdivisions	36.2	35.7	35.2	35.1	34.7	34.0	33.9[r]	33.3[r]	32.8[r]	32.1	31.7[r]	31.0
35 Foreign banks	7.1	8.0	8.2	9.3	8.3[r]	7.4[r]	6.0[r]	6.0[r]	6.8[r]	6.7	6.3[r]	6.1
36 Foreign official institutions	3.2	3.2	3.3	3.2	3.2	3.2	3.0	3.1	3.2	3.0	3.0	3.0
37 Lease financing receivables	32.4	32.6	32.8	33.3	33.1	32.8	32.8	32.9	32.9	32.7	32.6	32.6
38 All other loans	43.3	45.4	46.8	46.3	45.4[r]	46.7[r]	44.7[r]	48.9[r]	48.2[r]	47.9	46.1	52.0

1. Adjusted to exclude loans to commercial banks in the United States.
2. Includes nonfinancial commercial paper held.
3. United States includes the fifty states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Billions of dollars, monthly averages

Source	1990						1991					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Seasonally adjusted												
1 Total nondeposit funds[2]	281.1	283.8	283.0	291.8	292.4	287.9	277.1	265.1r	264.0	262.6	258.1r	248.0
2 Net balances due to related foreign offices[3]	19.1	19.0	21.5	29.9	30.1	34.6	33.5	24.9r	30.2r	30.7	26.0	19.2
3 Borrowings from other than commercial banks in United States[4]	262.0	264.8	261.5	261.9	262.2	253.2	243.6	240.2	233.8	231.8r	232.0	228.9
4 Domestically chartered banks	201.6	202.2	198.8	196.9	195.0	187.1	182.2	177.1	171.5	170.6r	168.8	166.3
5 Foreign-related banks	60.4	62.6	62.7	65.0	67.3	66.2	61.5	63.1	62.3	61.2	63.2	62.6
Not seasonally adjusted												
6 Total nondeposit funds[2]	277.2	282.5	278.6	288.7	293.5	282.3	272.5	268.1	269.2	263.3	266.0r	251.0
7 Net balances due to related foreign offices[3]	16.6	18.5	21.5	29.6	30.8	37.2	33.1	24.8	29.7r	28.9r	28.6r	19.5
8 Domestically chartered banks	-5.8	-3.4	-4.2	-1.0	.6	-4.1	-15.2	-15.2	-6.0	-3.5	-.7	-3.5
9 Foreign-related banks	22.4	21.9	25.8	30.6	30.2	41.3	48.4	40.0	35.6	32.4	29.2	23.0
10 Borrowings from other than commercial banks in United States[4]	260.6	264.0	257.0	259.2	262.7	245.1	239.4	243.3	239.5r	234.4r	237.4	231.5
11 Domestically chartered banks	199.1	201.7	195.6	195.0	197.6	182.8	177.7	179.4	175.8r	171.4	173.5	167.2
12 Federal funds and security RP borrowings[5]	196.2	198.1	191.6	191.7	194.7	180.0	174.4	176.6	172.6	168.5r	170.7	164.3
13 Other[6]	2.9	3.6	4.0	3.2	2.9	2.8	3.2	2.8	3.2	2.9	2.8	2.8
14 Foreign-related banks[6]	61.5	62.3	61.5	64.2	65.1	62.3	61.7	63.9	63.7	63.0	63.9	64.3
MEMO												
Gross large time deposits[7]												
15 Seasonally adjusted	451.9	449.2	443.6	438.0	435.2	431.8	441.0	450.6	450.9	450.9	452.1	450.5
16 Not seasonally adjusted	450.5	450.1	445.4	440.4	437.8	431.8	439.3	449.2r	450.5	448.6	451.7	450.0
U.S. Treasury demand balances at commercial banks[8]												
17 Seasonally adjusted	15.0	32.7	26.0	22.3	25.2	24.4	25.7	33.4	33.8	21.7	15.1	23.2
18 Not seasonally adjusted	15.2	23.5	31.0	20.9	19.2	23.0	29.4	39.3	28.4	20.4	19.8	23.6

1. Commercial banks are those in the fifty 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.

These data also appear in the Board's G.10 (411) release. For address, see inside front cover.

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

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own IBFs.

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

5. Based on daily average data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

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

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

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

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

Billions of dollars

Account	1990					1991					
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,896.8	2,887.1	2,931.3	2,925.1	2,936.9	2,908.7	2,924.9	2,910.9	2,907.1	2,921.5	2,931.1
2 Investment securities	597.2	601.7	604.9	603.3	605.6	612.8	614.0	628.3	628.5	634.1	638.5
3 U.S. government securities	429.1	434.5	438.0	437.6	439.6	447.6	449.5	463.3	465.1	471.8	477.8
4 Other	168.0	167.2	166.8	165.7	166.0	165.2	164.5	165.1	163.4	162.2	160.7
5 Trading account assets	29.3	21.4	27.4	25.0	22.0	24.1	26.9	23.5	24.9	24.3	27.5
6 Total loans	2,270.4	2,264.0	2,299.0	2,296.9	2,309.3	2,271.8	2,283.9	2,259.1	2,253.6	2,263.2	2,265.2
7 Interbank loans	200.1	191.0	207.9	207.0	204.0	193.3	185.0	171.8	160.7	172.5	166.8
8 Loans excluding interbank	2,070.3	2,073.0	2,091.2	2,089.8	2,105.3	2,078.6	2,099.0	2,087.3	2,092.9	2,090.6	2,098.5
9 Commercial and industrial	639.7	639.7	643.4	644.4	650.8	637.2	645.1	648.5	643.6	635.1	631.7
10 Real estate	820.1	825.0	831.5	833.7	838.3	836.9	840.1	842.5	849.0	855.2	857.5
11 Individual	379.4	381.2	380.8	380.5	384.7	378.6	376.4	371.5	372.0	370.7	369.5
12 All other	231.1	227.1	235.5	231.2	231.5	225.9	237.4	224.8	228.3	229.6	239.7
13 Total cash assets	207.7	213.7	220.8	216.7	217.9	199.2	204.5	206.1	201.0	224.3	212.3
14 Reserves with Federal Reserve Banks	30.0	33.6	29.7	33.0	23.4	16.5	18.1	25.0	23.1	26.2	29.1
15 Cash in vault	30.3	29.3	29.4	32.8	32.0	30.4	29.8	28.9	29.1	31.1	29.8
16 Cash items in process of collection	77.5	81.1	85.4	78.4	86.0	74.7	79.9	76.9	74.3	87.2	78.2
17 Demand balances at U.S. depository institutions	27.3	27.0	28.5	28.4	29.6	28.1	27.7	27.6	26.4	30.8	28.3
18 Other cash assets	42.5	42.8	47.8	44.2	46.8	49.6	49.0	47.7	48.1	49.0	46.8
19 Other assets	220.8	226.6	230.1	226.6	245.1	249.9	259.6	263.1	260.4	264.4	265.6
20 **Total assets/total liabilities and capital**	**3,325.3**	**3,327.4**	**3,382.2**	**3,368.5**	**3,399.9**	**3,357.8**	**3,388.9**	**3,380.1**	**3,368.5**	**3,410.3**	**3,409.0**
21 Deposits	2,296.5	2,300.1	2,332.0	2,319.9	2,363.4	2,334.6	2,365.0	2,382.5	2,381.9	2,413.3	2,406.1
22 Transaction deposits	589.1	595.3	612.1	598.1	637.1	587.9	594.1	602.8	601.3	617.6	611.2
23 Savings deposits	565.6	563.5	570.5	573.1	573.3	573.9	583.5	594.1	595.4	606.2	610.6
24 Time deposits	1,141.8	1,141.3	1,149.4	1,148.8	1,152.9	1,172.8	1,187.3	1,185.6	1,185.3	1,189.5	1,184.2
25 Borrowings	579.9	570.9	591.0	570.6	548.7	529.8	515.4	492.3	494.6	499.8	509.9
26 Other liabilities	226.2	233.1	236.0	255.3	264.4	268.8	282.3	278.2	263.9	267.6	264.1
27 Residual (assets less liabilities)	222.8	223.4	223.3	222.7	223.5	224.6	226.2	227.0	228.1	229.6	228.9
MEMO											
28 U.S. government securities (including trading account)	446.3	445.1	454.2	451.9	451.1	459.4	463.7	475.9	479.0	485.0	492.9
29 Other securities (including trading account)	180.2	178.0	178.1	176.4	176.5	177.5	177.2	176.0	174.5	173.4	173.1
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,631.8	2,620.5	2,658.4	2,645.1	2,654.2	2,628.0	2,642.3	2,635.6	2,628.9	2,637.8	2,640.8
31 Investment securities	566.1	569.0	571.5	569.8	570.5	575.3	577.4	588.6	592.3	595.7	600.5
32 U.S. government securities	414.1	417.9	420.9	420.8	421.7	426.5	429.3	440.2	445.5	449.2	455.5
33 Other	152.0	151.2	150.6	149.1	148.8	148.7	148.2	148.5	146.8	146.5	144.9
34 Trading account assets	29.3	21.4	27.4	25.0	22.0	24.1	26.9	23.5	24.9	24.3	27.5
35 Total loans	2,036.4	2,030.0	2,059.5	2,050.3	2,061.7	2,028.6	2,038.0	2,023.5	2,011.7	2,017.8	2,012.8
36 Interbank loans	153.7	146.0	164.0	157.4	160.0	151.7	150.9	148.3	134.2	144.5	139.0
37 Loans excluding interbank	1,882.6	1,884.0	1,895.5	1,892.9	1,901.7	1,876.9	1,887.0	1,875.2	1,877.5	1,873.3	1,873.9
38 Commercial and industrial	514.0	513.2	515.4	513.4	512.7	504.2	508.4	506.3	502.4	495.0	490.5
39 Real estate	779.5	784.0	789.8	791.6	796.4	794.0	797.1	799.7	804.7	808.7	810.3
40 Individual	379.4	381.2	380.8	380.5	384.7	378.6	376.4	371.5	372.0	370.7	369.5
41 All other	209.8	205.7	209.5	207.4	207.9	200.2	205.1	197.7	198.4	198.8	203.6
42 Total cash assets	181.7	187.0	189.3	187.7	188.3	166.6	172.7	177.0	171.6	193.6	184.3
43 Reserves with Federal Reserve Banks	28.0	32.1	28.5	31.5	23.0	15.3	17.0	24.0	21.9	25.8	28.3
44 Cash in vault	30.3	29.2	29.4	32.8	32.0	30.3	29.8	28.8	29.1	31.1	29.8
45 Cash items in process of collection	75.9	79.0	83.6	76.4	83.9	72.9	78.2	74.9	72.6	85.5	76.2
46 Demand balances at U.S. depository institutions	25.0	25.1	26.6	26.2	27.6	26.2	25.8	25.8	24.8	28.8	26.5
47 Other cash assets	22.5	21.5	21.2	20.9	21.8	22.0	21.9	23.4	23.2	22.4	23.6
48 Other assets	145.6	152.3	153.6	155.0	167.8	166.9	171.3	167.9	161.9	162.3	164.3
49 **Total assets/liabilities and capital**	**2,959.1**	**2,959.7**	**3,001.3**	**2,987.8**	**3,010.3**	**2,961.4**	**2,986.3**	**2,980.4**	**2,962.4**	**2,993.7**	**2,989.4**
50 Deposits	2,214.9	2,220.1	2,253.8	2,243.3	2,283.5	2,236.2	2,255.2	2,266.2	2,258.8	2,280.8	2,271.3
51 Transaction deposits	578.8	584.4	601.5	587.7	626.1	577.4	583.8	592.2	591.4	607.5	600.9
52 Savings deposits	562.6	560.4	567.4	569.8	570.0	570.6	580.2	590.6	591.9	602.5	607.1
53 Time deposits	1,073.5	1,075.3	1,085.0	1,085.8	1,087.4	1,088.1	1,091.2	1,083.4	1,075.6	1,070.8	1,063.4
54 Borrowings	404.3	395.8	400.4	394.1	375.6	380.1	371.8	354.9	346.5	355.1	364.4
55 Other liabilities	120.7	124.1	127.5	131.5	131.4	124.2	136.8	136.0	132.6	131.9	128.4
56 Residual (assets less liabilities)	219.2	219.7	219.6	219.0	219.8	220.9	222.6	223.4	224.5	226.0	225.3
MEMO											
57 Real estate loans, revolving	57.7	58.6	60.6	61.1	61.7	62.9	63.3	63.6	64.4	65.7	66.6
58 Real estate loans, other	721.7	725.4	729.2	730.5	734.7	731.1	733.8	736.1	740.3	743.0	743.7

1. 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 weekly H.8 (510) release.

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

Millions of dollars, Wednesday figures

Account	1991								
	May 1	May 8	May 15	May 22	May 29r	June 5	June 12	June 19	June 26
ASSETS									
1 Cash and balances due from depository institutions	125,763r	97,676r	113,551r	94,742r	112,566	103,126	100,913	101,031	108,022
2 U.S. Treasury and government securities	194,691	193,915	196,201	193,666r	192,905	197,559	196,610	195,695	195,190
3 Trading account	15,432	14,577	16,810	14,692	13,183	16,006	15,967	16,225	15,120
4 Investment account	179,259	179,338	179,391	178,974r	179,722	181,553	180,643	179,470	180,071
5 Mortgage-backed securities[1]	83,105r	83,095r	82,302r	81,544r	81,514	81,358	79,290	78,402	78,374
All other maturing in									
6 One year or less	18,929	19,027	18,649	19,464	19,658	20,496	20,820	20,548	21,126
7 Over one through five years	42,517	43,706	45,139	44,426	44,416	45,385	44,974	45,457	45,444
8 Over five years	34,709r	33,510r	33,301r	33,540r	34,135	34,315	35,558	35,063	35,127
9 Other securities	58,580	58,547	57,844	57,594r	57,615	57,984	57,946	58,098	58,091
10 Trading account	1,365	1,241	1,346	1,360	1,372	1,825	1,939	2,065	2,287
11 Investment account	57,215	57,306	56,498	56,234r	56,243	56,159	56,008	56,033	55,805
12 State and political subdivisions, by maturity	27,229	27,242	27,187	27,091	27,093	26,921	26,883	26,880	26,738
13 One year or less	3,711	3,703	3,680	3,656	3,662	3,658	3,654	3,677	3,589
14 Over one year	23,518	23,539	23,508	23,435	23,431	23,263	23,229	23,204	23,149
15 Other bonds, corporate stocks, and securities	29,986	30,064	29,310	29,143r	29,150	29,238	29,125	29,152	29,067
16 Other trading account assets	9,435r	9,503r	10,216r	9,534r	9,764	9,988	10,020	10,145	10,041
17 Federal funds sold[2]	86,089	68,178	78,327	63,099	73,512	76,258	75,106	77,433	76,235
18 To commercial banks in the U.S.	57,489	47,446	55,417	43,621	53,098	54,193	52,232	53,995	51,704
19 To nonbank brokers and dealers	25,298	17,906	19,689	17,329	17,608	19,212	20,063	20,043	21,142
20 To others[3]	3,303	2,826	3,221	2,149	2,805	2,853	2,811	3,395	3,390
21 Other loans and leases, gross	1,051,783r	1,045,727r	1,045,776r	1,041,142r	1,042,722	1,038,878	1,034,333	1,035,760	1,034,656
22 Commercial and industrial	317,849r	315,887r	314,470r	313,328r	312,357	311,952	309,459	310,043	308,749
23 Bankers' acceptances and commercial paper	1,648r	1,715r	1,665r	1,595r	1,668	1,723	1,691	1,749	1,578
24 All other	316,201	314,172	312,804	311,733	310,689	310,229	307,768	308,294	307,171
25 U.S. addressees	314,828	312,791	311,384	310,323	309,235	308,769	306,412	306,775	305,687
26 Non-U.S. addressees	1,373	1,381	1,420	1,410	1,453	1,459	1,356	1,519	1,484
27 Real estate loans	404,577r	404,836r	404,519r	404,134r	404,734	404,731	405,367	405,490	404,054
28 Revolving, home equity	37,366r	37,434r	37,543r	37,538r	37,625	37,710	37,766	38,188	38,247
29 All other	367,210r	367,403r	366,976r	366,596r	367,109	367,021	367,601	367,302	365,807
30 To individuals for personal expenditures	190,806r	190,383r	190,426r	189,959r	188,758	188,921	187,863	188,266	187,547
31 To depository and financial institutions	47,098r	47,018r	47,776	46,211	46,921	46,340	44,853	45,418	44,449
32 Commercial banks in the United States	21,261r	21,672r	22,235	21,727	21,568	21,030	19,779	20,658	19,814
33 Banks in foreign countries	2,854r	2,273r	2,454	2,122	2,848	2,215	2,077	2,001	1,980
34 Nonbank depository and other financial institutions	22,983	23,073	23,088	22,362	22,504	23,095	22,997	22,759	22,655
35 For purchasing and carrying securities	14,462	12,613	12,703	12,708	13,768	11,811	11,527	11,795	13,917
36 To finance agricultural production	5,967	5,985	6,055	6,079	6,184	6,198	6,216	6,208	6,215
37 To states and political subdivisions	19,905	19,711	19,713	19,631	19,910	19,346	19,332	19,273	19,199
38 To foreign governments and official institutions	1,146	1,193	1,166	1,120	1,224	1,152	1,134	1,134	1,205
39 All other loans[4]	22,898	21,081	21,970	21,019	21,901	21,445	21,683	21,257	22,500
40 Lease financing receivables	27,075	27,017	26,978	26,953	26,966	26,982	26,900	26,876	26,821
41 LESS: Unearned income	4,039	4,038	4,033	4,038	4,020	3,979	3,976	3,976	3,962
42 Loan and lease reserve[3]	38,294	38,124	37,520	37,349	37,355	37,546	37,629	37,544	37,136
43 Other loans and leases, net	1,009,450r	1,003,565r	1,004,223r	999,755r	1,001,347	997,352	992,728	994,240	993,558
44 Other assets	157,779r	155,345r	155,302r	152,079r	154,231	155,182	155,565	153,530	154,594
45 **Total assets**	**1,641,788r**	**1,586,729r**	**1,615,663r**	**1,570,469r**	**1,601,939**	**1,597,451**	**1,588,889**	**1,590,173**	**1,595,732**

Footnotes appear on the following page.

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

Millions of dollars, Wednesday figures

Account	1991								
	May 1	May 8	May 15	May 22	May 29[r]	June 5	June 12	June 19	June 26
LIABILITIES									
46 Deposits	1,129,398[r]	1,098,050[r]	1,121,960[r]	1,089,445[r]	1,104,345	1,115,569	1,111,297	1,100,798	1,095,041
47 Demand deposits	248,899[r]	215,647[r]	238,422[r]	211,264[r]	224,817	225,309	223,169	220,574	219,506
48 Individuals, partnerships, and corporations	193,803[r]	174,855[r]	190,625[r]	170,366[r]	178,361	183,741	181,489	176,974	175,597
49 Other holders	55,095[r]	40,792[r]	47,798	40,898	46,456	41,568	41,680	43,600	43,910
50 States and political subdivisions	7,996	6,033	7,114	6,864	6,398	6,372	6,284	7,378	7,132
51 U.S. government	3,660	1,323	3,060	1,249	1,425	1,795	1,975	3,514	1,655
52 Depository institutions in the United States	25,738[r]	17,891[r]	23,712	18,528	22,894	19,826	19,408	19,215	19,573
53 Banks in foreign countries	5,689	4,987	5,086	5,186	5,374	4,498	4,535	4,472	4,673
54 Foreign governments and official institutions	690	694	621	658	564	582	661	509	672
55 Certified and officers' checks	11,323	9,864	8,205	8,414	9,802	8,495	8,816	8,512	10,204
56 Transaction balances other than demand deposits[4]	88,717	88,366	88,108	86,695	86,705	91,894	90,102	88,695	87,272
57 Nontransaction balances	791,782[r]	794,037[r]	795,429[r]	791,486[r]	792,823	798,366	798,027	791,530	788,263
58 Individuals, partnerships, and corporations	755,316[r]	756,302[r]	757,594[r]	753,582[r]	754,807	760,745	760,786	755,019	751,859
59 Other holders	36,467[r]	37,735[r]	37,835[r]	37,903[r]	38,016	37,621	37,240	36,511	36,404
60 States and political subdivisions	30,376	31,527	31,588	31,738	31,822	31,534	31,255	30,625	30,626
61 U.S. government	1,037	1,030	1,051	1,065	1,059	1,138	1,153	1,167	1,160
62 Depository institutions in the United States	4,559[r]	4,687[r]	4,690[r]	4,582[r]	4,604	4,402	4,290	4,207	4,101
63 Foreign governments, official institutions, and banks	494	490	507	518	532	546	542	511	518
64 Liabilities for borrowed money[5]	293,933[r]	268,331[r]	273,489[r]	261,413[r]	277,610	265,338	262,430	275,170	283,737
65 Borrowings from Federal Reserve Banks	0	0	200	0	0	0	286	0	0
66 Treasury tax and loan notes	29,176[r]	16,165	4,431[r]	2,868	16,654	3,709	5,007	27,315	27,654
67 Other liabilities for borrowed money[6]	264,756[r]	252,166[r]	268,857[r]	258,545[r]	260,956	261,629	257,137	247,855	256,083
68 Other liabilities (including subordinated notes and debentures)	106,347[r]	107,081[r]	106,780[r]	105,701[r]	105,603	101,877	100,021	99,861	102,804
69 **Total liabilities**	**1,529,678[r]**	**1,473,462[r]**	**1,502,228[r]**	**1,456,559[r]**	**1,487,558**	**1,482,783**	**1,473,749**	**1,475,830**	**1,481,582**
70 Residual (Total assets minus total liabilities)[7]	112,110	113,267	113,435	113,910	114,381	114,667	115,140	114,343	114,150
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,321,829[r]	1,306,752[r]	1,310,712[r]	1,299,688[r]	1,301,851	1,305,444	1,302,005	1,302,478	1,302,696
72 Time deposits in amounts of $100,000 or more	198,074[r]	198,312[r]	197,710[r]	197,033[r]	196,789	196,196	195,519	192,818	190,811
73 Loans sold outright to affiliates, total[9]	1,164	1,152	1,149	1,123	1,032	1,021	1,032	1,042	1,284
74 Commercial and industrial	657	639	590	554	536	540	538	546	644
75 Other	507	513	559	568	495	482	494	496	641
76 Foreign branch credit extended to U.S. residents[10]	24,650	24,324	24,397	24,406	24,115	24,049	23,867	23,471	23,527
77 Net due to related institutions abroad	−1,867	−253	−586	2,925	1,570	−2,682	−3,697	−2,803	−2,551

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

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

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

Millions of dollars, Wednesday figures

Account	1991								
	May 1	May 8	May 15	May 22	May 29r	Jun. 5	Jun. 12	Jun. 19	Jun. 26
1 Cash and balances due from depository institutions	15,328r	14,524r	14,777r	14,837r	14,957	14,497	15,074	14,974	15,039
2 U.S. Treasury and government agency securities	13,656	13,366	14,289	15,338	14,671	14,211	14,570	14,310	14,477
3 Other securities	7,279	7,260	7,213	7,185	7,227	7,207	7,195	7,262	7,259
4 Federal funds sold[1]	11,845r	8,743r	9,837r	8,965r	11,987	8,845	10,883	9,233	12,864
5 To commercial banks in the United States	5,144r	3,316	3,805r	2,830r	5,223	2,317	4,032	2,139	4,798
6 To others[2]	6,702r	5,427r	6,032r	6,135r	6,765	6,528	6,851	7,095	8,066
7 Other loans and leases, gross	135,469	134,192	135,361	134,362r	135,905	136,422	136,625	135,498	137,161
8 Commercial and industrial	81,680r	81,204r	81,726r	81,775r	82,132	81,945	82,172	82,567	83,155
9 Bankers acceptances and commercial paper	1,919	2,031	2,165	2,049	2,025	2,032	1,976	1,981	2,021
10 All other	79,761r	79,173r	79,561r	79,727r	80,107	79,913	80,197	80,586	81,134
11 U.S. addressees	77,553r	76,970r	77,381r	77,533r	77,899	77,591	77,897	78,238	78,919
12 Non-U.S. addressees	2,208r	2,204	2,180	2,194	2,209	2,321	2,300	2,348	2,215
13 Loans secured by real estate	31,090r	31,319r	31,361r	31,259r	31,457	31,569	31,679	31,843	31,931
14 To financial institutions	18,212	17,627	18,094	17,093	17,556	17,513	17,566	16,501	17,110
15 Commercial banks in the United States	10,771	10,222	10,212	9,519	9,588	8,692	8,498	8,262	8,415
16 Banks in foreign countries	1,594	1,648	1,633	1,662	1,630	1,558	1,897	1,549	1,692
17 Nonbank financial institutions	5,847	5,756	6,250	5,912	6,338	7,263	7,172	6,690	7,002
18 For purchasing and carrying securities	2,275r	2,029	2,178	2,208	2,684	2,578	2,412	2,504	2,830
19 To foreign governments and official institutions	222	228	235	206	250	253	263	261	278
20 All other	1,989r	1,786	1,767	1,820	1,826	2,565	2,533	1,821	1,857
21 Other assets (claims on nonrelated parties)	29,035r	28,958r	28,898r	28,424r	28,015	28,909	29,075	29,019	28,320
22 **Total assets**[3]	**245,033r**	**244,295r**	**250,963r**	**244,711r**	**247,413**	**249,805**	**250,498**	**248,326**	**249,110**
23 Deposits or credit balances due to other than directly related institutions	82,701	83,042	84,621	86,810r	88,328	88,371	88,569	88,154	89,128
24 Demand deposits[4]	4,214	3,947	3,849	4,108r	3,760	3,757	3,611	3,872	4,340
25 Individuals, partnerships, and corporations	2,789	2,325	2,540	2,454r	2,430	2,400	2,248	2,440	2,480
26 Other	1,426	1,622	1,309	1,654r	1,330	1,356	1,362	1,432	1,860
27 Nontransaction accounts	78,487	79,095	80,771	82,701	84,568	84,615	84,958	84,282	84,788
28 Individuals, partnerships, and corporations	58,983	59,377	60,666	61,805	63,005	63,424	64,444	64,282	64,426
29 Other	19,504	19,718	20,105	20,896	21,563	21,191	20,514	19,999	20,363
30 Borrowings from other than directly related institutions	91,350	91,916	94,896	89,514	88,404	92,400	87,990	92,899	89,060
31 Federal funds purchased[5]	44,880	44,109	47,925	42,552	44,305	49,419	41,893	49,595	44,331
32 From commercial banks in the United States	21,537	17,988	22,660	15,391	21,508	22,241	18,270	20,610	20,320
33 From others	23,343	26,121	25,265	27,161	22,797	27,177	23,623	28,986	24,011
34 Other liabilities for borrowed money	46,470	47,807	46,971	46,962	44,099	42,981	46,098	43,304	44,729
35 To commercial banks in the United States	18,278	18,151	17,902	16,650	15,815	16,062	16,087	15,041	14,955
36 To others	28,193	29,656	29,070	30,312	28,284	26,919	30,011	28,263	29,774
37 Other liabilities to nonrelated parties	28,045r	28,278r	28,217r	27,791r	28,148	28,529	28,105	27,928	27,874
38 **Total liabilities**[6]	**245,033r**	**244,295r**	**250,963r**	**244,711r**	**247,413**	**249,805**	**250,498**	**248,326**	**249,110**
MEMO									
39 Total loans (gross) and securities adjusted[7]	152,335r	150,024r	152,683r	153,501r	154,980	155,676	156,743	155,903	158,547
40 Net due to related institutions abroad	10,516r	3,808r	2,640r	4,996r	7,883	792	8,757	1,314	9,058

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**331,316**	**358,997**	**458,464**	**530,123**	**566,688**	**566,688**	**569,165r**	**561,406r**	**565,734r**	**541,648**	**533,091**
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	101,707	102,742	159,777	186,343	218,953	218,953	216,148	217,812	224,865	212,337	206,507
3 Bank-related (not seasonally adjusted)[3]	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper[4]											
4 Total	151,897	174,332	194,931	212,640	201,862	201,862	202,784r	197,799r	190,285r	184,703	183,383
5 Bank-related (not seasonally adjusted)[3]	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies[5]	77,712	81,923	103,756	131,140	145,873	145,873	150,233	145,795	150,584	144,608	143,201
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**64,974**	**70,565**	**66,631**	**62,972**	**54,771**	**54,771**	**56,498**	**52,831**	**48,795**	**47,086**	**46,438**
Holder											
8 Accepting banks	13,423	10,943	9,086	9,433	9,017	9,017	10,029	10,240	9,237	8,593	10,138
9 Own bills	11,707	9,464	8,022	8,510	7,930	7,930	8,539	8,391	7,569	7,599	8,179
10 Bills bought	1,716	1,479	1,064	924	1,087	1,087	1,490	1,849	1,668	994	1,959
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,317	965	1,493	1,066	918	918	927	892	872	934	1,053
13 Others	50,234	58,658	56,052	52,473	44,836	44,836	45,542	41,699	38,686	37,559	35,247
Basis											
14 Imports into United States	14,670	16,483	14,984	15,651	13,096	13,096	14,284	13,799	12,509	12,511	12,821
15 Exports from United States	12,960	15,227	14,410	13,683	12,703	12,703	12,870	12,082	11,500	11,219	11,511
16 All other	37,344	38,855	37,237	33,638	28,973	28,973	29,344	26,950	24,786	23,356	22,106

1. 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.
2. Includes all financial company paper sold by dealers in the open market.
3. Beginning January 1989, bank-related series have been discontinued.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. 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 panel is revised every January and currently has about 100 respondents. The current 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

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1988— Jan. 1	8.75	1988	9.32	1989— Jan.	10.50	1990— Jan.	10.11
Feb. 2	8.50	1989	10.87	Feb.	10.93	Feb.	10.00
May 11	9.00	1990	10.01	Mar.	11.50	Mar.	10.00
July 14	9.50			Apr.	11.50	Apr.	10.00
Aug. 11	10.00	1988— Jan.	8.75	May	11.50	May	10.00
Nov. 28	10.50	Feb.	8.51	June	11.07	June	10.00
		Mar.	8.50	July	10.98	July	10.00
1989— Feb. 10	11.00	Apr.	8.50	Aug.	10.50	Aug.	10.00
24	11.50	May	8.84	Sept.	10.50	Sept.	10.00
June 5	11.00	June	9.00	Oct.	10.50	Oct.	10.00
July 31	10.50	July	9.29	Nov.	10.50	Nov.	10.00
		Aug.	9.84	Dec.	10.50	Dec.	10.00
1990— Jan. 8	10.00	Sept.	10.00				
		Oct.	10.00			1991— Jan.	9.52
1991— Jan. 2	9.50	Nov.	10.05			Feb.	9.05
Feb. 4	9.00	Dec.	10.50			Mar.	9.00
May 1	8.50					Apr.	9.00
						May	8.50
						June	8.50
						July	8.50

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

1.35 INTEREST RATES Money and Capital Markets

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

Item	1988	1989	1990	1991				1991, week ending				
				Mar.	Apr.	May	June	May 31	June 7	June 14	June 21	June 28
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	7.57	9.21	8.10	6.12	5.91	5.78	5.90	5.72	5.91	5.75	5.78	5.79
2 Discount window borrowing[2,4]	6.20	6.93	6.98	6.00	5.98	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Commercial paper[3,5,6]												
3 1-month	7.58	9.11	8.15	6.48	6.08	5.91	6.06	5.91	6.02	6.10	6.05	6.08
4 3-month	7.66	8.99	8.06	6.41	6.07	5.92	6.11	5.94	6.07	6.16	6.09	6.12
5 6-month	7.68	8.80	7.95	6.36	6.07	5.94	6.16	5.95	6.09	6.20	6.15	6.18
Finance paper, directly placed[3,5,7]												
6 1-month	7.44	8.99	8.00	6.31	5.95	5.76	5.93	5.69	5.89	5.98	5.92	5.94
7 3-month	7.38	8.72	7.87	6.28	5.94	5.81	5.96	5.80	5.94	6.01	5.95	5.95
8 6-month	7.14	8.16	7.53	6.20	5.91	5.72	5.75	5.72	5.72	5.73	5.72	5.84
Bankers acceptances[3,5,8]												
9 3-month	7.56	8.87	7.93	6.24	5.92	5.75	5.94	5.76	5.91	5.98	5.93	5.94
10 6-month	7.60	8.67	7.80	6.21	5.92	5.77	6.00	5.80	5.94	6.04	6.01	6.01
Certificates of deposit, secondary market[3,9]												
11 1-month	7.59	9.11	8.15	6.47	6.03	5.86	6.00	5.85	6.01	6.05	5.98	5.99
12 3-month	7.73	9.09	8.15	6.45	6.06	5.91	6.07	5.90	6.07	6.12	6.03	6.05
13 6-month	7.91	9.08	8.17	6.50	6.16	6.03	6.26	6.04	6.18	6.31	6.25	6.30
14 Eurodollar deposits, 3-month[3,10]	7.85	9.16	8.16	6.44	6.11	5.94	6.08	5.94	6.01	6.10	6.09	6.05
U.S. Treasury bills[5]												
Secondary market[3,5]												
15 3-month	6.67	8.11	7.50	5.91	5.65	5.46	5.57	5.46	5.58	5.58	5.58	5.56
16 6-month	6.91	8.03	7.46	5.92	5.71	5.61	5.75	5.63	5.72	5.78	5.76	5.74
17 1-year	7.13	7.92	7.35	6.00	5.85	5.76	5.96	5.76	5.92	6.00	5.97	5.96
Auction average[3,5,11]												
18 3-month	6.68	8.12	7.51	5.91	5.67	5.51	5.60	5.46	5.59	5.60	5.61	5.58
19 6-month	6.92	8.04	7.47	5.91	5.73	5.65	5.76	5.65	5.71	5.78	5.79	5.76
20 1-year	7.17	7.91	7.36	6.06	5.88	5.71	5.73	n.a.	5.73	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	7.65	8.53	7.89	6.40	6.24	6.13	6.36	6.13	6.30	6.40	6.37	6.36
22 2-year	8.10	8.57	8.16	7.10	6.95	6.78	6.96	6.64	6.85	7.04	6.96	6.98
23 3-year	8.26	8.55	8.26	7.35	7.23	7.12	7.39	7.07	7.29	7.44	7.41	7.42
24 5-year	8.47	8.50	8.37	7.77	7.70	7.70	7.94	7.66	7.86	7.97	7.95	7.96
25 7-year	8.71	8.52	8.52	8.00	7.92	7.94	8.17	7.92	8.08	8.21	8.19	8.20
26 10-year	8.85	8.49	8.55	8.11	8.04	8.07	8.28	8.06	8.20	8.31	8.31	8.31
27 30-year	8.96	8.45	8.61	8.29	8.21	8.27	8.47	8.26	8.39	8.50	8.50	8.49
Composite[13]												
28 Over 10 years (long-term)	8.98	8.58	8.74	8.38	8.29	8.33	8.54	8.33	8.46	8.57	8.57	8.56
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
29 Aaa	7.36	7.00	6.96	6.76	6.70	6.70	n.a.	6.77	6.74	6.85	6.87	6.85
30 Baa	7.83	7.40	7.29	7.29	7.18	7.10	n.a.	7.14	7.11	7.23	7.27	7.23
31 *Bond Buyer* series[15]	7.68	7.23	7.27	7.10	7.02	6.95	7.13	6.97	7.06	7.19	7.15	7.13
CORPORATE BONDS												
32 Seasoned issues, all industries[16]	10.18	9.66	9.77	9.43	9.33	9.32	9.45	9.33	9.40	9.48	9.48	9.46
Rating group												
33 Aaa	9.71	9.26	9.32	8.93	8.86	8.86	9.01	8.87	8.93	9.01	9.05	9.04
34 Aa	9.94	9.46	9.56	9.21	9.12	9.15	9.28	9.17	9.23	9.31	9.30	9.29
35 A	10.24	9.74	9.82	9.50	9.39	9.41	9.55	9.42	9.51	9.59	9.57	9.55
36 Baa	10.83	10.18	10.36	10.09	9.94	9.86	9.96	9.85	9.92	10.00	9.98	9.95
37 A-rated, recently offered utility bonds[17]	10.20	9.79	10.01	9.58	9.46	9.45	9.53	9.39	9.55	9.52	9.57	9.51
MEMO: *Dividend–price ratio*[18]												
38 Preferred stocks	9.23	9.05	n.a.	8.56	8.43	8.21	8.26	8.12	8.27	8.28	8.25	8.24
39 Common stocks	3.64	3.45	n.a.	3.26	3.19	3.23	3.23	3.19	3.17	3.23	3.25	3.28

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.
2. Weekly figures are averages of 7 calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year or bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11 a.m. London time.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.
13. Unweighted average of rates on all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligation 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	1988	1989	1990r	1990 Oct.	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 June
	Prices and trading (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	149.96	180.13	183.58	168.05	172.21	179.57	177.95	197.75	203.56	207.71	206.93	207.32
2 Industrial	180.83	228.04	225.89	208.58	212.81	221.86	220.69	246.74	255.36	260.16	260.13	261.16
3 Transportation	134.07	174.90	158.88	131.99	132.96	141.31	145.89	166.06	166.26	166.90	170.77	177.05
4 Utility	72.22	94.33	90.71	87.27	89.69	91.56	88.59	92.08	92.29	92.92	90.73	89.01
5 Finance	127.41	162.01	133.36	108.01	113.76	122.18	121.39	141.03	145.41	152.64	151.32	152.30
6 Standard & Poor's Corporation (1941–43 = 10)[1]	265.86	323.05	334.83	307.12	315.29	328.75	325.49	362.26	372.28	379.68	377.99	378.29
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	295.06	356.67	338.58	296.67	294.88	305.54	304.08	338.11	353.98	365.02	362.67	366.06
Volume of trading (thousands of shares)												
8 New York Stock Exchange	161,509	165,568	156,777	159,590	149,916	155,836	166,323	226,635	196,343	182,510	170,337	162,154
9 American Stock Exchange	9,955	13,124	13,155	11,294	10,368	11,620	10,870	16,649	15,326	13,140	10,995	11,477
	Customer financing (millions of dollars, end-of-period balances)											
10 Margin credit at broker-dealers[3]	**32,740**	**34,320**	**28,210**	**28,650**	**27,820**	**28,210**	**27,390**	**28,860**	**29,660**	**30,020**	**29,980**	**31,280**
Free credit balances at brokers[4]												
11 Margin-account[5]	5,660	7,040	8,050	7,245	7,300	8,050	7,435	7,190	7,320	6,975	7,200	6,690
12 Cash-account	16,595	18,505	19,285	15,820	17,025	19,285	18,825	19,435	19,555	17,830	16,650	18,110

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

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
2. 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.

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

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1988	1989	1990						1991			
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
	SAIF-insured institutions											
1 **Assets**	**1,350,500**	**1,249,055**	**1,162,297**	**1,156,789**	**1,125,653**	**1,116,641**	**1,109,032**	**1,084,900**	**1,066,116**	**1,054,897**	**1,042,169**	**1,027,590**
2 Mortgages	764,513	733,729	689,079	684,936	665,655	662,309	653,472	633,567	624,783	619,725	610,674	608,685
3 Mortgage-backed securities	214,587	170,532	158,146	156,398	154,197	153,469	155,616	155,320	151,522	149,433	147,479	143,935
4 Contra-assets to mortgage assets[1]	37,950	25,457	19,552	19,453	18,550	17,139	17,038	16,918	15,169	14,636	14,495	14,082
5 Commercial loans	33,889	32,150	28,483	27,868	26,762	26,052	25,262	24,139	23,668	23,194	22,305	21,914
6 Consumer loans	61,922	58,685	54,666	53,387	51,874	50,746	50,177	48,756	48,137	47,707	47,636	46,717
7 Contra-assets to nonmortgage loans[2]	3,056	3,592	1,989	2,034	1,982	1,769	1,692	1,936	1,699	1,846	1,797	1,747
8 Cash and investment securities	186,986	166,053	150,399	153,061	148,058	145,286	145,998	146,534	140,451	138,819	139,059	132,856
9 Other[3]	129,610	116,955	103,226	102,627	99,640	97,686	97,237	95,439	94,417	92,501	91,309	89,311
10 **Liabilities and net worth**	**1,350,500**	**1,249,055**	**1,162,297**	**1,156,789**	**1,125,653**	**1,116,641**	**1,109,032**	**1,084,900**	**1,066,116**	**1,054,897**	**1,042,169**	**1,027,590**
11 Savings capital	971,700	945,656	885,286	878,736	857,688	851,810	846,822	835,496	823,499	816,500	817,010	806,249
12 Borrowed money	299,400	252,230	222,439	221,872	213,563	208,105	203,855	197,353	188,937	183,672	169,428	164,273
13 FHLBB	134,168	124,577	106,127	105,882	101,731	100,574	100,493	100,391	95,842	94,658	90,555	86,779
14 Other	165,232	127,653	116,312	115,990	111,832	107,531	103,362	96,962	93,095	89,014	78,873	77,494
15 Other	24,216	27,556	26,798	28,293	23,874	25,559	26,127	21,305	22,154	23,319	20,286	21,711
16 Net worth	n.a.	23,612	27,775	27,889	30,526	31,188	32,228	30,747	31,526	31,407	35,446	35,358
	SAIF-insured federal savings banks											
17 **Assets**	**425,966**	**498,522**	**580,847**	**584,632**	**591,136**	**588,880**	**585,847**	**576,531**	**567,373**	**556,708**	**552,520**	**549,319**
18 Mortgages	230,734	283,844	328,236	328,895	332,927	332,431	328,122	320,233	316,889	313,880	309,618	311,932
19 Mortgage-backed securities	64,957	70,499	80,474	80,994	82,418	82,219	84,190	81,205	79,451	78,290	77,684	75,147
20 Contra-assets to mortgage assets[1]	13,140	13,548	9,227	9,339	9,964	9,578	9,305	9,591	8,222	7,777	7,975	7,638
21 Commercial loans	16,731	18,143	18,810	18,662	18,767	18,458	18,197	17,674	17,299	17,008	16,556	16,215
22 Consumer loans	24,222	28,212	31,003	31,183	30,750	30,682	30,421	29,933	31,179	29,292	30,586	30,433
23 Contra-assets to nonmortgage loans[2]	889	1,193	870	813	980	572	809	990	770	895	966	951
24 Finance leases plus interest	880	1,101	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
25 Cash and investment	61,029	64,538	71,354	73,756	73,602	75,117	72,454	75,940	71,066	67,721	68,157	65,786
26 Other	35,412	39,981	44,150	44,129	46,043	45,287	45,319	45,008	44,768	44,210	43,714	43,292
27 **Liabilities and net worth**	**425,966**	**498,522**	**580,847**	**584,632**	**591,136**	**588,880**	**585,847**	**576,531**	**567,373**	**556,708**	**552,520**	**549,319**
28 Savings capital	298,197	360,547	423,472	424,260	434,705	436,080	436,903	434,297	428,822	422,745	425,720	422,955
29 Borrowed money	99,286	108,448	118,393	120,592	119,991	115,472	111,270	107,270	102,313	97,089	90,692	89,310
30 FHLBB	46,265	57,032	61,287	62,209	61,605	60,256	60,265	59,949	57,703	56,078	53,134	51,736
31 Other	53,021	51,416	57,106	58,383	58,386	55,216	51,005	47,321	44,610	41,011	37,558	37,574
32 Other	8,075	9,041	9,245	10,128	8,253	9,063	9,824	8,193	8,356	8,721	7,700	8,211
33 Net worth	20,218	22,716	26,424	26,420	24,859	24,837	24,931	24,172	25,285	25,432	25,494	25,542

1.37—Continued

Account	1988	1989	1990 July	1990 Aug.	1990 Sept.	1990 Oct.	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.
	Credit unions[4]											
34 **Total assets/liabilities and capital**	**174,593**	**183,688**	**194,523**	**196,625**	**197,272**			**198,206**				
35 Federal	114,566	120,666	127,564	128,715	129,086			130,073				
36 State	60,027	63,022	66,959	67,910	68,186			68,133				
37 Loans outstanding	113,191	122,608	124,343	126,156	127,341	n.a.	n.a.	127,132	n.a.	n.a.	n.a.	n.a.
38 Federal	73,766	80,272	81,063	82,040	82,823			83,029				
39 State	39,425	42,336	43,280	44,116	44,518			44,102				
40 Savings	159,010	167,371	176,360	178,081	177,532			179,974				
41 *Federal (shares)*	104,431	109,653	115,305	116,411	115,469			117,892				
42 State (shares and deposits)	54,579	57,718	61,056	61,670	62,063			62,082				
	Life insurance companies[5]											
43 **Assets**		**1,299,756**			**1,387,463**			**1,411,881**				
Securities												
44 Government		178,141			202,962			208,782				
45 United States[6]		153,361			175,156			180,200				
46 State and local		9,028			11,818			12,038				
47 Foreign[7]		15,752			15,988			16,544				
48 Business	n.a.	663,677	n.a.	n.a.	709,470	n.a.	n.a.	724,603	n.a.	n.a.	n.a.	n.a.
49 Bonds		538,063			588,251			596,053				
50 Stocks		125,614			121,219			128,550				
51 Mortgages		254,215			266,063			267,922				
52 Real estate		39,908			44,544			44,718				
53 Policy loans		57,439			60,641			61,562				
54 Other assets		106,376			103,783			104,294				

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.
2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.
3. Includes holding of stock in Federal Home Loan Bank and Finance leases plus interest.
4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
5. Data are no longer available on a monthly basis for life insurance companies.
6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

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

SAIF-insured federal savings banks: Estimates by the OTS for federal savings banks insured by the SAIF and based on the OTS thrift Financial Report.

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 1988	Fiscal year 1989	Fiscal year 1990	Calendar year 1991 Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	908,166	990,701	1,031,308	100,713	67,657	64,805	140,380	63,560	103,389
2 On-budget	666,675	727,035	749,654	70,023	45,594	39,011	108,746	41,958	76,322
3 Off-budget	241,491	263,666	281,654	30,690	22,063	25,794	31,634	21,602	27,067
4 Outlays, total	1,063,318	1,144,020	1,251,766	99,023	93,834	105,876	110,249	116,906	105,849
5 On-budget	860,627	933,107	1,026,701	79,105	72,667	83,340	90,362	95,903	90,901
6 Off-budget	202,691	210,911	225,065	19,918	21,167	22,536	19,887	21,003	14,948
7 Surplus or deficit (−), total	−155,151	−153,319	−220,458	1,690	−26,177	−41,071	30,131	−53,346	−2,460
8 On-budget	−193,952	−206,072	−277,047	−9,082	−27,073	−44,329	18,384	−53,945	−14,579
9 Off-budget	38,800	52,753	56,590	10,772	896	3,258	11,747	599	12,119
Source of financing (total)									
10 Borrowing from the public	166,139	141,806	264,453	31,764	34,611	−9,913	−9,399	41,742	10,715
11 Operating cash (decrease, or increase (−))	−7,962	3,425	818	−30,627	2,341	28,473	−16,214	20,362	−15,730
12 Other[2]	−3,026	8,088	−44,813	−2,827	−10,775	22,511	−4,518	−8,758	7,475
MEMO									
13 Treasury operating balance (level, end of period)	44,398	40,973	40,155	62,815	60,474	32,001	48,215	27,853	43,538
14 Federal Reserve Banks	13,023	13,452	7,638	27,810	23,898	10,922	13,682	6,619	11,822
15 Tax and loan accounts	31,375	27,521	32,517	35,006	36,577	21,078	34,533	21,234	31,761

1. 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. The Postal Service B included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

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

SOURCES. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* 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 1989	Fiscal year 1990	Calendar year						
			1989	1990		1991			
			H2	H1	H2	H1	Apr.	May	June
RECEIPTS									
1 **All sources**	**990,701**	**1,031,308**	**470,276**	**548,861**	**503,123**	**540,504**	**140,380**	**63,560**	**103,389**
2 Individual income taxes, net	445,690	466,884	218,706	243,087	230,745	232,389	77,768	20,005	44,517
3 Withheld	361,386	390,480	193,296	190,219	207,469	193,440	36,428	36,958	27,449
4 Presidential Election Campaign Fund	32	32	3	30	3	31	6	6	6
5 Nonwithheld	154,839	149,189	33,303	117,675	31,728	109,405	60,246	3,067	18,681
6 Refunds	70,567	72,817	7,898	64,838	8,455	70,487	18,912	20,026	1,618
Corporation income taxes									
7 Gross receipts	117,015	110,017	52,269	58,830	54,044	58,903	15,526	2,931	17,472
8 Refunds	13,723	16,510	6,842	8,326	7,603	7,904	2,229	899	932
9 Social insurance taxes and contributions, net	359,416	380,047	162,574	210,476	178,468	214,303	42,478	34,546	34,758
10 Employment taxes and contributions[2]	332,859	353,891	152,407	195,269	167,224	199,727	39,671	27,192	34,152
11 Self-employment taxes and contributions[3]	18,504	21,795	1,947	19,017	2,638	22,150	12,707	1,604	3,136
12 Unemployment insurance	22,011	21,635	7,909	12,929	8,996	12,296	2,435	6,928	251
13 Other net receipts[4]	4,546	4,522	2,260	2,278	2,249	2,279	372	426	355
14 Excise taxes	34,386	35,345	16,799	18,153	17,535	20,703	3,842	3,653	3,534
15 Customs deposits	16,334	16,707	8,667	8,096	8,568	7,488	1,219	1,244	1,215
16 Estate and gift taxes	8,745	11,500	4,451	6,442	5,333	5,631	1,546	835	708
17 Miscellaneous receipts[5]	22,839	27,316	13,651	12,106	16,032	8,991	231	1,245	2,117
OUTLAYS									
18 **All types**	**1,144,020**	**1,251,766**	**587,394**	**640,867**	**647,218**	**631,737**	**110,249**	**116,906**	**105,849**
19 National defense	303,559	299,335	149,613	152,733	149,497	122,089	21,651	25,069	21,934
20 International affairs	9,574	13,760	5,971	6,770	8,943	7,592	1,513	1,862	496
21 General science, space, and technology	12,838	14,420	7,091	6,974	8,081	7,496	1,369	1,410	1,199
22 Energy	3,702	2,470	1,449	1,216	979	816	−40	513	180
23 Natural resources and environment	16,182	17,009	9,183	7,343	9,933	8,324	1,385	1,557	1,518
24 Agriculture	16,948	11,998	4,132	7,450	6,878	7,684	2,115	1,638	597
25 Commerce and housing credit	29,091	67,495	22,295	38,672	37,491	18,492	4,700	3,115	6,924
26 Transportation	27,608	29,495	14,982	13,754	16,218	14,748	2,624	2,631	2,562
27 Community and regional development	5,361	8,466	4,879	3,987	3,939	3,552	697	698	503
28 Education, training, employment, and social services	36,694	37,479	18,663	19,537	18,988	21,234	3,319	3,404	3,175
29 Health	48,390	58,101	25,339	29,488	31,424	35,608	5,882	6,059	6,917
30 Social security and medicare	317,506	346,383	162,322	175,997	176,353	190,248	31,975	32,621	33,908
31 Income security	136,031	148,299	67,950	78,475	75,948	88,778	16,034	16,307	9,827
32 Veterans benefits and services	30,066	29,112	14,864	15,217	15,479	14,326	3,200	3,674	1,168
33 Administration of justice	9,422	10,076	4,909	4,868	5,265	6,187	1,136	1,219	930
34 General government	9,124	10,822	4,760	4,916	6,976	5,212	419	1,266	1,592
35 Net interest[6]	169,317	183,790	87,927	91,155	94,650	98,556	15,802	17,042	15,746
36 Undistributed offsetting receipts[7]	−37,212	−36,615	−18,935	−17,688	−19,829	−18,702	−3,531	−3,180	−3,051

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of period

Item	1989			1990				1991	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**2,824.0**	**2,881.1**	**2,975.5**	**3,081.9**	**3,175.5**	**3,266.1**	**3,397.3**	**3,491.7**	**3,562.9**
2 Public debt securities	2,799.9	2,857.4	2,953.0	3,052.0	3,143.8	3,233.3	3,364.8	3,465.2	3,538.0
3 Held by public	2,142.1	2,180.7	2,245.2	2,329.3	2,368.8	2,437.6	2,536.6	n.a.	n.a.
4 Held by agencies	657.8	676.7	707.8	722.7	775.0	795.8	828.3	n.a.	n.a.
5 Agency securities	24.0	23.7	22.5	29.9	31.7	32.8	32.5	n.a.	n.a.
6 Held by public	23.6	23.5	22.4	29.8	31.6	32.6	32.4	n.a.	n.a.
7 Held by agencies	.5	.1	.1	.2	.2	.2	.1	n.a.	n.a.
8 **Debt subject to statutory limit**	**2,784.6**	**2,829.8**	**2,921.7**	**2,988.9**	**3,077.0**	**3,161.2**	**3,281.7**	**3,377.1**	**3,450.3**
9 Public debt securities	2,784.3	2,829.5	2,921.4	2,988.6	3,076.6	3,160.9	3,281.3	3,376.7	3,449.8
10 Other debt[1]	.2	.3	.3	.3	.4	.4	.4	.4	.4
11 MEMO: Statutory debt limit	2,800.0	2,870.0	3,122.7	3,122.7	3,122.7	3,195.0	4,145.0	4,145.0	4,145.0

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

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

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

Billions of dollars, end of period

Type and holder	1987	1988	1989	1990	1990		1991	
					Q3	Q4	Q1	Q2
1 **Total gross public debt**	**2,431.7**	**2,684.4**	**2,953.0**	**3,364.8**	**3,233.3**	**3,364.8**	**3,465.2**	**3,538.0**
By type								
2 Interest-bearing	2,428.9	2,663.1	2,931.8	3,362.0	3,210.9	3,362.0	3,441.4	2,516.1
3 Marketable	1,724.7	1,821.3	1,945.4	2,195.8	2,092.8	2,195.8	2,227.9	2,268.1
4 Bills	389.5	414.0	430.6	527.4	482.5	527.4	533.3	512.5
5 Notes	1,037.9	1,083.6	1,151.5	1,265.2	1,218.1	1,265.2	1,280.4	1,320.3
6 Bonds	282.5	308.9	348.2	388.2	377.2	388.2	399.3	411.2
7 Nonmarketable[1]	704.2	841.8	986.4	1,166.2	1,118.2	1,166.2	1,213.5	1,248.0
8 State and local government series	139.3	151.5	163.3	160.8	161.3	160.8	159.4	161.0
9 Foreign issues[2]	4.0	6.6	6.8	43.5	36.0	43.5	42.8	42.1
10 Government	4.0	6.6	6.8	43.5	36.0	43.5	42.8	42.1
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	99.2	107.6	115.7	124.1	122.2	124.1	127.7	131.3
13 Government account series[3]	461.3	575.6	695.6	813.8	779.4	813.8	853.1	883.2
14 Non-interest-bearing debt	2.8	21.3	21.2	2.8	22.4	2.8	23.8	21.9
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	477.6	589.2	707.8	828.3	795.8	828.3		
16 Federal Reserve Banks	222.6	238.4	228.4	259.8	232.5	259.8		
17 Private investors	1,731.4	1,858.5	2,015.8	2,288.3	2,207.3	2,288.3		
18 Commercial banks	201.5	193.8	174.8	n.a.	188.0	n.a.		
19 Money market funds	14.6	11.8	14.9	n.a.	33.6	n.a.		
20 Insurance companies	104.9	107.3	130.1	n.a.	138.9	n.a.	n.a.	n.a.
21 Other companies	84.6	87.1	98.8	n.a.	114.6	n.a.		
22 State and local treasuries	284.6	313.6	338.7	n.a.	344.0	n.a.		
Individuals								
23 Savings bonds	101.1	109.6	117.7	126.2	123.9	126.2		
24 Other securities	71.3	79.2	98.8	n.a.	114.6	n.a.		
25 Foreign and international[5]	299.7	362.2	392.9	n.a.	404.9	n.a.		
26 Other miscellaneous investors[6]	569.1	593.4	672.5	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 series denominated in dollar and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury and other Federal 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, the *Treasury Bulletin.*

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

Millions of dollars, daily averages, par value

	Item	1991			1991, week ending								
		Mar.	Apr.	May	May 1	May 8	May 15	May 22	May 29	June 5	June 12	June 19	June 26
	IMMEDIATE TRANSACTIONS[2]												
	By type of security												
	U.S. Treasury securities												
1	Bills	32,648	30,498	30,745	29,628	33,033	27,085	30,818	30,112	36,132	28,990	26,200	30,228
	Coupon securities												
2	Maturing in less than 3.5 years	35,168	37,426	43,429	44,061	47,402	41,385	43,357	43,520	38,248	32,478	28,826	32,234
3	Maturing in 3.5 to 7.5 years	26,889	30,113	24,695	31,206	22,015	25,722	24,757	24,873	24,969	22,212	23,873	23,335
4	Maturing in 7.5 to 15 years	12,169	11,243	14,556	12,868	19,081	19,923	10,290	9,789	13,252	11,636	10,114	9,310
5	Maturing in 15 years or more	14,127	12,905	13,550	12,617	12,324	22,559	11,621	8,161	12,858	12,736	12,074	9,546
	Federal agency securities												
	Debt												
6	Maturing in less than 3.5 years	4,375	4,171	4,198	4,865	3,609	3,661	4,444	4,834	4,472	3,591	3,668	3,878
7	Maturing in 3.5 to 7.5 years	601	566	616	357	698	668	409	664	808	567	476	408
8	Maturing in 7.5 years or more	644	654	695	594	570	1,084	483	509	1,082	623	509	616
	Mortgage-backed securities												
9	Pass-throughs	9,712	10,588	9,607	9,137	11,514	10,716	7,655	8,620	9,653	11,318	12,075	10,067
10	All others[3]	1,303	1,469	1,499	1,578	1,481	1,611	1,355	1,436	1,736	1,926	2,013	1,854
	By type of counterparty												
	Primary dealers and brokers												
11	U.S. Treasury and Federal agency securities	76,452	74,699	76,948	77,699	80,762	83,693	73,008	70,085	77,184	66,456	62,760	65,514
	Federal agency												
12	Debt securities	1,559	1,601	1,589	1,807	1,434	1,553	1,450	1,825	1,712	1,174	1,282	1,268
13	Mortgage-backed securities	5,650	5,762	5,044	4,915	6,216	5,690	3,932	4,220	5,400	5,871	7,491	5,690
	Customers												
14	U.S. Treasury and Federal agency securities	44,549	47,486	50,027	52,681	53,092	52,981	47,834	46,369	48,275	41,596	38,327	39,139
	Federal agency												
15	Debt securities	4,062	3,790	3,921	4,010	3,444	3,860	3,886	4,182	4,650	3,607	3,370	3,634
16	Mortgage-backed securities	5,365	6,295	6,062	5,799	6,779	6,637	5,078	5,837	5,989	7,373	6,597	6,231
	FUTURE AND FORWARD TRANSACTIONS[4]												
	By type of deliverable security												
	U.S. Treasury securities												
17	Bills	4,607	3,782r	4,201	5,734r	3,713r	4,390	4,971	3,136	4,927	4,005	5,807	6,841
	Coupon securities												
18	Maturing in less than 3.5 years	1,351	1,065	1,292	1,152	1,644	1,557	1,066	910	1,340	1,218	1,323	1,218
19	Maturing in 3.5 to 7.5 years	847	740	569	1,047	495	504	696	475	593	704	628	456
20	Maturing in 7.5 to 15 years	1,059	810	938	1,002	851	1,079	895	619	1,680	1,497	1,582	828
21	Maturing in 15 years or more	9,023	7,735	8,030	8,434	6,845	11,873	6,943	5,449	10,348	10,059	9,237	8,107
	Federal agency securities												
	Debt												
22	Maturing in less than 3.5 years	100	56r	57	12	37	15	69	101	96	116	24	31
23	Maturing in 3.5 to 7.5 years	34	25r	11	4	6	2	21	16	10	141	4	2
24	Maturing in 7.5 years or more	36	41	26	120	70	7	11	5	11	22	18	28
	Mortgage-backed securities												
25	Pass-throughs	8,313	9,316	9,536	8,799	8,798	11,677	11,096	6,754	9,456	11,342	8,628	8,942
26	All others[3]	1,285	1,472	1,684	1,532	1,597	1,680	1,336	2,119	1,768	2,143	1,051	1,839
	OPTION TRANSACTIONS[5]												
	By type of underlying securities												
	U.S. Treasury securities												
27	Bills	2	8	76	5	158	33	151	0	20	45	0	0
	Coupon securities												
28	Maturing in less than 3.5 years	1,014	874	1,056	1,010	1,276	598	956	921	2,264	2,189	1,356	2,740
29	Maturing in 3.5 to 7.5 years	288r	196	138	165	117	125	95	200	157	293	254	146
30	Maturing in 7.5 to 15 years	307r	226	245	127	165	277	289	226	362	296	349	140
31	Maturing in 15 years or more	1,786	2,249	2,205	2,563	1,854	3,130	2,903	1,116	1,569	2,615	1,936	1,879
	Federal agency securities												
	Debt												
32	Maturing in less than 3.5 years	1	3	1	8	0	4	0	0	2	0	0	0
33	Maturing in 3.5 to 7.5 years	0	0	0	0	0	0	0	0	0	0	0	0
34	Maturing in 7.5 years or more	0	0	1	0	0	2	0	1	0	0	1	0
	Mortgage-backed securities												
35	Pass-throughs	297	333	202	195	240	224	212	113	249	443	310	158
36	All others[3]	0	9	0	0	0	0	0	0	1	0	0	0

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

Dealers report cumulative transactions for each week ending Wednesday.

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

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

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

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

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

Millions of dollars

	Item	1991											
		Mar.	Apr.	May	Apr. 24	May 1	May 8	May 15	May 22	May 29	June 5	June 12	June 19
		Positions[2]											
	NET IMMEDIATE[3]												
	By type of security												
	U.S. Treasury securities												
1	Bills	12,824	8,014	2,907	3,347	188	2,692	−2,075	3,381	6,153	9,438	10,685	12,008
	Coupon securities												
2	Maturing in less than 3.5 years	1,564	3,892	−1,704	3,770	3,859	559	−5,655	−2,858	−94	−166	−2,150	−3,657
3	Maturing in 3.5 to 7.5 years	882	3,735	1,808	2,574	2,835	2,606	811	681	3,465	136	2,151	−477
4	Maturing in 7.5 to 15 years	−4,928	−6,301	−4,408	−5,925	−7,303	−4,544	−4,085	−4,438	−4,006	−4,915	−4,941	−5,278
5	Maturing in 15 years or more	−16,065	−12,982	−13,156	−11,700	−12,892	−13,745	−12,787	−12,801	−13,102	−13,947	−14,841	−16,073
	Federal agency securities												
	Debt												
6	Maturing in less than 3.5 years	4,743	3,547	4,960	4,048	2,995	5,146	4,377	5,562	4,597	6,490	5,598	6,158
7	Maturing in 3.5 to 7.5 years	2,620	2,466	2,484	2,354	2,543	2,916	2,441	2,293	2,340	2,263	2,196	2,304
8	Maturing in 7.5 years or more	6,267	5,324	4,836	4,908	5,047	5,193	4,699	4,748	4,777	4,481	4,486	4,682
	Mortgage-backed securities												
9	Pass-throughs	23,988	24,655	26,165	26,922	22,831	28,555	28,850	29,391	19,464	22,231	26,345	27,745
10	All others[4]	9,000	9,373	10,184	8,465	10,876	10,545	10,304	9,759	9,939	10,492	10,439	10,835
	Other money market instruments												
11	Certificates of deposit	2,404	2,336	2,439	2,390	2,813	2,240	2,820	2,188	2,438	2,497	3,290	3,058
12	Commercial paper	5,769	6,315	5,982	4,397	8,711	5,630	6,507	4,907	6,529	5,856	5,042	3,803
13	Bankers' acceptances	908	1,509	1,515	1,844	2,302	1,424	1,928	1,104	1,570	1,245	1,477	1,510
	FUTURE AND FORWARD[5]												
	By type of deliverable security												
	U.S. Treasury securities												
14	Bills	−9,921	−12,209	−18,953	−11,441	−15,348	−16,786	−19,543	−19,811	−21,409	−14,675	−11,880	−11,758
	Coupon securities												
15	Maturing in less than 3.5 years	−1,137	−1,044	520	−898	−515	743	1,076	607	−144	326	686	544
16	Maturing in 3.5 to 7.5 years	−1,194	−1,688	−1,254	−1,384	−759	−835	−1,053	−1,557	−1,767	−815	842	1,566
17	Maturing in 7.5 to 15 years	−181	−200	−433	−398	39	−241	−304	−538	−850	29	1,038	714
18	Maturing in 15 years or more	−3,726	−6,577	−4,116	−7,020	−5,967	−6,926	−3,483	−3,224	−3,039	−2,470	−730	−1,468
	Federal agency securities												
	Debt												
19	Maturing in less than 3.5 years	80	42	187	191	292	344	281	7	160	−26	535	475
20	Maturing in 3.5 to 7.5 years	123	158	11	97	104	19	0	8	10	−11	−172	−181
21	Maturing in 7.5 years or more	−29	−20	−6	−86	95	−128	14	62	5	22	−90	−133
	Mortgage-backed securities												
22	Pass-throughs	−9,464	−11,134	−13,711	−14,180	−8,853	−13,080	−18,049	−16,435	−8,907	−10,441	−18,140	−19,419
23	All others[4]	502	1,588	752	2,323	939	781	1,092	857	175	1,014	589	1,524
	Other money market instruments												
24	Certificates of deposit	5,024[r]	3,085[r]	−18,609	16,444[r]	−2,014	2,741	−11,121	−23,530	−35,842	−50,301	−53,650	−50,260
25	Commercial paper	−19	64	157	121	166	100	215	149	174	121	122	196
26	Bankers' acceptances	0	0	0	0	0	0	0	0	0	0	0	0
		Financing[6]											
	Reverse repurchase agreements												
27	Overnight and continuing	179,145	184,273	190,522	175,030	199,952	186,945	213,524	183,406	178,150	186,023	189,701	188,649
28	Term	224,668	230,965	230,051	236,166	226,216	238,628	218,712	232,609	227,947	240,046	256,504	257,295
	Repurchase agreements												
29	Overnight and continuing	280,236	280,196	274,319	277,160	280,539	257,643	285,047	272,492	276,970	289,136	293,647	295,542
30	Term	195,158	201,866	213,240	205,428	201,243	219,019	205,488	220,630	210,103	211,261	223,345	224,131
	Securities borrowed												
31	Overnight and continuing	52,701	51,440	60,038	49,416	53,447	53,893	53,279	66,698	66,058	64,116	64,762	66,124
32	Term	23,796	20,621	19,025	21,075	19,848	19,441	18,777	18,817	18,743	19,738	22,126	22,543
	Securities loaned												
33	Overnight and continuing	6,833	6,538	7,062	6,504	6,851	7,038	6,979	7,516	6,723	7,133	6,889	7,202
34	Term	982	874	724	1,477	499	699	815	736	652	821	592	949
	Collateralized loans												
35	Overnight and continuing	4,198	4,122	4,503	3,974	4,386	3,903	4,515	4,227	5,005	5,825	5,740	5,546
36	Term	1,605	1,967	2,023	2,014	2,036	2,080	1,781	2,160	2,008	2,237	2,100	2,146
	MEMO: Matched book[7]												
	Reverse repurchases												
37	Overnight and continuing	116,036	116,928	122,990	109,659	129,509	119,133	134,482	122,271	116,666	117,661	114,743	116,202
38	Term	180,364	192,791	189,072	198,773	188,946	198,005	177,319	186,329	190,907	202,181	214,468	213,218
	Repurchases												
39	Overnight and continuing	148,269	154,692	152,094	149,403	166,706	145,283	155,959	148,311	154,322	160,535	161,221	160,764
40	Term	144,928	153,202	163,869	157,590	155,498	170,691	158,560	167,094	161,785	158,762	169,004	170,524

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data; monthly figures are averages of weekly data. Data for positions and financing are averages of close-of-business Wednesday data.

2. Securities positions are reported at market value.

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

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

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

6. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without a requirement for advance notice by either party; term agreements have a fixed maturity of more than one business day.

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1987	1988	1989	1990	1990	1991			
					Dec.	Jan.	Feb.	Mar.	Apr.
1 **Federal and federally sponsored agencies**	**341,386**	**381,498**	**411,805**	**434,668**	**434,668**	**445,430**	**441,440**	**437,847**	**432,348**
2 Federal agencies	37,981	35,668	35,664	42,159	42,159	42,141	42,191	41,149	41,107
3 Defense Department[1]	13	8	7	7	7	7	7	7	7
4 Export-Import Bank[2,3]	11,978	11,033	10,985	11,376	11,376	11,376	11,376	11,186	11,186
5 Federal Housing Administration[4]	183	150	328	393	393	329	361	370	365
6 Government National Mortgage Association participation certificates[5]	1,615	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,103	6,142	6,445	6,948	6,948	6,948	6,948	6,948	6,948
8 Tennessee Valley Authority	18,089	18,335	17,899	23,435	23,435	23,481	23,499	22,638	22,601
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	303,405	345,830	375,407	392,509	392,509	403,289	399,249	396,698	391,241
11 Federal Home Loan Banks	115,727	135,836	136,108	117,895	117,895	115,402	112,874	113,311	110,691
12 Federal Home Loan Mortgage Corporation	17,645	22,797	26,148	30,941	30,941	33,157	32,640	31,425	29,768
13 Federal National Mortgage Association	97,057	105,459	116,064	123,403	123,403	125,849	125,974	124,885	124,189
14 Farm Credit Banks[8]	55,275	53,127	54,864	53,590	53,590	53,717	52,480	51,890	52,049
15 Student Loan Marketing Association[9]	16,503	22,073	28,705	34,194	34,194	35,736	35,854	35,761	35,117
16 Financing Corporation[10]	1,200	5,850	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	0	690	847	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	0	0	4,522	23,055	23,055	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**152,417**	**142,850**	**134,873**	**179,083**	**179,083**	**181,062**	**181,714**	**181,907**	**182,708**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,972	11,027	10,979	11,370	11,370	11,370	11,370	11,180	11,180
21 Postal Service[6]	5,853	5,892	6,195	6,698	6,698	6,698	6,698	6,698	6,698
22 Student Loan Marketing Association	4,940	4,910	4,880	4,850	4,850	4,850	4,850	4,850	4,850
23 Tennessee Valley Authority	16,709	16,955	16,519	14,055	14,055	14,101	14,119	13,258	13,221
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other Lending[14]									
25 Farmers Home Administration	59,674	58,496	53,311	52,324	52,324	52,169	52,544	52,669	52,669
26 Rural Electrification Administration	21,191	19,246	19,265	18,890	18,890	18,906	18,906	18,904	18,850
27 Other	32,078	26,324	23,724	70,896	70,896	72,968	73,227	74,348	75,240

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

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1988	1989	1990	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May[r]	1991 June
1 **All issues, new and refunding**[1]	**114,522**	**113,646**	**120,339**	**9,961**	**12,250**	**7,230**	**11,335**	**10,864**	**10,916**	**14,753**	**13,804**
Type of issue											
2 General obligation	30,312	35,774	39,610	3,024	3,536	2,343	4,838	4,219	3,771	4,946	4,442
3 Revenue	84,210	77,873	81,295	6,937	8,714	4,887	6,497	6,645	7,145	9,807	9,362
Type of issuer											
4 State	8,830	11,819	15,149	1,337	1,396	713	2,027	1,195	1,199	1,890	1,529
5 Special district and statutory authority[2]	74,409	71,022	72,661	5,879	7,032	4,563	4,903	6,599	6,604	9,549	5,057
6 Municipality, county, and township	31,193	30,805	32,510	2,745	3,822	1,954	4,405	3,070	3,113	3,314	7,218
7 **Issues for new capital, total**	**79,665**	**84,062**	**103,235**	**9,058**	**10,707**	**6,977**	**10,403**	**9,675**	**10,156**	**13,924**	**13,347**
Use of proceeds											
8 Education	15,021	15,133	17,042	1,009	1,418	1,079	1,579	2,583	2,001	2,462	2,684
9 Transportation	6,825	6,870	11,650	727	2,008	711	146	421	1,305	1,642	1,829
10 Utilities and conservation	8,496	11,427	11,739	1,301	776	1,196	2,046	1,886	2,171	1,815	2,830
11 Social welfare	19,027	16,703	23,099	1,992	2,001	891	698	2,140	921	3,373	2,455
12 Industrial aid	5,624	5,036	6,117	540	933	607	768	554	319	743	1,040
13 Other purposes	24,672	28,894	34,607	4,392	3,571	2,493	4,775	2,091	3,439	3,889	2,509

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

SOURCES. *Investment Dealer's Digest* beginning April 1990. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1988	1989	1990	1990 Oct.	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
1 **All issues**[1]	**410,894**	**376,744**	**235,461**	**20,535**	**25,058**	**21,044**	**17,378**[r]	**30,708**[r]	**35,830**[r]	**33,770**[r]	**35,118**
2 **Bonds**[2]	**353,093**	**318,873**	**235,461**	**19,573**	**23,823**	**19,255**	**16,482**[r]	**28,906**[r]	**31,881**[r]	**28,457**[r]	**27,700**
Type of offering											
3 Public, domestic	202,215	181,393	188,969	17,708	22,117	18,621[r]	15,823[r]	25,737[r]	29,502[r]	24,600[r]	25,200
4 Private placement, domestic[3]	127,699[r]	114,629	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	23,178	22,851	23,054	1,865	1,706	676	659[r]	3,169[r]	2,379[r]	3,857[r]	2,500
Industry group											
6 Manufacturing	70,306	76,345	38,248	3,531	6,593	2,831	3,375	8,051[r]	6,969[r]	7,435[r]	6,300
7 Commercial and miscellaneous	62,790	49,726	11,098	548	821	1,061	1,408	1,821[r]	1,614[r]	2,886[r]	1,200
8 Transportation	10,275	10,105	4,926	230	457	351	711	563	985	502[r]	665
9 Public utility	20,834[r]	17,130	13,893	796	2,209	2,032	689	1,399	506	2,095[r]	2,700
10 Communication	5,593	8,461	4,876	378	693	1,380	97	669	988	845[r]	337
11 Real estate and financial	183,294[r]	157,107	138,987	14,090	13,050	11,601	10,203[r]	16,404[r]	20,819[r]	14,694[r]	16,498
12 **Stocks**[2]	**57,802**	**57,870**	n.a.	**962**	**1,235**	**1,789**	**896**	**1,802**	**3,949**	**5,313**	**7,418**
Type of offering											
13 Public preferred	6,544	6,194	3,998	550	265	175	0	150	1,233	543	1,392
14 Common	35,911	26,030	19,443	412	970	1,614	896	1,652	2,716	4,771	6,027
15 Private placement[3]	15,346	25,647	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	7,608	9,308	n.a.	60	154	46	60	183	564	1,796	2,291
17 Commercial and miscellaneous	8,449	7,446	5,026	194	42	110	18	546	1,096	1,521	1,563
18 Transportation	1,535	1,929	126	7	0	5	242	0	249	416	277
19 Public utility	1,898	3,090	4,229	297	462	288	218	335	354	71	573
20 Communication	515	1,904	416	0	0	6	n.a.	0	0	0	0
21 Real estate and financial	37,798	34,028	11,055	400	574	1,327	359	737	1,686	1,510	2,714

1. Figures which represent gross proceeds of issues maturing in more than one year, are the 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. Before 1987, annual totals include underwritten issues only.

SOURCES. IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Investment Companies[1]	1989	1990	1990			1991				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
1 **Sales of own shares**[2]	**306,445**	**345,780**	**27,511**	**25,583**	**34,553**	**38,012**	**30,605**	**31,597**	**40,356**	**36,719**
2 Redemptions of own shares[3]	272,165	289,573	23,112	22,085	29,484	27,648	23,390	25,372	32,895	26,970
3 Net sales	34,280	56,207	4,399	3,498	5,069	10,364	7,215	6,226	7,461	9,749
4 **Assets**[4]	**553,871**	**570,744**	**538,306**	**557,676**	**570,744**	**590,296**	**616,472**	**632,052**	**647,053**	**671,763**
5 Cash position[5]	44,780	48,638	51,847	52,829	48,638	53,549	53,899	52,895	52,982	55,424
6 Other	509,091	522,106	486,459	504,847	522,106	536,747	562,573	579,154	594,071	616,342

1. Data on sales and redemptions exclude money market mutual funds but include limited maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited maturity municipal bond funds.
2. Includes reinvestment of 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 redemptions 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. Treasury securities and other short-term debt securities.

SOURCE. 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	1988	1989	1990	1989			1990				1991
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1[r]
1 Corporate profits with inventory valuation and capital consumption adjustment	337.6	311.6	298.3	321.4	306.7	290.9	296.8	306.6	300.7	288.9	286.2
2 Profits before tax	316.7	307.7	304.7	314.6	291.4	289.8	296.9	299.3	318.5	304.1	281.5
3 Profits tax liability	136.2	135.1	132.1	140.8	127.8	123.5	129.9	133.1	139.1	126.5	115.1
4 Profits after tax	180.5	172.6	172.5	173.8	163.6	166.3	167.1	166.1	179.4	177.6	166.4
5 Dividends	110.0	123.5	133.9	122.1	125.0	127.7	130.3	133.0	135.1	137.2	137.5
6 Undistributed profits	70.5	49.1	38.7	51.7	38.6	38.6	36.8	33.2	44.3	40.4	29.0
7 Inventory valuation	-27.0	-21.7	-11.4	-23.1	-6.1	-14.5	-11.4	-.5	-19.8	-13.8	8.1
8 Capital consumption adjustment	47.8	25.5	4.9	29.9	21.4	15.6	11.3	7.7	2.0	-1.4	-3.5

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

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

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

Industry	1989	1990	1991[1]	1989	1990				1991		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Q3[1]
1 **Total nonfarm business**	**507.40**	**532.96**	**547.23**	**519.58**	**532.45**	**535.49**	**534.86**	**529.02**	**535.32**	**544.16**	**553.52**
Manufacturing											
2 Durable goods industries	82.56	82.99	80.06	83.41	86.35	84.34	82.67	78.62	81.53	81.53	79.71
3 Nondurable goods industries	101.24	109.79	110.11	108.47	105.02	110.82	111.81	111.52	108.58	109.58	111.74
Nonmanufacturing											
4 Mining	9.21	9.87	9.88	9.38	9.58	9.84	9.98	10.09	9.85	10.05	9.96
Transportation											
5 Railroad	6.26	6.41	5.44	6.80	6.45	6.66	5.60	6.90	5.60	5.15	5.81
6 Air	6.73	8.98	11.43	5.75	9.35	9.36	10.05	7.17	11.27	12.60	12.14
7 Other	5.85	6.20	7.47	5.69	6.33	5.84	5.76	6.88	6.71	7.50	7.45
Public utilities											
8 Electric	44.81	43.98	45.92	44.66	43.37	42.62	43.63	46.31	43.21	47.10	46.16
9 Gas and other	21.47	23.02	23.45	21.15	22.34	21.65	23.85	24.22	24.18	22.65	23.34
10 Commercial and other[2]	229.28	241.72	253.48	234.25	243.66	244.37	241.51	237.32	244.39	248.00	257.22

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[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1987	1988	1989	1989 Q3	1989 Q4	1990 Q1	1990 Q2	1990 Q3	1990 Q4r	1991 Q1
ASSETS										
Accounts receivable, gross[2]										
1 Consumer	141.1	146.2	140.8	146.3	140.8	137.9	138.6	140.9	136.0	131.6
2 Business	207.4	236.5	256.0r	246.8	256.0r	262.9	274.8r	275.4	290.8	290.0
3 Real estate	39.5	43.5	48.9	48.7	48.9	52.1	55.4	57.7	59.9	57.3
4 Total	388.1	426.2	445.8r	441.8	445.8r	452.8r	468.8r	474.0	486.7	478.9
Less:										
5 Reserves for unearned income	45.3	50.0	52.0	52.9	52.0	51.9	54.3	55.1	56.6	57.0
6 Reserves for losses	6.8	7.3	7.7	7.7	7.7	7.9	8.2	8.6	9.2	10.3
7 Accounts receivable, net	336.0	368.9	386.1	381.3	386.1	393.0	406.3	410.3	420.9	411.6
8 All other	58.3	72.4	91.6	85.2	91.6	92.5	95.5	102.8	99.6	103.4
9 Total assets	**394.2**	**441.3**	**477.6**	**466.4**	**477.6**	**485.5**	**501.9**	**513.1**	**520.6**	**515.0**
LIABILITIES AND CAPITAL										
10 Bank loans	16.4	15.4	14.5	12.2	14.5	13.9	15.8	15.6	19.4	22.0
11 Commercial paper	128.4	142.0	149.5	147.2	149.5	152.9	152.4	148.6	152.7	141.2
Debt										
12 Other short-term	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	50.6	63.8	60.3	63.8	70.5	72.8	82.0	82.7	77.8
15 Not elsewhere classified	n.a.	137.9	147.8	145.1	147.8	145.7	153.0	156.6	157.0	162.4
16 All other liabilities	52.8	59.8	62.6	61.8	62.6	61.7	66.1	68.7	66.0	68.0
17 Capital, surplus, and undivided profits	31.5	35.6	39.4	39.8	39.4	40.7	41.8	41.6	42.8	43.7
18 Total liabilities and capital	**394.2**	**441.3**	**477.6**	**466.4**	**477.6**	**485.5**	**501.9**	**513.1**	**520.6**	**515.0**

1. Components may not sum to totals because of rounding.
2. Excludes pools of securitized assets.

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

Millions of dollars, end of period, seasonally adjusted

Type	1988	1989	1990	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
1 Total	**234,891**	**258,957**	**292,638**	**292,638**	**293,383**	**294,284**	**294,225**	**294,569**	**297,171**
Retail financing of installment sales									
2 Automotive	37,210	39,479	38,110	38,110	38,016	37,548	36,649	36,652	36,005
3 Equipment	28,185	29,627	31,784	31,784	31,956	32,058	32,332	32,034	32,690
4 Pools of securitized assets[2]	n.a.	698	951	951	911	879	828	777	737
Wholesale									
5 Automotive	32,953	33,814	32,283	32,283	32,404	31,428	30,329	30,066	30,055
6 Equipment	5,971	6,928	11,569	11,569	11,299	11,108	10,880	10,937	11,000
7 All other	9,357	9,985	9,126	9,126	9,366	9,142	8,868	8,666	8,620
8 Pools of securitized assets[2]	n.a.	0	2,950	2,950	2,836	3,353	3,354	2,905	2,855
Leasing									
9 Automotive	24,693	26,804	39,129	39,129	38,921	38,922	39,279	39,707	40,738
10 Equipment	57,658	68,240	75,626	75,626	76,841	79,052	80,969	82,750	84,126
11 Pools of securitized assets[2]	n.a.	1,247	1,849	1,849	1,854	1,810	1,868	1,765	1,700
12 Loans on commercial accounts receivable and factored commercial accounts receivable	17,687	18,511	22,475	22,475	21,891	22,084	21,666	21,265	21,772
13 All other business credit	21,176	23,623	26,784	26,784	27,089	26,899	27,204	27,045	26,873
	Net change (during period)								
14 Total	**28,900**	**24,067**	**33,681**	**3,303**	**745**	**901**	**−59**	**345**	**2,601**
Retail financing of installment sales									
15 Automotive	1,070	2,267	−1,369	−365	−94	−468	−900	4	−647
16 Equipment	3,108	1,442	2,157	877	171	103	274	−298	656
17 Pools of securitized assets[2]	n.a.	−26	253	24	−40	−32	−51	−51	−40
Wholesale									
18 Automotive	2,883	862	−1,531	−622	121	−975	−1,100	−263	−11
19 Equipment	393	958	4,641	695	−270	−192	−228	57	63
20 All other	1,029	628	−860	−325	240	−224	−275	−201	−47
21 Pools of securitized assets[2]	n.a.	0	2,950	109	−114	517	1	−449	−50
Leasing									
22 Automotive	2,596	2,110	12,326	7,296	−209	1	358	428	1,031
23 Equipment	*14,166*	*10,581*	*7,385*	*−5,192*	*1,215*	*2,211*	*1,917*	*1,781*	*1,377*
24 Pools of securitized assets[2]	n.a.	526	602	−35	5	−44	58	−103	−65
25 Loans on commercial accounts receivable and factored commercial accounts receivable	−484	826	3,964	922	−585	194	−418	−401	506
26 All other business credit	4,134	3,163	3,163	−82	305	−190	305	−158	−173

1. These data also appear in the Board's G.20 (422) release. For address, see inside front cover.
2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS Conventional Mortgages on New Homes

Millions of dollars; exceptions noted.

Item	1988	1989	1990	1990	1991					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	150.0	159.6	153.2	156.3	148.3	153.2	136.7	151.4	146.8	166.7
2 Amount of loan (thousands of dollars)	110.5	117.0	112.4	115.4	112.3	113.8	100.4	114.5	109.2	121.9
3 Loan-price ratio (percent)	75.5	74.5	74.8	74.9	77.2	76.3	74.6	76.4	75.2	74.2
4 Maturity (years)	28.0	28.1	27.3	28.6	28.1	28.3	25.7	26.8	26.1	26.8
5 Fees and charges (percent of loan amount)[2]	2.19	2.06	1.93	1.85	1.75	1.73	1.59	2.12	1.54	1.69
6 Contract rate (percent per year)	8.81	9.76	9.68	9.45	9.36	9.28	9.16	9.24	9.26	9.18
Yield (percent per year)										
7 OTS series[3]	9.18	10.11	10.01	9.76	9.65	9.57	9.43	9.60	9.52	9.46
8 HUD series[4]	10.30	10.21	10.08	9.66	9.53	9.49	9.49	9.51	9.46	9.60
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	10.49	10.24	10.17	9.66	9.58	9.57	9.61	9.61	9.62	9.71
10 GNMA securities[6]	9.83	9.71	9.51	9.08	8.87	8.66	8.75	8.62	8.65	9.04
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	101,329	104,974	113,329	116,628	117,445	118,284	119,196	120,074	121,798	122,806
12 FHA/VA-insured	19,762	19,640	21,028	21,751	21,854	21,947	21,976	21,972	21,609	21,474
13 Conventional	81,567	85,335	92,302	94,877	95,591	96,337	97,220	98,102	100,189	101,332
Mortgage transactions (during period)										
14 Purchases	23,110	22,518	23,959	2,410	1,781	1,792	1,987	2,942	4,450	3,145
Mortgage commitments[7]										
15 Issued (during period)[8]	n.a.	n.a.	n.a.	2,104	1,889	1,779	3,087	3,880	3,506	3,032
16 To sell (during period)[9]	n.a.	n.a.	n.a.	0	2	0	109	839	1,066	841
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[9]										
17 Total	15,105	20,105	20,419	21,857	22,300	22,855	23,221	23,870	24,525	n.a.
18 FHA/VA-insured	620	590	547	518	511	503	499	504	491	n.a.
19 Conventional	14,485	19,516	19,871	21,339	21,789	22,352	22,722	21,188	21,843	n.a.
Mortgage transactions (during period)										
20 Purchases	44,077	78,588	75,517	10,637	5,018	5,217	4,549	7,045	8,562	n.a.
21 Sales	39,780	73,446	73,817	9,918	4,438	4,549	6,183	6,226	7,692r	10,789
Mortgage commitments[10]										
22 Contracted (during period)	66,026	88,519	102,401	12,938	8,437	5,579	5,936	10,036	11,334	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Housing Finance Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development.
5. Average gross yields on thirty-year, minimum-downpayment, first mortgages, insured by the Federal Housing Administration 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 fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association, assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to one- to four-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Does not include standby commitments issued, but includes standby commitments converted.
9. Includes participation as well as whole loans.
10. Includes conventional and government-underwritten loans. Federal Home Loan Mortgage Corporation (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 of property	1987	1988	1989	1990				1991
					Q1	Q2	Q3	Q4	Q1[p]
1	**All holders**	**2,986,425**	**3,270,118**	**3,556,370**	**3,696,882**	**3,760,480**	**3,815,220**	**3,856,205**	**3,883,700**
2	One- to four-family	1,962,958	2,201,231	2,429,689	2,554,496	2,619,522	2,669,613	2,708,951	2,740,122
3	Multifamily	278,899	291,405	303,416	305,838	301,789	302,993	304,004	303,543
4	Commercial	657,036	692,236	739,240	752,688	755,212	758,362	759,306	756,349
5	Farm	87,532	85,247	84,025	83,861	83,957	84,252	83,943	83,686
6	Major financial institutions	1,665,291	1,831,472	1,931,537	1,939,005	1,940,366	1,932,978	1,912,099	1,890,344
7	Commercial banks[2]	592,449	674,003	767,069	786,802	814,598	830,868	843,136	855,256
8	One- to four-family	275,613	334,367	389,632	405,009	431,115	445,218	454,851	462,975
9	Multifamily	32,756	33,912	38,876	37,913	38,420	37,898	37,116	38,021
10	Commercial	269,648	290,254	321,906	327,110	327,930	330,426	333,943	336,803
11	Farm	14,432	15,470	16,656	16,771	17,133	17,326	17,225	17,457
12	Savings institutions[3]	860,467	924,606	910,254	891,921	860,903	836,047	801,628	771,948
13	One- to four-family	602,408	671,722	669,220	658,405	642,110	626,297	600,154	584,639
14	Multifamily	106,359	110,775	106,014	103,841	97,359	94,790	91,806	85,654
15	Commercial	150,943	141,433	134,370	129,056	120,866	114,430	109,168	101,187
16	Farm	757	676	650	619	568	530	500	468
17	Life insurance companies	212,375	232,863	254,214	260,282	264,865	266,063	267,335	263,139
18	One- to four-family	13,226	11,164	12,231	12,525	12,740	12,773	12,052	11,514
19	Multifamily	22,524	24,560	26,907	27,555	28,027	28,100	29,406	28,847
20	Commercial	166,722	187,549	205,472	210,422	214,024	214,585	215,121	212,018
21	Farm	9,903	9,590	9,604	9,780	10,075	10,605	10,756	10,760
22	Finance companies[4]	29,716	37,846	45,476	45,808	47,104	49,784	48,777	49,658
23	Federal and related agencies	192,721	200,570	209,498	216,146	227,818	242,695	250,762	262,167
24	Government National Mortgage Association	444	26	23	22	21	21	21	20
25	One- to four-family	25	26	23	22	21	21	21	20
26	Multifamily	419	0	0	0	0	0	0	0
27	Farmers Home Administration[5]	43,051	42,018	41,176	41,125	41,175	41,269	41,439	41,545
28	One- to four-family	18,169	18,347	18,422	18,419	18,434	18,476	18,527	18,578
29	Multifamily	8,044	8,513	9,054	9,199	9,361	9,477	9,640	9,792
30	Commercial	6,603	5,343	4,443	4,510	4,545	4,608	4,690	4,754
31	Farm	10,235	9,815	9,257	8,997	8,835	8,708	8,582	8,421
32	Federal Housing and Veterans Administration	5,574	5,973	6,087	6,355	6,792	7,938	8,801	9,492
33	One- to four-family	2,557	2,672	2,875	3,027	3,054	3,248	3,593	3,600
34	Multifamily	3,017	3,301	3,212	3,328	3,738	4,690	5,208	5,891
35	Federal National Mortgage Association	96,649	103,013	110,721	112,353	112,855	113,718	116,628	118,210
36	One- to four-family	89,666	95,833	102,295	103,300	103,431	103,722	106,081	107,053
37	Multifamily	6,983	7,180	8,426	9,053	9,424	9,996	10,547	11,157
38	Federal Land Banks	34,131	32,115	29,640	29,325	29,595	29,441	29,416	29,253
39	One- to four-family	2,008	1,890	1,210	1,197	1,741	1,766	1,838	1,884
40	Farm	32,123	30,225	28,430	28,128	27,854	27,675	27,577	27,368
41	Federal Home Loan Mortgage Corporation	12,872	17,425	21,851	19,823	19,979	20,508	21,857	21,947
42	One- to four-family	11,430	15,077	18,248	16,772	17,316	17,810	19,185	19,460
43	Multifamily	1,442	2,348	3,603	3,051	2,663	2,697	2,672	2,487
44	Mortgage pools or trusts[6]	718,297	811,847	946,766	984,811	1,024,893	1,060,640	1,103,950	1,138,889
45	Government National Mortgage Association	317,555	340,527	368,367	376,962	385,456	394,859	403,613	412,982
46	One- to four-family	309,806	331,257	358,142	366,300	374,960	384,474	391,505	400,322
47	Multifamily	7,749	9,270	10,225	10,662	10,496	10,385	12,108	12,660
48	Federal Home Loan Mortgage Corporation	212,634	226,406	272,870	281,736	295,340	301,797	316,359	328,305
49	One- to four-family	205,977	219,988	266,060	274,084	287,232	293,721	308,369	319,978
50	Multifamily	6,657	6,418	6,810	7,652	8,108	8,077	7,990	8,327
51	Federal National Mortgage Association	139,960	178,250	228,232	246,391	263,330	281,806	299,833	312,101
52	One- to four-family	137,988	172,331	219,577	237,916	254,811	273,335	291,194	303,554
53	Multifamily	1,972	5,919	8,655	8,475	8,519	8,471	8,639	8,547
54	Farmers Home Administration[5]	245	104	80	76	72	70	66	63
55	One- to four-family	121	26	21	20	19	18	17	16
56	Multifamily	0	0	0	0	0	0	0	0
57	Commercial	63	38	26	25	24	24	24	23
58	Farm	61	40	33	31	30	29	26	24
59	Individuals and others[7]	410,116	426,229	468,569	556,920	567,403	578,908	589,395	592,301
60	One- to four-family	246,061	259,971	294,517	374,143	382,343	393,027	401,685	403,791
61	Multifamily	80,977	79,209	81,634	83,666	82,040	80,636	80,808	80,448
62	Commercial	63,057	67,618	73,023	79,576	83,557	85,865	87,624	88,875
63	Farm	20,021	19,431	19,395	19,536	19,463	19,379	19,278	19,187

1. Based on data from various institutional and governmental sources, with figures for some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not 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 (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
4. Assumed to be entirely one- to four-family loans.
5. Securities guaranteed by the Farmers Home Administration 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-backed securities insured or guaranteed by the agency indicated. Includes private pools which are not shown as a separate line item.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

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

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1989	1990	1990				1991				
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May
	Seasonally adjusted										
1 **Total**	**718,863**	**735,102**	**735,547**	**735,433**	**736,411**	**735,102**	**732,962**	**732,762**	**732,442**	**733,621**	**732,995**
2 Automobile	290,676	284,585	285,627	285,024	284,412	284,585	283,746	282,626	280,689	279,746	276,449
3 Revolving	199,082	220,110	219,090	220,031	221,690	220,110	219,588	221,556	224,817	225,994	227,440
4 Mobile home	22,471	20,919	21,073	20,680	20,492	20,919	20,459	20,200	20,123	20,098	19,842
5 Other	206,633	209,487	209,758	209,698	209,817	209,487	209,170	208,379	206,813	207,782	209,263
	Not seasonally adjusted										
6 **Total**	**730,901**	**748,300**	**738,946**	**736,091**	**738,626**	**748,300**	**736,399**	**729,264**	**725,462**	**727,907**	**728,419**
By major holder											
7 Commercial banks	342,770	347,466	342,698	341,755	342,882	347,466	341,426	339,282	335,754	336,425	334,801
8 Finance companies	140,832	137,450	140,890	141,329	139,195	137,450	134,965	133,021	131,552	133,462	134,045
9 Credit unions	93,114	92,911	92,996	93,190	92,918	92,911	91,991	91,131	90,772	91,413	92,054
10 Retailers	44,154	43,552	38,963	38,282	39,095	43,552	40,945	38,864	38,497	37,817	36,782
11 Savings institutions	57,253	45,616	50,683	48,055	47,121	45,616	44,939	43,875	42,491	41,707	41,214
12 Gasoline companies	3,935	4,822	4,723	4,749	4,753	4,822	4,766	4,404	4,296	4,357	4,507
13 Pools of securitized assets[2]	48,843	76,483	67,993	68,731	72,662	76,483	77,367	78,687	82,100	82,726	85,016
By major type of credit[3]											
14 Automobile	290,705	284,813	289,169	287,304	285,379	284,813	282,214	279,913	277,798	277,508	275,537
15 Commercial banks	126,288	126,259	128,268	127,667	126,544	126,259	126,235	124,745	123,411	122,710	121,530
16 Finance companies	82,721	74,396[r]	78,116	78,033	75,224	74,396[r]	72,015	70,287	69,233	70,500	69,689
17 Pools of securitized assets[2]	18,235	24,537	21,390	20,944	23,475	24,537	25,123	26,872	27,755	26,875	26,777
18 Revolving	210,310	232,370	218,279	218,337	222,643	232,370	223,606	220,714	221,400	222,627	224,438
19 Commercial banks	130,811	132,433	127,415	127,108	129,117	132,433	125,814	125,673	124,619	126,009	126,085
20 Retailers	39,583	39,029	34,528	33,867	34,657	39,029	36,510	34,509	34,179	33,513	32,458
21 Gasoline companies	3,935	4,822	4,723	4,749	4,753	4,822	4,766	4,404	4,296	4,357	4,507
22 Pools of securitized assets[2]	23,477	44,335	39,606	40,798	42,297	44,335	44,773	44,451	46,722	47,116	49,667
23 Mobile home	22,240	20,666	21,195	20,773	20,472	20,666	20,614	20,362	20,030	20,052	19,767
24 Commercial banks	9,112	9,763	9,263	9,274	9,199	9,763	9,748	9,730	9,632	9,565	9,379
25 Finance companies	4,716	5,252	5,423	5,400	5,364	5,252	5,367	5,330	5,328	5,573	5,595
26 Other	207,646	210,451	210,303	209,677	210,132	210,451	209,965	208,275	206,234	207,720	208,677
27 Commercial banks	76,559	79,011	77,752	77,706	78,022	79,011	79,629	79,134	78,092	78,141	77,807
28 Finance companies	53,395	57,801	57,351	57,896	58,607	57,801	57,583	57,404	56,991	57,388	58,761
29 Retailers	4,571	4,523	4,435	4,415	4,438	4,523	4,435	4,355	4,318	4,304	4,324
30 Pools of securitized assets[2]	7,131	7,611	6,997	6,989	6,890	7,611	7,471	7,364	7,603	8,735	8,572

1. The Board's series on amounts of credit covers most short– and intermediate–term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

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

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

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent per year unless noted otherwise

Item	1988	1989	1990	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
INTEREST RATES										
Commercial banks[2]										
1 48-month new car[3]	10.85	12.07	11.78	11.62	n.a.	n.a.	11.60	n.a.	n.a.	11.28
2 24-month personal	14.68	15.44	15.46	15.69	n.a.	n.a.	15.42	n.a.	n.a.	15.16
3 120-month mobile home[3]	13.54	14.11	14.02	13.99	n.a.	n.a.	13.88	n.a.	n.a.	13.80
4 Credit card	17.78	18.02	18.17	18.23	n.a.	n.a.	18.28	n.a.	n.a.	18.22
Auto finance companies										
5 New car	12.60	12.62	12.54	12.74	12.86	12.99	13.16	13.14	13.14	12.95
6 Used car	15.11	16.18	15.99	16.07	16.04	15.70	15.90	15.82	15.82	15.85
OTHER TERMS[4]										
Maturity (months)										
7 New car	56.2	54.2	54.6	54.6	54.7	54.9	55.2	55.2	55.4	55.5
8 Used car	46.7	46.6	46.1	46.0	45.8	47.4	47.1	47.2	47.3	47.3
Loan-to-value ratio										
9 New car	94	91	87	85	85	88	88	87	87	87
10 Used car	98	97	95	95	94	96	96	97	97	96
Amount financed (dollars)										
11 New car	11,663	12,001	12,071	11,986	12,140	12,229	12,081	12,121	11,993	12,204
12 Used car	7,824	7,954	8,289	8,494	8,530	8,600	8,605	8,763	8,751	8,873

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category or sector	1986	1987	1988	1989	1990	1989		1990				1991
						Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**836.9**	**687.0**	**760.8**	**678.2**	**641.2**	**678.8**	**620.2**	**808.9**	**617.6**	**655.7**	**482.6**	**474.7**
By sector and instrument												
2 U.S. government	215.0	144.9	157.5	151.6	272.5	173.9	185.0	247.3	228.2	286.1	328.4	204.7
3 Treasury securities	214.7	143.4	140.0	150.0	264.4	166.8	189.6	217.8	222.9	287.5	329.4	228.7
4 Agency issues and mortgages	.4	1.5	17.4	1.6	8.2	7.1	−4.6	29.6	5.4	−1.3	−1.0	−24.0
5 Private	621.9	542.1	603.3	526.6	368.7	504.9	435.2	561.6	389.4	369.6	154.2	270.0
By instrument												
6 Debt capital instruments	465.8	453.2	459.2	379.8	309.3	369.2	347.0	391.6	338.7	280.2	226.9	264.6
7 Tax-exempt obligations	22.7	49.3	49.8	30.4	18.5	34.1	19.1	12.4	24.5	28.0	9.0	7.1
8 Corporate bonds	126.8	79.4	102.9	73.7	64.5	62.7	87.4	45.2	83.7	47.7	81.6	85.2
9 Mortgages	316.3	324.5	306.5	275.7	226.4	272.4	240.5	334.0	230.5	204.5	136.3	172.4
10 Home mortgages	218.7	234.9	231.0	218.0	211.6	221.0	214.3	283.5	235.2	183.1	144.4	181.0
11 Multifamily residential	33.5	24.4	16.7	16.4	3.0	11.8	9.5	22.9	−15.7	3.8	.8	.2
12 Commercial	73.6	71.6	60.8	42.7	11.9	40.9	19.9	27.1	13.0	15.8	−8.2	−9.4
13 Farm	−9.5	−6.4	−2.1	−1.5	−.1	−1.3	−3.2	.5	−1.9	1.8	−.8	.5
14 Other debt instruments	156.1	88.9	144.1	146.8	59.3	135.6	88.2	170.0	50.7	89.3	−72.7	5.4
15 Consumer credit	58.0	33.5	50.2	39.1	14.3	37.1	44.1	30.4	2.8	21.3	2.5	−23.6
16 Bank loans n.e.c.	66.9	10.0	39.8	39.9	−5.0	50.8	7.7	21.1	8.8	−15.8	−34.0	38.7
17 Open market paper	−9.3	2.3	11.9	20.4	9.7	16.9	−6.9	69.6	−6.2	17.3	−41.7	5.1
18 Other	40.5	43.2	42.2	47.4	40.3	30.9	43.3	48.9	45.3	66.6	.5	−14.9
By borrowing sector												
19 State and local government	36.2	48.8	45.6	29.6	14.6	28.6	16.5	8.9	17.7	28.5	3.1	7.1
20 Household	293.0	302.2	314.9	285.0	254.3	290.8	291.8	364.7	271.5	221.7	159.4	192.6
21 Nonfinancial business	292.7	191.0	242.8	211.9	99.8	185.4	126.9	188.0	100.2	119.4	−8.3	70.3
22 Farm	−16.3	−10.6	−7.5	1.6	2.5	−2.1	8.9	6.3	−10.8	11.6	3.1	5.0
23 Nonfarm noncorporate	99.2	77.9	65.7	50.8	11.1	40.2	35.0	45.5	3.5	18.3	−23.0	−17.0
24 Corporate	209.7	123.7	184.6	159.5	86.2	147.3	83.1	136.2	107.5	89.4	11.6	82.2
25 Foreign net borrowing in United States	9.7	4.5	6.3	10.9	32.1	30.4	16.9	2.3	41.0	45.1	40.2	11.7
26 Bonds	3.1	7.4	6.9	5.3	21.6	8.1	−1.0	32.7	25.8	1.2	26.5	8.9
27 Bank loans n.e.c.	−1.0	−3.6	−1.8	−.1	5.9	3.7	−4.3	−6.7	−2.0	17.4	14.9	−27.7
28 Open market paper	11.5	2.1	8.7	13.3	12.3	20.7	22.2	−16.4	23.1	27.3	15.3	45.5
29 U.S. government loans	−3.9	−1.4	−7.5	−7.5	−7.6	−2.1	.1	−7.3	−5.9	−.8	−16.5	−15.0
30 **Total domestic plus foreign**	**846.6**	**691.5**	**767.1**	**689.1**	**673.3**	**709.2**	**637.1**	**811.2**	**658.6**	**700.8**	**522.8**	**486.4**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**285.1**	**300.2**	**247.6**	**205.5**	**203.0**	**123.9**	**187.3**	**191.4**	**177.5**	**175.4**	**267.5**	**115.1**
By instrument												
32 U.S. government related	154.1	171.8	119.8	151.0	167.4	124.8	156.4	171.7	184.0	139.2	174.6	168.0
33 Sponsored credit agency securities	15.2	30.2	44.9	25.2	17.0	13.2	−4.7	9.7	17.1	22.3	19.0	14.5
34 Mortgage pool securities	139.2	142.3	74.9	125.8	150.3	111.6	161.1	162.0	166.8	116.9	155.5	153.5
35 Loans from U.S. government	−.4	−.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
36 Private	131.0	128.4	127.8	54.5	35.6	−.9	30.9	19.7	−6.5	36.2	93.0	−52.9
37 Corporate bonds	82.9	78.9	51.7	36.8	50.2	26.7	39.6	35.1	68.8	20.3	76.7	37.5
38 Mortgages	.1	.4	.3	.0	.8	.3	−.4	−.7	.8	2.6	.5	1.0
39 Bank loans n.e.c.	4.0	−3.2	1.4	1.8	.7	2.0	4.2	−2.2	−.6	1.9	3.6	1.0
40 Open market paper	24.2	27.9	54.8	26.9	8.6	11.0	36.3	9.5	−44.6	41.9	27.7	−64.5
41 Loans from Federal Home Loan Banks	19.8	24.4	19.7	−11.0	−24.7	−41.0	−48.8	−22.0	−30.9	−30.5	−15.5	−27.9
By borrowing sector												
42 Sponsored credit agencies	14.9	29.5	44.9	25.2	17.0	13.2	−4.7	9.7	17.1	22.3	19.0	14.5
43 Mortgage pools	139.2	142.3	74.9	125.8	150.3	111.6	161.1	162.0	166.8	116.9	155.5	153.5
44 Private	131.0	128.4	127.8	54.5	35.6	−.9	30.9	19.7	−6.5	36.2	93.0	−52.9
45 Commercial banks	−3.6	6.2	−3.0	−1.4	−1.1	3.5	−.7	−4.9	−7.9	−12.5	21.0	−22.0
46 Bank affiliates	15.2	14.3	5.2	6.2	−28.0	16.5	−3.9	−8.0	−32.1	−40.4	−31.6	−27.4
47 Savings and loan associations	20.9	19.6	19.9	−14.1	−31.2	−44.7	−56.2	−15.8	−53.5	−31.9	−23.4	−29.1
48 Mutual savings banks	4.2	8.1	1.9	−1.4	−.5	−2.3	.7	−8.3	6.5	−4.2	4.0	−2.2
49 Finance companies	54.7	40.8	67.7	46.3	56.7	23.5	52.6	25.3	27.7	96.9	76.9	−5.0
50 Real estate investment trusts (REITs)	.8	.3	3.5	−1.9	−.4	−3.1	.1	−.6	−2.3	.9	.6	.4
51 Securitized credit obligations (SCO)	39.0	39.1	32.5	20.8	40.1	5.7	38.2	32.1	55.1	27.5	45.6	32.3

1.57—Continued

Transaction category or sector	1986	1987	1988	1989	1990	1989 Q3	1989 Q4	1990 Q1	1990 Q2	1990 Q3	1990 Q4	1991 Q1
	All sectors											
54 **Total net borrowing**	**1,131.7**	**991.7**	**1,014.7**	**894.5**	**876.3**	**833.0**	**824.4**	**1,002.5**	**836.1**	**876.2**	**790.3**	**601.5**
55 U.S. government securities	369.5	317.5	277.2	302.6	439.9	298.7	341.4	419.0	412.2	425.4	503.0	372.7
56 State and local obligations	22.7	49.3	49.8	30.4	18.5	34.1	19.1	12.4	24.5	28.0	9.0	7.1
57 Corporate and foreign bonds	212.8	165.7	161.5	115.8	136.3	97.6	125.9	112.9	178.3	69.3	184.8	131.6
58 Mortgages	316.4	324.9	306.7	275.7	227.1	272.7	240.1	333.3	231.3	207.1	136.8	173.3
59 Consumer credit	58.0	33.5	50.2	39.1	14.3	37.1	44.1	30.4	2.8	21.3	2.5	−23.6
60 Bank loans n.e.c.	69.9	3.2	39.4	41.5	1.6	56.5	7.5	12.2	6.2	3.5	−15.6	12.1
61 Open market paper	26.4	32.3	75.4	60.6	30.7	48.5	51.6	62.6	−27.7	86.5	1.2	−13.8
62 Other loans	56.1	65.5	54.4	28.9	8.0	−12.2	−5.4	19.6	8.5	35.2	−31.4	−57.9
63 MEMO: U.S. government, cash balance	.0	−7.9	10.4	−5.9	8.3	−22.7	−7.3	22.9	−38.1	21.1	27.4	51.8
Totals net of changes in U.S. government cash balances												
64 Net borrowing by domestic nonfinancial	836.9	694.9	750.4	684.1	632.9	701.6	627.6	786.0	655.7	634.7	455.2	422.9
65 Net borrowing by U.S. government	215.0	152.8	147.1	157.5	264.2	196.7	192.4	224.4	266.3	265.1	301.0	152.9
	External corporate equity funds raised in United States											
66 **Total net share issues**	**86.8**	**10.9**	**−124.2**	**−63.7**	**11.4**	**−61.0**	**14.9**	**−9.4**	**47.3**	**−15.9**	**23.6**	**101.3**
67 Mutual funds	159.0	73.9	1.1	41.3	61.4	57.9	72.4	47.8	71.0	46.1	80.6	87.6
68 All other	−72.2	−63.0	−125.3	−105.1	−49.9	−118.9	−57.6	−57.2	−23.6	−62.0	−56.9	13.7
69 Nonfinancial corporations	−85.0	−75.5	−129.5	−124.2	−63.0	−146.3	−79.3	−69.0	−48.0	−74.0	−61.0	−17.0
70 Financial corporations	11.6	14.6	3.3	2.4	6.1	−.1	4.5	10.1	.6	13.0	.9	1.9
71 Foreign shares purchased in United States	1.2	−2.1	.9	16.7	6.9	27.5	17.2	1.7	23.8	−1.0	3.2	28.8

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category or sector	1986	1987	1988	1989	1990	1989 Q3	1989 Q4	1990 Q1	1990 Q2	1990 Q3	1990 Q4	1991 Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**836.9**	**687.0**	**760.8**	**678.2**	**641.2**	**678.8**	**620.2**	**808.9**	**617.6**	**655.7**	**482.6**	**474.7**
2 **Total net advances by federal agencies and foreign sectors**	**280.2**	**248.8**	**210.7**	**187.6**	**261.0**	**218.3**	**203.8**	**218.6**	**300.6**	**324.8**	**200.0**	**304.5**
By instrument												
3 U.S. government securities	69.4	70.1	85.2	30.7	74.4	115.7	27.1	16.4	99.9	139.1	42.1	127.6
4 Residential mortgages	136.3	139.1	86.3	137.9	184.1	127.7	178.3	182.3	206.7	160.8	186.7	184.1
5 Federal Home Loan Bank advances to thrifts	19.8	24.4	19.7	-11.0	-24.7	-41.0	-48.8	-22.0	-30.9	-30.5	-15.5	-27.9
6 Other loans and securities	54.7	15.1	19.4	30.0	27.1	15.8	47.1	41.8	24.8	55.3	-13.4	20.7
By lender												
7 U.S. government	9.7	-7.9	-9.4	-2.4	32.9	-9.3	5.7	37.7	34.2	62.5	-2.8	31.6
8 Sponsored credit agencies and mortgage pools	153.3	169.3	112.0	125.3	166.7	126.4	158.4	184.2	166.3	165.6	150.8	172.3
9 Monetary authority	19.4	24.7	10.5	-7.3	8.1	-31.2	-4.6	-6.3	40.4	24.4	-25.9	53.3
10 Foreign	97.8	62.7	97.6	72.1	53.2	132.4	44.2	3.0	59.8	72.3	77.9	47.3
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	154.1	171.8	119.8	151.0	167.4	124.8	156.4	171.7	184.0	139.2	174.6	168.0
12 Foreign	9.7	4.5	6.3	10.9	32.1	30.4	16.9	2.3	41.0	45.1	40.2	11.7
13 **Total private domestic funds advanced**	**720.5**	**614.5**	**676.2**	**652.5**	**579.7**	**615.7**	**589.7**	**764.2**	**542.0**	**515.2**	**497.4**	**350.0**
14 U.S. government securities	300.1	247.4	192.1	271.9	365.5	183.0	314.3	402.6	312.3	286.2	460.9	245.0
15 State and local obligations	22.7	49.3	49.8	30.4	18.5	34.1	19.1	12.4	24.5	28.0	9.0	7.1
16 Corporate and foreign bonds	89.7	66.9	91.3	66.1	80.2	65.6	70.6	68.4	97.5	46.7	108.3	69.8
17 Residential mortgages	115.9	120.2	161.3	96.5	30.4	105.1	45.5	124.1	12.8	26.1	-41.5	-2.9
18 Other mortgages and loans	212.0	155.2	201.4	176.6	60.5	186.9	91.5	134.9	64.1	97.7	-54.8	3.0
19 LESS: Federal Home Loan Bank advances	19.8	24.4	19.7	-11.0	-24.7	-41.0	-48.8	-22.0	-30.9	-30.5	-15.5	-27.9
20 **Total credit market funds advanced by private financial institutions**	**730.0**	**528.4**	**562.3**	**511.1**	**421.6**	**353.9**	**561.9**	**449.2**	**257.8**	**419.4**	**560.2**	**149.4**
By lending institutions												
21 Commercial banking	198.1	135.4	156.3	177.3	120.1	183.7	184.3	188.1	126.1	102.7	63.2	119.3
22 Savings institutions	107.6	136.8	120.4	-90.9	-145.8	-135.8	-201.9	-56.6	-210.4	-168.6	-147.4	-154.2
23 Insurance and pension funds	160.1	179.7	198.7	177.9	201.0	136.1	205.1	160.8	226.8	228.3	188.2	112.6
24 Other finance	264.2	76.6	86.9	246.8	246.3	170.0	374.5	156.8	115.3	257.0	456.1	71.7
By sources of funds												
25 Private domestic deposits and repurchase agreements	277.1	162.8	229.2	225.2	58.3	284.4	208.0	125.0	20.4	77.8	10.1	231.4
26 Credit market borrowing	131.0	128.4	127.8	54.5	35.6	-.9	30.9	19.7	-6.5	36.2	93.0	-52.9
27 Other sources	321.8	237.1	205.3	231.4	327.7	70.4	323.1	304.5	243.8	305.4	457.0	-29.1
28 Foreign funds	12.9	43.7	9.3	-9.9	35.7	30.4	-20.6	46.4	14.1	121.2	-38.9	38.6
29 Treasury balances	1.7	-5.8	7.3	-3.4	5.3	-19.9	5.0	13.1	-13.4	18.2	3.4	30.1
30 Insurance and pension reserves	119.9	135.4	177.6	140.5	170.6	82.6	193.9	137.9	211.9	162.2	170.4	33.9
31 Other, net	187.3	63.9	11.0	104.2	116.1	-22.7	144.7	107.1	31.2	3.8	322.1	-131.6
Private domestic nonfinancial investors												
32 Direct lending in credit markets	121.5	214.6	241.7	195.9	193.7	260.8	58.7	334.7	277.8	132.0	30.2	147.7
33 U.S. government securities	27.0	86.0	129.0	134.3	144.0	188.7	65.8	185.6	170.4	159.9	59.8	121.1
34 State and local obligations	-19.9	61.8	53.5	28.4	-.5	39.0	12.8	-.2	12.8	15.6	-30.0	-2.2
35 Corporate and foreign bonds	52.9	23.3	-9.4	.7	9.9	-4.7	14.6	54.8	29.0	-92.1	48.0	-24.6
36 Open market paper	9.9	15.8	36.4	5.4	18.4	21.4	-64.6	61.0	42.5	7.7	-37.7	16.6
37 Other loans and mortgages	51.7	27.6	32.2	27.1	21.9	16.4	30.1	33.5	23.0	40.9	-9.8	36.7
38 Deposits and currency	297.5	179.3	232.8	241.3	88.0	261.8	230.6	142.1	56.3	113.6	39.8	243.0
39 Currency	14.4	19.0	14.7	11.7	22.6	6.0	10.1	26.1	23.1	32.2	9.1	46.0
40 Checkable deposits	96.4	-.9	12.9	1.5	1.2	14.7	65.8	2.2	-19.4	15.1	7.0	27.9
41 Small time and savings accounts	120.6	76.0	122.4	100.5	52.5	163.1	109.1	110.7	18.2	59.7	21.4	103.2
42 Money market fund shares	43.2	28.9	20.2	85.2	61.8	116.7	65.6	72.2	4.7	110.9	59.3	128.5
43 Large time deposits	-3.2	37.2	40.8	23.1	-42.7	-23.8	-13.4	-25.2	-5.5	-82.6	-57.5	13.9
44 Security repurchase agreements	20.2	21.6	32.9	14.9	-14.5	13.7	-19.2	-34.9	22.3	-25.2	-20.1	-42.2
45 Deposits in foreign countries	5.9	-2.5	-11.2	4.4	7.0	-28.6	12.4	-8.9	12.8	3.6	20.6	-34.4
46 **Total of credit market instruments, deposits, and currency**	**419.0**	**393.9**	**474.5**	**437.2**	**281.7**	**522.7**	**289.3**	**476.8**	**334.1**	**245.6**	**70.0**	**390.7**
MEMO												
47 Public holdings as percent of total	33.1	36.0	27.5	27.2	38.8	30.8	32.0	27.0	45.6	46.3	38.2	62.6
48 Private financial intermediation (percent)	101.3	86.0	83.2	78.3	72.7	57.5	95.3	58.8	47.6	81.4	112.6	42.7
49 Total foreign funds	110.7	106.4	106.9	62.2	88.9	162.8	23.6	49.4	73.8	193.5	39.0	85.9
Corporate equities not included above												
50 **Total net issues**	**86.8**	**10.9**	**-124.2**	**-63.7**	**11.4**	**-61.0**	**14.9**	**-9.4**	**47.3**	**-15.9**	**23.6**	**101.3**
51 Mutual fund shares	159.0	73.9	1.1	41.3	61.4	57.9	72.4	47.8	71.0	46.1	80.6	87.6
52 Other equities	-72.2	-63.0	-125.3	-105.1	-49.9	-118.9	-57.6	-57.2	-23.6	-62.0	-56.9	13.7
53 Acquisitions by financial institutions	50.9	32.0	-2.9	17.2	21.4	6.1	76.9	41.1	72.8	-66.2	37.9	43.1
54 Other net purchases	35.9	-21.2	-121.4	-80.9	-10.0	-67.1	-62.1	-50.5	-25.5	50.3	-14.2	58.2

NOTES BY LINE NUMBER.
1. Line 1 of table 1.57.
2. Sum of lines 3–6 or 7–10.
6. Includes farm and commercial mortgages.
11. Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking institutions in foreign banks.
29. Demand deposits and note balances at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 13 less line 20 plus line 26.
33–37. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Sum of lines 32 plus 38, or line 13 less line 27 plus lines 39 and 45.
47. Line 2 divided by line 1.
48. Line 20 divided by line 13.
49. Sum of lines 10 and 28.
50, 52. Includes issues by financial institutions.

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

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars; period-end levels.

Transaction category or sector	1986	1987	1988	1989	1989		1990				1991
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**7,646.3**	**8,343.9**	**9,096.0**	**9,805.2**	**9,605.1**	**9,805.2**	**10,075.7**	**10,234.4**	**10,393.9**	**10,560.2**	**10,634.2**
By sector and instrument											
2 U.S. government	1,815.4	1,960.3	2,117.8	2,269.4	2,206.1	2,269.4	2,360.9	2,401.7	2,470.2	2,568.9	2,624.7
3 Treasury securities	1,811.7	1,955.2	2,095.2	2,245.2	2,180.7	2,245.2	2,329.3	2,368.8	2,437.6	2,536.5	2,598.4
4 Agency issues and mortgages	3.6	5.2	22.6	24.2	25.4	24.2	31.6	32.9	32.6	32.4	26.4
By instrument											
5 Private	5,831.0	6,383.6	6,978.2	7,535.8	7,399.0	7,535.8	7,714.8	7,832.6	7,923.7	7,991.3	8,009.5
6 Debt capital instruments	3,962.7	4,427.9	4,886.4	5,283.3	5,189.9	5,283.3	5,453.0	5,542.3	5,618.5	5,682.1	5,730.5
7 Tax-exempt obligations	679.1	728.4	790.8	821.2	816.4	821.2	822.2	827.2	837.4	839.7	839.6
8 Corporate bonds	669.4	748.8	851.7	925.4	903.5	925.4	937.1	958.1	970.0	990.4	1,011.7
9 Mortgages	2,614.2	2,950.7	3,243.8	3,536.6	3,470.0	3,536.6	3,693.6	3,757.0	3,811.1	3,852.0	3,879.2
10 Home mortgages	1,720.8	1,943.1	2,173.9	2,404.3	2,347.6	2,404.3	2,554.5	2,619.5	2,669.6	2,709.0	2,740.1
11 Multifamily residential	246.2	270.0	286.7	304.4	301.2	304.4	304.8	300.6	301.6	302.6	302.1
12 Commercial	551.4	648.7	696.4	742.6	734.9	742.6	750.5	752.9	755.6	756.5	753.4
13 Farm	95.8	88.9	86.8	85.3	86.3	85.3	83.9	84.0	84.3	83.9	83.7
14 Other debt instruments	1,868.2	1,955.7	2,091.9	2,252.6	2,209.1	2,252.6	2,261.8	2,290.3	2,305.3	2,309.2	2,279.0
15 Consumer credit	659.8	693.2	743.5	790.6	771.0	790.6	782.3	789.4	798.7	808.9	782.3
16 Bank loans n.e.c.	666.0	673.3	713.1	763.0	750.7	763.0	749.7	755.7	749.8	751.2	748.9
17 Open market paper	62.9	73.8	85.7	107.1	113.3	107.1	126.0	128.7	131.8	116.9	119.9
18 Other	479.6	515.3	549.6	591.9	574.1	591.9	603.8	616.6	625.0	632.3	628.0
By borrowing sector											
19 State and local government	510.1	558.9	604.5	634.1	629.9	634.1	634.3	637.6	647.8	648.7	648.6
20 Household	2,596.1	2,879.1	3,191.5	3,501.8	3,411.4	3,501.8	3,650.7	3,725.8	3,788.2	3,846.4	3,860.0
21 Nonfinancial business	2,724.8	2,945.6	3,182.2	3,400.0	3,357.6	3,400.0	3,429.9	3,469.3	3,487.7	3,496.1	3,500.8
22 Farm	156.6	145.5	137.6	139.2	139.2	139.2	137.3	138.7	141.6	140.5	139.4
23 Nonfarm noncorporate	997.6	1,075.4	1,145.1	1,195.9	1,183.0	1,195.9	1,208.3	1,208.7	1,208.7	1,207.0	1,203.7
24 Corporate	1,570.6	1,724.6	1,899.5	2,064.8	2,035.5	2,064.8	2,084.3	2,121.9	2,137.4	2,148.7	2,157.8
25 **Foreign credit market debt held in United States**	**238.3**	**244.6**	**253.9**	**261.5**	**257.7**	**261.5**	**261.8**	**273.1**	**283.4**	**293.7**	**296.3**
26 Bonds	74.9	82.3	89.2	94.5	94.2	94.5	103.3	108.4	108.9	116.1	118.9
27 Bank loans n.e.c.	26.9	23.3	21.5	21.4	22.6	21.4	19.0	19.3	23.7	27.3	19.6
28 Open market paper	37.4	41.2	49.9	63.0	57.5	63.0	59.3	65.1	71.5	75.3	87.0
29 U.S. government loans	99.1	97.7	93.2	82.6	83.4	82.6	80.3	80.3	79.4	75.0	70.7
30 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**7,884.7**	**8,588.5**	**9,349.9**	**10,066.8**	**9,862.8**	**10,066.8**	**10,337.5**	**10,507.5**	**10,677.3**	**10,853.8**	**10,930.5**
	Financial sectors										
31 **Total credit market debt owed by financial sectors**	**1,529.8**	**1,836.8**	**2,084.4**	**2,322.4**	**2,263.8**	**2,322.4**	**2,358.4**	**2,406.7**	**2,448.8**	**2,527.7**	**2,543.2**
By instrument											
32 U.S. government related	810.3	978.6	1,098.4	1,249.3	1,203.6	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,455.3
33 Sponsored credit agency securities	273.0	303.2	348.1	373.3	370.4	373.3	378.1	381.0	384.4	393.6	396.9
34 Mortgage pool securities	531.6	670.4	745.3	871.0	828.2	871.0	905.2	944.2	978.5	1,019.9	1,053.5
35 Loans from U.S. government	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
36 Private	719.5	858.2	986.1	1,073.0	1,060.2	1,073.0	1,070.2	1,076.5	1,080.9	1,109.3	1,087.9
37 Corporate bonds	287.4	366.3	418.0	482.7	472.7	482.7	491.7	509.4	514.4	533.6	542.5
38 Mortgages	2.7	3.1	3.4	3.4	3.5	3.4	3.2	3.5	4.1	4.2	4.5
39 Bank loans n.e.c.	36.1	32.8	34.2	36.0	34.1	36.0	33.2	34.8	34.9	36.7	34.8
40 Open market paper	284.6	322.9	377.7	409.1	398.8	409.1	409.1	402.5	409.6	417.7	399.2
41 Loans from Federal Home Loan Banks	108.6	133.1	152.8	141.8	151.1	141.8	132.9	126.3	117.9	117.1	107.0
By borrowing sector											
42 Sponsored credit agencies	278.7	308.2	353.1	378.3	375.4	378.3	383.0	385.9	389.4	398.5	401.8
43 Mortgage pools	531.6	670.4	745.3	871.0	828.2	871.0	905.2	944.2	978.5	1,019.9	1,053.5
44 Private financial sectors	719.5	858.2	986.1	1,073.0	1,060.2	1,073.0	1,070.2	1,076.5	1,080.9	1,109.3	1,087.9
45 Commercial banks	75.6	81.8	78.8	77.4	77.0	77.4	73.4	73.3	70.7	76.3	68.1
46 Bank affiliates	116.8	131.1	136.2	142.5	144.0	142.5	142.0	134.3	122.9	114.4	109.2
47 Savings and loan associations	119.8	139.4	159.3	145.2	155.7	145.2	137.1	125.6	116.2	114.0	102.9
48 Mutual savings banks	8.6	16.7	18.6	17.2	17.5	17.2	15.4	16.7	16.2	16.7	16.4
49 Finance companies	328.1	378.8	446.1	496.2	481.2	496.2	499.1	509.8	530.9	552.1	547.2
50 Real estate investment trusts (REITs)	6.5	7.3	11.4	10.1	10.0	10.1	10.1	9.8	10.2	10.6	10.9
51 Securitized credit obligations issuers (SCO)	64.0	103.1	135.7	184.4	174.9	184.4	193.1	206.9	213.8	225.2	233.2
	All sectors										
52 **Total credit market debt**	**9,414.4**	**10,425.3**	**11,434.3**	**12,389.1**	**12,126.6**	**12,389.1**	**12,695.9**	**12,914.1**	**13,126.1**	**13,381.5**	**13,473.7**
53 U.S. government securities	2,620.0	2,933.9	3,211.1	3,513.7	3,404.7	3,513.7	3,644.1	3,726.9	3,833.1	3,982.3	4,075.0
54 State and local obligations	679.1	728.4	790.8	821.2	816.4	821.2	822.2	827.2	837.4	839.7	839.6
55 Corporate and foreign bonds	1,031.7	1,197.4	1,358.9	1,502.6	1,470.5	1,502.6	1,532.1	1,575.9	1,593.2	1,640.0	1,673.1
56 Mortgages	2,617.0	2,953.8	3,247.2	3,540.1	3,473.6	3,540.1	3,696.9	3,760.5	3,815.2	3,856.2	3,883.7
57 Consumer credit	659.8	693.2	743.5	790.6	771.0	790.6	782.3	789.4	798.7	808.9	782.3
58 Bank loans n.e.c.	729.0	729.5	768.9	820.3	807.4	820.3	802.0	809.8	808.4	815.1	803.3
59 Open market paper	384.9	437.9	513.4	579.2	569.6	579.2	594.5	596.3	612.9	609.9	606.1
60 Other loans	693.1	751.1	800.5	821.4	813.5	821.4	821.9	828.2	827.2	829.3	810.6

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted; period-end levels.

Transaction category, or sector	1986	1987	1988	1989	1989		1990				1991
					Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**7,646.3**	**8,343.9**	**9,096.0**	**9,805.2**	**9,605.1**	**9,805.2**	**10,075.7**	**10,234.4**	**10,393.9**	**10,560.2**	**10,634.2**
2 **Total held by federal agencies and foreign sector**	**1,779.4**	**2,006.6**	**2,199.7**	**2,379.3**	**2,317.4**	**2,379.3**	**2,416.0**	**2,495.6**	**2,576.8**	**2,638.8**	**2,698.6**
By instrument											
3 U.S. government securities	509.8	570.9	651.5	682.1	668.6	682.1	679.0	707.3	738.9	756.5	781.1
4 Residential mortgages	678.5	814.1	900.4	1,038.4	991.1	1,038.4	1,077.7	1,126.5	1,171.8	1,221.0	1,262.4
5 Federal Home Loan Bank advances to thrifts	108.6	133.1	152.8	141.8	151.1	141.8	132.9	126.3	117.9	117.1	107.0
6 Other loans and securities	482.4	488.6	495.1	517.0	506.6	517.0	526.5	535.4	548.2	544.1	548.1
By type of lender											
7 U.S. government	255.3	240.0	217.6	207.1	207.8	207.1	217.3	227.0	242.1	240.0	248.6
8 Sponsored credit agencies and mortgage pools	835.9	1,001.0	1,113.0	1,238.2	1,193.5	1,238.2	1,274.0	1,315.0	1,360.5	1,403.4	1,438.2
9 Monetary authority	205.5	230.1	240.6	233.3	227.6	233.3	224.4	237.8	240.8	241.4	247.3
10 Foreign	482.8	535.5	628.5	700.6	688.5	700.6	700.2	715.8	733.5	753.9	764.4
Agency and foreign debt not in line 1											
11 Sponsored credit agencies and mortgage pools	810.3	978.6	1,098.4	1,249.3	1,203.6	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,455.3
12 Foreign	238.3	244.6	253.9	261.5	257.7	261.5	261.8	273.1	283.4	293.7	296.3
13 **Total private domestic holdings**	**6,915.6**	**7,560.4**	**8,248.5**	**8,936.8**	**8,749.0**	**8,936.8**	**9,209.8**	**9,342.0**	**9,468.5**	**9,633.5**	**9,687.2**
14 U.S. government securities	2,110.1	2,363.0	2,559.7	2,831.6	2,736.1	2,831.6	2,965.1	3,019.5	3,094.2	3,225.8	3,293.9
15 State and local obligations	679.1	728.4	790.8	821.2	816.4	821.2	822.2	827.2	837.4	839.7	839.6
16 Corporate and foreign bonds	606.6	674.3	765.6	831.6	814.5	831.6	850.9	873.4	885.6	912.3	931.7
17 Residential mortgages	1,288.5	1,399.0	1,560.2	1,670.4	1,657.7	1,670.4	1,781.6	1,793.7	1,799.5	1,790.5	1,779.8
18 Other mortgages and loans	2,339.8	2,528.7	2,724.9	2,923.8	2,875.3	2,923.8	2,922.8	2,954.5	2,969.7	2,982.3	2,949.2
19 LESS: Federal Home Loan Bank advances	108.6	133.1	152.8	141.8	151.1	141.8	132.9	126.3	117.9	117.1	107.0
20 **Total credit market claims held by private financial institutions**	**6,018.0**	**6,564.5**	**7,128.6**	**7,662.7**	**7,507.8**	**7,662.7**	**7,853.1**	**7,912.3**	**7,999.3**	**8,151.7**	**8,178.6**
By holding institutions											
21 Commercial banking	2,187.6	2,323.0	2,479.3	2,656.6	2,599.6	2,656.6	2,680.4	2,720.7	2,750.6	2,776.6	2,783.0
22 Savings institutions	1,297.9	1,445.5	1,567.7	1,480.7	1,530.3	1,480.7	1,461.3	1,409.5	1,371.2	1,335.0	1,291.0
23 Insurance and pension funds	1,525.4	1,705.1	1,903.8	2,081.6	2,031.6	2,081.6	2,150.5	2,193.4	2,236.8	2,282.6	2,317.0
24 Other finance	1,007.1	1,091.0	1,177.9	1,443.8	1,346.2	1,443.8	1,561.0	1,588.8	1,640.7	1,757.5	1,787.6
By sources of funds											
25 Private domestic deposits and repurchase agreements	3,199.0	3,354.2	3,599.1	3,824.3	3,742.5	3,824.3	3,849.6	3,836.4	3,848.2	3,882.5	3,935.0
26 Credit market debt	719.5	858.2	986.1	1,073.0	1,060.2	1,073.0	1,070.2	1,076.5	1,080.9	1,109.3	1,087.9
27 Other sources	2,099.5	2,352.1	2,543.5	2,765.5	2,705.1	2,765.5	2,933.4	2,999.4	3,070.2	3,159.9	3,155.6
28 Foreign funds	18.6	62.3	71.5	61.6	55.0	61.6	63.4	66.4	94.0	97.3	95.6
29 Treasury balances	27.5	21.6	29.0	25.6	30.3	25.6	16.7	32.1	36.6	30.9	26.3
30 Insurance and pension reserves	1,398.5	1,527.8	1,692.5	1,826.0	1,785.7	1,826.0	1,859.8	1,904.2	1,920.5	1,960.4	1,997.5
31 Other, net	655.0	740.3	750.5	852.3	834.0	852.3	993.5	996.8	1,019.1	1,071.2	1,036.2
Private domestic nonfinancial investors											
32 Credit market claims	1,617.0	1,854.1	2,106.0	2,347.1	2,301.5	2,347.1	2,426.8	2,506.2	2,550.1	2,591.1	2,596.5
33 U.S. government securities	848.7	936.7	1,072.2	1,206.4	1,171.3	1,206.4	1,258.5	1,287.8	1,329.3	1,363.2	1,388.6
34 State and local obligations	212.6	274.4	340.9	369.3	363.1	369.3	362.3	368.3	372.1	368.8	360.6
35 Corporate and foreign bonds	90.5	114.0	100.4	130.5	131.1	130.5	157.4	175.6	168.8	176.1	170.3
36 Open market paper	145.1	178.5	218.0	228.7	239.3	228.7	234.0	251.9	251.0	247.1	240.7
37 Other loans and mortgages	320.1	350.4	374.4	412.1	396.8	412.1	414.5	422.6	428.9	435.9	436.2
38 Deposits and currency	3,410.1	3,583.9	3,832.3	4,073.6	3,979.0	4,073.6	4,095.9	4,096.6	4,112.2	4,161.5	4,209.3
39 Currency	186.3	205.4	220.1	231.8	224.4	231.8	234.4	242.7	247.2	254.4	261.9
40 Checkable deposits	516.6	515.4	527.2	528.7	486.1	528.7	504.5	510.1	500.2	529.9	511.8
41 Small time and savings accounts	1,948.3	2,017.1	2,156.2	2,256.7	2,224.4	2,256.7	2,286.3	2,286.5	2,295.7	2,306.3	2,336.6
42 Money market fund shares	268.9	297.8	318.0	403.3	391.0	403.3	436.7	426.3	454.5	465.0	513.3
43 Large time deposits	336.7	373.9	414.7	437.8	440.0	437.8	433.7	421.0	411.3	398.0	401.4
44 Security repurchase agreements	128.5	150.1	182.9	197.9	200.9	197.9	188.3	192.5	186.6	183.4	172.0
45 Deposits in foreign countries	24.8	24.3	13.1	17.6	12.1	17.6	11.9	17.5	16.8	24.6	12.3
46 **Total of credit market instruments, deposits, and currency**	**5,027.2**	**5,438.0**	**5,938.2**	**6,420.7**	**6,280.5**	**6,420.7**	**6,522.7**	**6,602.8**	**6,662.2**	**6,752.6**	**6,805.8**
MEMO											
47 Public holdings as percent of total	22.6	23.4	23.5	23.6	23.5	23.6	23.4	23.8	24.1	24.3	24.7
48 Private financial intermediation (percent)	87.0	86.8	86.4	85.7	85.8	85.7	85.3	84.7	84.5	84.6	84.4
49 Total foreign funds	501.3	597.8	700.1	762.3	743.5	762.3	763.6	782.2	827.5	851.2	860.0
Corporate equities not included above											
50 Total market value	3,360.6	3,325.0	3,619.8	4,378.9	4,395.4	4,378.9	4,170.4	4,336.9	3,770.7	3,987.7	4,550.2
51 Mutual fund shares	413.5	460.1	478.3	555.1	543.9	555.1	550.3	587.9	547.3	579.9	643.0
52 Other equities	2,947.1	2,864.9	3,141.6	3,823.8	3,851.5	3,823.8	3,620.1	3,749.0	3,223.4	3,407.9	3,907.2
53 Holdings by financial institutions	974.6	1,039.5	1,176.1	1,492.3	1,478.5	1,492.3	1,434.8	1,542.1	1,297.2	1,406.6	1,636.9
54 Other holdings	2,385.9	2,285.5	2,443.7	2,886.6	2,917.0	2,886.6	2,735.6	2,794.8	2,473.5	2,581.1	2,913.4

NOTES BY LINE NUMBER.

1. Line 1 of table 1.59.
2. Sum of lines 3–6 or 8–11.
6. Includes farm and commercial mortgages.
11. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus line 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 27 and 46 less lines 39 and 45.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
29. Demand deposits and note balances at commercial banks.
30. Excludes net investment of these reserves in corporate equities.
31. Mainly retained earnings and net miscellaneous liabilities.
32. Line 13 less line 20 plus line 26.
33–37. Lines 14–18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.
39. Mainly an offset to line 9.
46. Sum of lines 32 plus 38, or line 13 less line 27 plus 39 and 45.
47. Line 2 divided by line 1.
48. Line 20 divided by line 13.
49. Sum of lines 10 and 28.
50–52. Includes issues by financial institutions.

NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1988	1989	1990	1990			1991					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June
1 **Industrial production[1] (1987=100)**	**105.4**	**108.1**	**109.2**	**109.9**	**108.3**	**107.2**	**106.6**	**105.7**	**105.0**	**105.5**	**106.2**	**106.9**
Market groupings (1987=100)												
2 Products, total	105.3	108.6	110.1	111.0	109.3	108.4	107.8	106.9	106.5[r]	106.9	107.4	108.0
3 Final, total	105.6	109.1	110.9	112.3	110.2	109.2	109.1	108.3	108.1[r]	108.7	109.2	109.6
4 Consumer goods	104.0	106.7	107.3	108.6	106.5	105.7	105.6	104.7	104.7[r]	105.5	106.4	107.0
5 Equipment	107.6	112.3	115.5	117.0	115.1	113.6	113.6	112.9	112.5	112.9	112.7	112.9
6 Intermediate	104.4	106.8	107.7	107.0	106.2	106.0	103.8	102.6	101.3[r]	101.3	102.0	103.1
7 Materials	105.6	107.4	107.8	108.3	106.8	105.3	104.8	103.9	102.6	103.3	104.2	105.2
Industry groupings												
8 Manufacturing (1987=100)	105.8	108.9	109.9	110.7	108.9	107.5	107.0	106.1	105.2	105.9	106.4	107.1
Capacity utilization (percent)[2]												
9 Manufacturing	83.9	83.9	82.3	82.2	80.7	79.4	78.9	78.0	77.2	77.5	77.7	78.1
10 Construction contracts (1982 = 100)[3]	166.7	172.9	154.1[r]	147.0	146.0	130.0	132.0	133.0	128.0	145.0	138.0	133.0
11 Nonagricultural employment, total[4]	128.0	131.5	133.8	133.4	133.1	132.9	132.7	132.4	132.1	131.9	132.0	131.9
12 Goods-producing, total	103.4	104.0	102.7	101.5	100.6	100.1	99.3	98.7	98.1	97.7	97.9	97.6
13 *Manufacturing, total*	98.3	98.7	96.8	96.4	95.5	95.2	94.8	94.1	93.7	93.4	93.6	93.3
14 Manufacturing, production worker	93.5	93.8	91.5	91.0	89.9	89.6	89.1	88.3	87.9	87.7	87.9	87.7
15 Service-producing	138.3	142.9	146.8	146.7	146.7	146.7	146.6	146.4	146.3	146.1	146.3	146.3
16 Personal income, total	253.2	272.7	289.0	292.1	293.4	295.1	293.9	294.5	295.5[r]	295.8	297.3	n.a.
17 Wages and salary disbursements	244.6	258.9	272.2	274.8	274.8	277.1	275.8[r]	275.9[r]	276.2[r]	276.7	278.3	n.a.
18 Manufacturing	196.5	203.1	205.0	206.0	202.9	205.4	202.5[r]	200.9	200.2[r]	201.2	202.6	n.a.
19 Disposable personal income[5]	252.2	270.1	286.1	288.7	290.1	291.6	290.6[r]	291.4[r]	292.6[r]	292.8	294.4	n.a.
20 Retail sales[6]	228.2	241.7	251.0	253.5	254.3	249.4	246.2	251.6	252.3	251.4	253.4	253.0
Prices[7]												
21 Consumer (1982–84 = 100)	118.3	124.0	130.7	133.5	133.8	133.8	134.6	134.8	135.0	135.2	135.6	136.0
22 Producer finished goods (1982 = 100)	108.0	113.6	119.2	122.3	122.9	122.0	122.3	121.4[r]	120.6	120.9	121.7	121.9

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision" in the *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratios of indexes of production to indexes of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill Economics Department, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on U.S. Bureau of 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 latest month are preliminary and the earlier three months have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1988	1989	1990	1990		1991					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**186,837**	**188,601**	**190,216**	**190,854**	**190,999**	**191,116**	**191,248**	**191,384**	**191,525**	**191,664**	**191,805**
2 Labor force (including Armed Forces)[1]	123,893	126,077	126,954	126,880	127,307	126,777	127,209	127,467	127,817	127,374	127,766
3 Civilian labor force	121,669	123,869	124,787	124,723	125,174	124,638	125,076	125,326	125,672	125,232	125,629
Employment											
4 Nonagricultural industries[2]	111,800	114,142	114,728	114,201	114,321	113,759	113,696	113,656	114,243	113,319	113,576
5 Agriculture	3,169	3,199	3,186	3,185	3,253	3,163	3,222	3,098	3,156	3,272	3,308
Unemployment											
6 Number	6,701	6,528	6,874	7,337	7,600	7,715	8,158	8,572	8,274	8,640	8,745
7 Rate (percent of civilian labor force)	5.5	5.3	5.5	5.9	6.1	6.2	6.5	6.8	6.6	6.9	7.0
8 Not in labor force	62,944	62,524	63,262	63,974	63,692	64,339	64,039	63,917	63,708	64,290	64,039
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**105,536**	**108,413**	**110,330**	**109,761**	**109,621**	**109,418**	**109,160**	**108,902**	**108,736^{r}**	**108,855^{r}**	**108,805**
10 Manufacturing	19,350	19,426	19,064	18,807	18,749	18,671	18,532	18,443	18,396^{r}	18,418^{r}	18,359
11 Mining	713	700	735	712	715	713	715	714	710^{r}	705	702
12 Contract construction	5,110	5,200	5,205	4,962	4,911	4,797	4,792	4,720	4,688^{r}	4,710^{r}	4,701
13 Transportation and public utilities	5,527	5,648	5,838	5,852	5,867	5,866	5,834	5,824	5,814^{r}	5,814^{r}	5,814
14 Trade	25,132	25,851	26,151	25,808	25,745	25,680	25,583	25,483	25,410^{r}	25,420^{r}	25,391
15 Finance	6,649	6,724	6,833	6,740	6,733	6,736	6,732	6,735	6,718	6,709^{r}	6,701
16 Service	25,669	27,096	28,209	28,525	28,548	28,590	28,583	28,576	28,576^{r}	28,637^{r}	28,706
17 Government	17,386	17,769	18,295	18,355	18,353	18,365	18,389	18,407	18,424^{r}	18,442^{r}	18,431

1. Persons sixteen years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the twelfth 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 twelfth 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[1]

Seasonally adjusted

Series	Output (1987 = 100) 1990 Q3	1990 Q4	1991 Q1[r]	1991 Q2	Capacity (percent of 1987 output) 1990 Q3	1990 Q4	1991 Q1	1991 Q2	Utilization rate (percent) 1990 Q3	1990 Q4	1991 Q1[r]	1991 Q2
1 **Total industry**	**110.5**	**108.5**	**105.8**	**106.2**	**131.9**	**132.8**	**133.6**	**134.5**	**83.7**	**81.7**	**79.2**	**79.0**
2 Manufacturing	111.1	109.0	106.1	106.5	134.0	135.0	136.0	136.9	82.9	80.8	78.0	77.8
3 Primary processing	107.6	104.7	100.6	100.7	125.5	126.1	126.8	127.5	85.8	83.0	79.4	79.0
4 Advanced processing	112.8	111.0	108.6	109.2	138.0	139.1	140.2	141.3	81.7	79.8	77.5	77.3
5 Durable	113.6	110.0	106.1	106.7	138.0	139.0	139.9	140.9	82.3	79.1	75.8	75.7
6 Lumber and products	101.5	95.7	92.3	93.6	124.0	124.6	125.0	125.2	81.8	76.8	73.9	74.7
7 Primary metals	112.2	107.3	97.9	96.4	127.7	127.9	128.2	128.6	87.9	83.9	76.4	75.0
8 Iron and steel	114.3	110.0	96.3	93.9	132.5	132.7	133.0	133.5	86.3	82.9	72.4	70.3
9 Nonferrous	109.2	103.4	100.2	100.0	120.9	121.1	121.3	121.5	90.3	85.3	82.6	82.3
10 Nonelectrical machinery	128.5	126.4	124.4	123.4	154.7	156.3	157.9	159.5	83.1	80.8	78.8	77.4
11 Electrical machinery	112.4	109.9	108.1	110.2	140.0	141.4	142.7	144.0	80.3	77.8	75.8	76.6
12 Motor vehicles and parts	103.7	89.4	80.8	89.5	132.7	132.9	133.4	134.2	78.2	67.2	60.5	66.7
13 Aerospace and miscellaneous transportation equipment	114.5	113.3	109.9	106.6	135.2	136.1	137.0	137.9	84.7	83.3	80.2	77.3
14 Nondurable	108.1	107.8	106.1	106.2	128.9	129.9	130.9	131.9	83.8	83.0	81.0	80.5
15 Textile mill products	101.3	98.2	94.6	99.0	116.6	117.0	117.3	117.7	86.9	84.0	80.6	84.1
16 Paper and products	107.2	105.8	102.6	101.7	115.1	115.7	116.4	117.1	93.2	91.4	88.2	86.8
17 Chemicals and products	110.8	110.2	109.1	109.1	135.9	137.1	138.4	139.7	81.5	80.4	78.8	78.1
18 Plastics materials	117.2	118.1	113.2	111.7	130.6	132.9	135.7	139.2	89.7	88.9	83.4	80.3
19 Petroleum products	110.0	107.4	107.3	107.3	121.3	121.4	121.4	121.4	90.7	88.5	88.4	88.4
20 Mining	103.4	103.1	102.0	101.1	114.5	114.0	113.8	114.3	90.3	90.4	89.6	88.4
21 Utilities	110.5	108.3	106.2	108.2	127.1	127.6	128.1	128.4	86.9	84.8	82.9	84.3
22 Electric	112.9	111.2	109.3	113.1	122.6	123.2	123.8	124.3	92.1	90.2	88.3	91.0

Series	Capacity utilization rate (percent) Previous cycle High	Previous cycle Low	Latest cycle High	Latest cycle Low	1990 June	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.[r]	1991 Apr.[r]	1991 May[r]	1991 June[p]
23 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**83.8**	**81.6**	**80.6**	**80.0**	**79.1**	**78.4**	**78.6**	**79.0**	**79.3**
24 Manufacturing	88.9	70.8	87.3	70.0	83.1	80.7	79.4	78.9	78.0	77.2	77.5	77.7	78.1
25 Primary processing	92.2	68.9	89.7	66.8	85.6	83.2	81.5	80.6	79.5	77.9	78.3	78.8	79.8
26 Advanced processing	87.5	72.0	86.3	71.4	82.0	79.6	78.5	78.2	77.4	76.8	77.2	77.2	77.4
27 Durable	88.8	68.5	86.9	65.0	82.5	79.1	77.2	76.8	75.8	74.9	75.4	75.6	76.1
28 Lumber and products	90.1	62.2	87.6	60.9	82.5	76.6	74.9	75.4	73.2	72.9	74.0	74.3	75.9
29 Primary metals	100.6	66.2	102.4	46.8	85.9	85.3	81.4	77.8	77.6	73.8	73.6	75.1	76.3
30 Iron and steel	105.8	66.6	110.4	38.3	83.4	84.8	80.8	74.5	73.7	69.1	68.7	70.4	71.7
31 Nonferrous	92.9	61.3	90.5	62.2	89.7	85.9	82.3	83.0	83.7	81.1	81.2	82.3	83.5
32 Nonelectrical machinery	96.4	74.5	92.1	64.9	83.0	80.8	79.5	79.8	78.8	77.7	77.7	77.3	77.1
33 Electrical machinery	87.8	63.8	89.4	71.1	81.1	78.1	76.6	75.7	75.8	75.9	76.4	76.6	76.7
34 Motor vehicles and parts	93.4	51.1	93.0	44.5	81.5	64.5	59.0	62.3	59.5	59.7	64.3	66.9	68.9
35 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	84.5	83.1	82.8	81.1	80.3	79.3	78.1	77.0	76.9
36 Nondurable	87.9	71.8	87.0	76.9	83.9	82.9	82.4	81.8	81.0	80.3	80.4	80.5	80.7
37 Textile mill products	92.0	60.4	91.7	73.8	89.0	83.3	82.1	80.2	80.4	81.3	82.7	84.4	85.2
38 Paper and products	96.9	69.0	94.2	82.0	90.9	90.9	91.0	89.8	87.9	86.8	86.7	86.3	87.5
39 Chemicals and products	87.9	69.9	85.1	70.1	81.7	80.2	79.9	79.8	78.8	77.9	78.0	77.9	78.3
40 Plastics materials	102.0	50.6	90.9	63.4	90.0	90.2	86.5	86.2	85.0	79.0	80.5	80.6	79.7
41 Petroleum products	96.7	81.1	89.5	68.2	87.8	88.9	87.0	86.2	89.6	89.4	87.1	88.2	89.8
42 Mining	94.4	88.4	96.6	80.6	89.0	90.6	90.8	89.5	90.4	89.0	88.3	87.9	89.1
43 Utilities	95.6	82.5	88.3	76.2	86.6	83.8	85.1	84.1	81.6	83.0	82.3	85.5	84.9
44 Electric	99.0	82.7	88.3	78.7	92.6	88.9	90.6	89.3	87.0	88.6	88.5	92.6	91.9

1. These data also appear in the Board's G.17 (419) release. For address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pages 411–35.

2. Monthly high 1973; monthly low 1975.

3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

	Groups	1987 proportion	1990 avg.	1990							1991					
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.[r]	May[r]	June[p]
				Index (1987 = 100)												
	MAJOR MARKET															
1	**Total index**	**100.0**	**109.2**	**110.1**	**110.4**	**110.5**	**110.6**	**109.9**	**108.3**	**107.2**	**106.6**	**105.7**	**105.0**	**105.5**	**106.2**	**106.9**
2	Products	60.8	110.1	110.9	110.9	110.9	111.4	111.0	109.3	108.4	107.8	106.9	106.5	106.9	107.4	108.0
3	Final products	46.0	110.9	111.7	111.7	111.9	112.6	112.3	110.2	109.2	109.1	108.3	108.1	108.7	109.2	109.6
4	Consumer goods, total	26.0	107.3	107.8	107.5	107.8	108.7	108.6	106.5	105.7	105.6	104.7	104.7	105.5	106.4	107.0
5	Durable consumer goods	5.6	106.2	112.1	108.3	107.4	110.4	106.9	99.4	96.0	97.6	95.2	95.9	99.2	100.8	102.9
6	Automotive products	2.5	102.3	112.2	106.7	104.6	111.8	107.1	93.5	86.7	90.6	88.1	88.9	94.2	96.9	98.9
7	Autos and trucks	1.5	97.4	112.9	104.8	101.5	113.0	107.5	84.2	74.6	79.6	74.7	76.7	85.0	89.2	92.5
8	Autos, consumer	.9	92.2	103.8	98.0	97.2	111.5	104.6	80.7	77.2	83.2	78.6	76.3	78.3	81.9	83.8
9	Trucks, consumer	.6	106.1	128.3	116.1	108.8	115.4	112.2	90.2	70.2	73.6	68.1	77.4	96.3	101.6	107.1
10	Auto parts and allied goods	1.0	109.6	111.2	109.5	109.3	110.0	106.4	107.3	104.8	107.1	108.3	107.3	108.0	108.5	108.6
11	Other	3.1	109.4	112.0	109.5	109.6	109.3	106.8	104.1	103.4	103.2	100.7	101.4	103.1	103.8	106.0
12	Appliances, A/C, and TV	.8	102.0	107.5	100.2	101.9	101.0	94.6	90.8	89.9	92.8	94.5	96.2	97.3	96.7	102.7
13	Carpeting and furniture	.9	104.9	107.8	106.0	104.9	106.0	103.8	99.2	100.9	100.3	92.0	93.9	97.0	97.1	98.4
14	Miscellaneous home goods	1.4	116.4	117.2	116.9	116.8	116.1	115.5	114.6	112.5	110.8	109.8	109.2	110.3	112.0	112.7
15	Nondurable consumer goods	20.4	107.6	106.6	107.3	107.9	108.2	109.1	108.5	108.4	107.8	107.3	107.1	107.2	108.0	108.2
16	Foods and tobacco	9.1	105.9	104.4	105.1	105.7	105.3	106.7	107.8	107.5	106.3	105.9	105.4	105.5	106.0	105.9
17	Clothing	2.6	95.7	95.7	95.6	94.6	95.3	94.2	91.7	92.1	90.6	90.8	90.4	90.6	92.2	93.0
18	Chemical products	3.5	113.3	112.8	112.4	114.3	115.1	115.9	113.5	113.5	114.7	114.8	114.2	114.7	114.6	115.4
19	Paper products	2.5	119.7	118.3	120.3	119.3	121.9	123.4	122.8	122.7	122.1	121.0	122.2	122.8	121.4	121.9
20	Energy	2.7	105.9	105.3	106.7	109.0	108.0	108.8	106.4	106.6	106.5	105.2	105.5	104.4	108.5	108.0
21	Fuels	.7	102.9	102.6	104.6	106.0	105.6	104.0	101.1	98.1	99.8	103.4	104.3	101.4	103.3	104.1
22	Residential utilities	2.0	107.0	106.3	107.5	110.0	108.9	110.6	108.4	109.7	109.0	105.9	105.9	105.5	110.4	109.4
23	Equipment, total	20.0	115.5	116.8	117.2	117.2	117.8	117.0	115.1	113.6	113.6	112.9	112.5	112.9	112.7	112.9
24	Business equipment	13.9	123.1	124.4	125.0	125.4	126.4	125.4	122.9	121.2	121.6	120.6	120.3	121.4	121.7	121.9
25	Information processing and related	5.6	127.2	126.3	128.0	128.5	129.5	130.1	128.8	127.5	130.1	131.6	131.2	131.5	131.9	131.3
26	Office and computing	1.9	149.8	150.6	152.7	152.2	153.6	155.3	149.8	148.9	155.0	157.3	155.1	155.6	156.0	155.9
27	Industrial	4.0	115.3	116.0	117.2	117.9	117.4	115.4	115.3	112.3	111.5	109.1	109.5	109.6	108.8	108.9
28	Transit	2.5	129.9	137.4	135.5	135.4	140.5	137.5	126.3	123.4	124.0	120.3	120.4	124.4	126.2	128.3
29	Autos and trucks	1.2	96.8	112.2	103.1	101.5	111.0	106.5	83.9	75.3	79.8	75.0	76.7	84.4	87.9	90.8
30	Other	1.9	118.5	119.9	119.2	119.8	118.5	117.0	117.6	118.5	115.0	112.5	110.8	112.7	112.9	113.6
31	Defense and space equipment	5.4	97.3	97.6	97.8	97.7	97.3	97.3	96.2	95.8	94.4	94.5	93.9	92.5	91.6	91.3
32	Oil and gas well drilling	.6	109.0	119.5	116.2	106.9	107.4	107.1	109.7	107.3	106.4	108.2	107.7	105.1	101.3	103.0
33	Manufactured homes	.2	90.8	92.8	90.0	93.4	91.8	89.0	87.3	83.4	83.1	77.3	79.3	83.1	86.6	83.4
34	Intermediate products, total	14.7	107.7	108.3	108.4	107.9	107.4	107.0	106.2	106.0	103.8	102.6	101.3	101.3	102.0	103.1
35	Construction supplies	6.0	105.2	106.0	106.7	105.3	103.8	103.1	101.8	101.0	97.7	96.4	94.0	94.9	95.3	97.0
36	Business supplies	8.7	109.4	109.8	109.5	109.7	109.9	109.7	109.2	109.4	108.1	106.8	106.4	105.7	106.7	107.3
37	Materials, total	39.2	107.8	108.8	109.6	109.7	109.4	108.3	106.8	105.3	104.8	103.9	102.6	103.3	104.2	105.2
38	Durable goods materials	19.4	111.8	113.8	114.0	114.9	114.1	112.5	110.4	107.5	106.8	105.5	103.3	104.7	105.7	106.7
39	Durable consumer parts	4.2	104.0	108.5	108.1	110.4	109.0	106.0	98.5	91.1	94.2	90.4	87.5	91.9	95.1	97.6
40	Equipment parts	7.3	118.1	119.1	119.2	119.4	119.8	118.6	117.4	116.9	115.9	116.2	114.8	114.5	114.7	114.6
41	Other	7.9	110.2	111.8	112.4	113.1	111.6	110.4	110.2	107.4	105.2	103.8	101.0	102.5	103.1	104.3
42	Basic metal materials	2.8	111.9	113.6	115.5	116.3	115.8	112.0	112.7	109.6	104.6	104.8	101.2	101.3	102.4	104.5
43	Nondurable goods materials	9.0	106.0	106.1	107.8	106.8	106.9	106.5	105.6	104.9	104.9	103.6	102.8	103.1	103.5	104.5
44	Textile materials	1.2	96.7	99.4	100.2	97.8	98.1	97.9	95.1	91.4	89.1	91.5	92.7	94.6	96.4	97.2
45	Pulp and paper materials	1.9	106.4	104.8	109.0	106.9	109.4	108.6	107.2	108.5	106.0	104.1	102.4	102.0	101.1	103.8
46	Chemical materials	3.8	106.8	107.3	108.5	108.0	106.6	105.6	105.8	105.7	106.7	104.1	102.7	102.9	103.1	104.2
47	Other	2.1	109.5	108.8	109.9	109.3	110.1	110.8	109.4	107.6	109.3	108.8	108.8	109.2	110.1	109.8
48	Energy materials	10.9	102.1	102.1	103.3	103.0	103.0	102.3	101.6	102.0	101.1	101.1	101.3	101.0	102.2	103.1
49	Primary energy	7.2	101.3	101.2	103.3	102.1	101.0	100.7	101.4	101.9	101.3	102.1	101.5	100.5	101.4	102.9
50	Converted fuel materials	3.7	103.5	103.9	103.4	104.9	107.0	105.3	102.0	102.1	100.9	99.2	100.8	101.9	103.9	103.5
	SPECIAL AGGREGATES															
51	Total excluding autos and trucks	97.3	109.5	110.0	110.6	110.7	110.6	110.0	109.0	108.1	107.4	106.6	105.7	106.1	106.7	107.3
52	Total excluding motor vehicles and parts	95.3	109.8	110.2	110.8	110.9	110.7	110.2	109.4	108.6	107.8	107.0	106.2	106.4	107.0	107.6
53	Total excluding office and computing machines	97.5	108.2	109.1	109.3	109.4	109.5	108.8	107.3	106.1	105.4	104.4	103.7	104.2	104.9	105.7
54	Consumer goods excluding autos and trucks	24.5	107.9	107.5	107.6	108.2	108.4	108.7	107.9	107.6	107.2	106.5	106.4	106.7	107.5	107.9
55	Consumer goods excluding energy	23.3	107.5	108.1	107.6	107.7	108.7	108.6	106.5	105.6	105.5	104.7	104.6	105.6	106.2	106.9
56	Business equipment excluding autos and trucks	12.7	125.6	125.6	127.2	127.8	128.0	127.2	126.8	125.6	125.7	125.0	124.5	125.0	125.0	125.0
57	Business equipment excluding office and computing equipment	12.0	118.7	120.2	120.5	121.1	122.0	120.6	118.6	116.7	116.2	114.6	114.6	115.9	116.1	116.4
58	Materials excluding energy	28.4	110.0	111.4	112.1	112.3	111.8	110.6	108.9	106.6	106.2	104.9	103.1	104.2	105.0	106.0

2.13—Continued

Groups	SIC code	1987 pro-portion	1990 avg.	1990 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1991 Jan.	Feb.	Mar.r	Apr.r	May r	June p
				Index (1987 = 100)												
MAJOR INDUSTRY																
1 **Total index**		**100.0**	**109.2**	**110.1**	**110.4**	**110.5**	**110.6**	**109.9**	**108.3**	**107.2**	**106.6**	**105.7**	**105.0**	**105.5**	**106.2**	**106.9**
2 Manufacturing		84.4	109.9	110.8	111.1	111.1	111.2	110.7	108.9	107.5	107.0	106.1	105.2	105.9	106.4	107.1
3 Primary processing		26.7	106.3	107.0	107.9	108.0	106.9	106.2	104.9	102.9	102.0	100.8	99.0	99.6	100.5	101.9
4 Advanced processing		57.7	111.6	112.6	112.5	112.5	113.2	112.8	110.8	109.5	109.3	108.5	108.0	108.8	109.1	109.6
5 Durable		47.3	111.6	113.4	113.4	113.5	113.8	112.5	109.9	107.5	107.2	106.1	105.0	106.0	106.6	107.4
6 Lumber and products	24	2.0	101.6	102.0	103.6	100.5	100.3	98.2	95.5	93.5	94.2	91.5	91.2	92.5	93.0	95.1
7 Furniture and fixtures	25	1.4	105.9	108.7	108.0	106.7	106.9	104.4	102.3	102.0	99.0	94.9	95.4	98.3	98.6	99.8
8 Clay, glass, and stone products	32	2.5	105.7	106.1	106.0	106.6	104.5	104.4	103.8	100.7	97.2	98.9	94.4	94.8	94.5	96.1
9 Primary metals	33	3.3	108.4	109.5	110.3	114.6	111.6	108.6	109.1	104.2	99.7	99.5	94.7	94.5	96.5	98.2
10 Iron and steel	331,2	1.9	109.9	110.3	110.6	118.3	113.9	110.3	112.6	107.3	99.0	98.0	92.0	91.6	94.0	95.9
11 Raw steel		.1	109.6	111.8	113.9	118.5	111.6	112.8	109.5	100.6	104.7	97.9	89.8	91.0	88.9	95.0
12 Nonferrous	333–6,9	1.4	106.2	108.3	109.8	109.4	108.4	106.2	104.1	99.8	100.6	101.6	98.4	98.6	100.0	101.5
13 Fabricated metal products	34	5.4	105.9	106.7	107.7	107.9	106.8	106.4	104.3	101.9	101.7	99.1	97.8	98.1	99.3	100.7
14 Nonelectrical machinery	35	8.6	126.5	127.5	128.3	128.8	128.5	128.1	126.3	124.7	125.5	124.5	123.1	123.5	123.3	123.4
15 Office and computing machines	357	2.5	149.8	150.6	152.7	152.2	153.6	155.3	149.8	148.9	155.0	157.3	155.1	155.6	156.0	155.9
16 Electrical machinery	36	8.6	111.4	112.8	112.2	112.5	112.5	110.8	110.4	108.7	107.6	108.2	108.6	109.6	110.3	110.8
17 Transportation equipment	37	9.8	105.5	111.0	109.3	107.9	111.1	109.2	100.1	96.6	97.6	95.5	95.0	97.3	98.3	99.7
18 Motor vehicles and parts	371	4.7	96.8	108.0	102.7	101.0	107.5	103.8	85.8	78.5	83.0	79.4	79.8	86.2	89.7	92.5
19 Autos and light trucks		2.3	96.6	111.6	103.8	100.9	112.8	107.1	83.7	74.9	80.1	75.3	76.6	84.0	88.2	91.2
20 Aerospace and miscellaneous transportation equipment	372–6,9	5.1	113.3	113.8	115.2	114.1	114.2	114.0	113.1	112.9	110.8	110.0	108.8	107.4	106.1	106.2
21 Instruments	38	3.3	116.8	115.0	116.9	117.5	118.4	118.1	118.1	117.3	119.0	119.3	118.4	118.6	118.1	117.8
22 Miscellaneous manufacturers	39	1.2	120.0	119.6	120.4	121.8	121.3	121.5	122.5	119.1	116.1	114.6	115.3	117.4	118.2	118.8
23 Nondurable		37.2	107.8	107.6	108.1	108.1	108.0	108.4	107.7	107.4	106.8	106.0	105.4	105.8	106.2	106.8
24 Foods	20	8.8	107.6	106.1	107.1	107.7	107.6	108.8	109.6	109.1	108.3	107.6	107.4	107.5	107.8	107.7
25 Tobacco products	21	1.0	98.6	95.6	98.5	96.3	96.4	97.8	99.0	101.1	100.0	100.1	98.2	98.2	98.0	98.0
26 Textile mill products	22	1.8	100.8	103.6	102.9	100.4	100.7	101.2	97.4	96.1	94.0	94.3	95.4	97.2	99.4	100.4
27 Apparel products	23	2.4	98.8	99.3	99.2	98.8	98.4	97.2	95.5	94.9	92.9	93.1	92.5	93.2	95.2	95.6
28 Paper and products	26	3.6	105.3	104.2	107.8	106.5	107.5	106.8	105.1	105.4	104.2	102.2	101.3	101.3	101.1	102.7
29 Printing and publishing	27	6.4	111.9	112.0	111.4	110.9	111.6	112.9	112.4	112.8	112.1	110.9	110.4	110.7	110.1	110.3
30 Chemicals and products	28	8.6	110.3	110.3	110.4	111.1	110.9	110.7	110.0	109.9	110.1	109.1	108.2	108.7	108.9	109.8
31 Petroleum products	29	1.3	108.2	106.5	110.5	110.2	109.3	108.6	107.8	105.6	104.7	108.8	108.5	105.7	107.1	109.0
32 Rubber and plastic products	30	3.0	110.2	112.8	110.9	112.0	110.3	110.6	109.6	106.9	108.8	106.1	104.4	106.6	107.9	108.9
33 Leather and products	31	.3	100.0	102.0	102.5	99.6	100.3	95.3	89.9	92.6	89.6	90.8	91.5	90.0	89.3	90.2
34 Mining		7.9	102.6	102.2	104.0	102.4	103.9	102.6	103.3	103.4	101.7	102.9	101.5	100.8	100.5	102.0
35 Metal	10	.3	153.1	156.7	164.8	155.7	163.6	146.8	153.4	162.0	143.1	148.0	147.6	143.5	144.1	144.7
36 Coal	11,12	1.2	113.2	113.5	118.5	110.2	116.8	114.7	112.9	110.6	108.4	112.8	109.9	105.9	103.4	109.6
37 Oil and gas extraction	13	5.7	95.5	94.6	95.5	95.8	95.8	95.8	97.3	96.7	96.0	97.2	96.4	96.6	96.4	97.0
38 Stone and earth minerals	14	.7	119.5	121.1	121.8	120.1	121.7	118.0	113.5	118.9	119.2	112.0	108.0	107.0	109.6	110.9
39 Utilities		7.6	108.0	109.7	109.7	111.4	110.3	109.2	106.9	108.8	107.6	104.6	106.4	105.7	109.8	109.2
40 Electric	491,3PT	6.0	110.8	113.1	112.1	113.6	112.9	112.1	109.6	111.8	110.4	107.8	109.8	109.8	115.1	114.4
41 Gas	492,3PT	1.6	97.3	97.4	100.7	103.3	100.9	98.1	97.0	97.6	97.5	92.8	93.6	90.4	90.1	90.1
SPECIAL AGGREGATES																
42 Manufacturing excluding motor vehicles and parts		79.8	110.7	111.0	111.6	111.7	111.4	111.1	110.3	109.1	108.4	107.6	106.7	107.1	107.4	108.0
43 Manufacturing excluding office and computing machines		82.0	108.7	109.6	109.8	109.9	110.0	109.4	107.7	106.2	105.6	104.5	103.7	104.4	104.9	105.7
				Gross value (billions of 1982 dollars, annual rates)												
MAJOR MARKET																
44 **Products, total**		**1734.8**	**1,911.4**	**1,937.0**	**1,923.5**	**1,929.5**	**1,941.6**	**1,939.6**	**1,882.8**	**1,859.4**	**1,860.4**	**1,848.4**	**1,845.4**	**1,855.7**	**1,868.0**	**1,884.2**
45 Final		1350.9	1,497.7	1,523.4	1,508.7	1,516.3	1,529.1	1,523.7	1,470.8	1,450.8	1,459.6	1,452.8	1,455.6	1,466.9	1,476.5	1,485.1
46 Consumer goods		833.4	882.9	893.8	886.0	885.9	895.2	892.7	865.2	857.6	857.9	852.7	857.4	864.8	872.6	879.1
47 Equipment		517.5	614.8	629.6	622.7	630.4	633.9	631.0	605.6	593.2	601.7	600.1	598.2	602.0	603.9	606.0
48 Intermediate		384.0	413.7	413.6	414.9	413.1	412.5	415.9	412.0	408.7	400.8	395.6	389.8	388.8	391.4	399.0

1. These data also appear in the Board's G.17 (419) release. For requests see address inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2.14 HOUSING AND CONSTRUCTION

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

Item	1988	1989	1990	1990 Aug.	1990 Sept.	1990 Oct.	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.r	1991 Mar.r	1991 Apr.r	1991 May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,456	1,339	1,111	1,055	989	925	916	854	802	876	892	913	966
2 One-family	994	932	794	756	730	703	668	645	611	695	689	742	760
3 Two-or-more-family	462	407	317	299	259	222	248	209	191	181	203	171	206
4 Started	1,488	1,376	1,193	1,131	1,106	1,026	1,130	971	847	992	907	977	989
5 One-family	1,081	1,003	895	835	858	839	769	751	648	788	742	801	836
6 Two-or-more-family	407	373	298	296	248	187	361	220	199	204	165	176	153
7 Under construction, end of period[1]	919	850	711	815	790	766	756	744	717	709	680	673	665
8 One-family	570	535	449	517	503	497	486	478	461	457	442	443	446
9 Two-or-more-family	350	315	262	298	287	269	270	266	256	252	238	230	219
10 Completed	1,530	1,423	1,308	1,307	1,314	1,275	1,246	1,155	1,125	1,096	1,190	1,082	1,055
11 One-family	1,085	1,026	966	950	963	930	922	878	841	838	881	815	780
12 Two-or-more-family	445	396	342	357	351	345	324	277	284	258	309	267	275
13 Mobile homes shipped	218	198	188	193	184	186	181	167	168	157	157	175	174
Merchant builder activity in one-family units													
14 Number sold	675	650	535	525	504	465	480	464	414	488	491	490	474
15 Number for sale, end of period[1]	368	363	318	345	338	334	327	318	315	313	308	304	301
Price of units sold (thousands of dollars)[2]													
16 Median	113.3	120.4	122.3	118.4	113.0	120.0	118.9	127.0	117.9	119.9	122.9	120.0	121.9
17 Average	139.0	148.3	149.0	144.7	142.1	153.0	143.3	153.4	148.6	147.8	157.4	149.4	154.4
EXISTING UNITS (one-family)													
18 Number sold	3,594	3,439	3,316	3,410	3,160	3,070	3,150	3,130	2,900	3,160	3,220	3,310	3,540
Price of units sold (thousands of dollars)[2]													
19 Median	89.2	92.9	95.2	97.2	94.4	92.9	92.0	91.7	95.6	94.0	98.2	100.3	101.1
20 Average	112.5	118.0	118.3	120.7	116.8	115.9	115.6	114.1	123.0	119.7	125.2	128.9	130.6
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**432,222r**	**443,720r**	**446,433r**	**449,744r**	**437,161r**	**434,559r**	**431,407r**	**421,346r**	**406,502r**	**410,072**	**401,883**	**406,594**	**403,095**
22 Private	337,440r	345,416r	337,776r	336,936r	330,323r	324,054r	317,190r	311,349r	303,932r	300,495	293,262	298,370	293,825
23 Residential	198,101	196,551	182,856r	180,631r	175,415r	172,120r	168,031r	165,014r	161,793r	155,622	152,447	151,495	154,996
24 Nonresidential, total	139,339r	148,865r	154,920r	156,305r	154,908r	151,934r	149,159r	146,335r	142,139r	144,873	140,815	146,875	138,829
Buildings													
25 Industrial	16,451r	20,412r	23,849r	22,915r	22,544r	22,847r	22,481r	22,999r	22,433r	23,249	23,089	24,351	21,212
26 Commercial	64,025r	65,496r	62,866r	63,768r	62,660r	60,208r	57,764r	56,913r	53,848r	54,023	51,766	54,761	51,078
27 Other	19,038r	19,683r	21,591r	22,636r	22,705r	22,300r	22,121r	20,953r	20,621r	20,850	20,628	21,845	20,895
28 Public utilities and other	39,825r	43,274r	46,614r	46,986r	46,999r	46,579r	46,793r	45,470r	45,237r	46,751	45,332	45,918	45,644
29 Public	94,783r	98,303r	108,655r	112,808r	106,838r	110,505r	114,218r	109,997r	102,570r	109,577	108,621	108,224	109,271
30 Military	3,579	3,520	2,734r	2,867r	2,520r	1,958r	2,960r	1,868r	1,868r	1,723	1,866	1,828	1,939
31 Highway	29,227r	28,171r	30,595r	30,295r	29,781r	31,639r	34,304r	33,185r	25,560r	30,699	29,996	28,626	28,778
32 Conservation and development	4,739r	4,989r	4,718r	4,795r	3,439r	4,700r	4,901r	5,374r	6,434r	5,529	4,586	5,838	5,572
33 Other	57,238r	61,623r	70,608r	74,851r	71,098r	72,208r	72,053r	69,570r	68,708r	71,626	72,173	71,932	72,982

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 previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C–30–76–5), issued by the Bureau in July 1976.

SOURCE. 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 from 1978 to 1983, and 17,000 jurisdictions beginning in 1984.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level June 1991
	1990 June	1991 June	1990		1991		1991					
			Sept.	Dec.	Mar.	June	Feb.	Mar.	Apr.	May	June	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**4.7**	**4.7**	**8.2**	**4.9**	**2.4**	**3.0**	**.2**	**−.1**	**.2**	**.3**	**.2**	**136.0**
2 Food	5.6	3.9	4.6	3.9	2.4	5.1	−.2	.2	.7	.0	.5	137.2
3 Energy items	.5	4.0	44.2	18.0	−30.7	−1.2	−4.0	−2.6	−.7	1.4	−1.0	103.5
4 All items less food and energy	4.9	5.0	6.0	3.8	6.8	3.2	.7	.1	.2	.2	.4	141.5
5 Commodities	3.3	4.1	3.3	2.3	7.9	3.2	1.0	−.1	.2	.3	.2	128.3
6 Services	5.8	5.3	7.2	4.8	6.4	3.0	.6	.3	.1	.2	.4	149.1
PRODUCER PRICES (1982=100)												
7 Finished goods	3.1	3.5	11.3	5.1	−4.5	1.7	−.7[r]	−.5[r]	.2	.6	−.3	121.9
8 Consumer foods	4.7	1.0	2.3	1.3	.6	.0	.2[r]	.1[r]	.4	.2	−.6	125.4
9 Consumer energy	−3.7	16.0	118.7	21.1	−37.2	2.7	−5.3[r]	−3.9[r]	−.3	2.4	−1.4	78.4
10 Other consumer goods	3.8	3.5	3.5	3.4	5.3	1.5	.4	.2	.4	.2	−.2	133.3
11 Capital equipment	3.1	3.2	3.6	3.3	3.2	2.6	.2[r]	−.1[r]	−.2	.6	.3	126.4
12 Intermediate materials[3]	.3	1.3	13.4	4.2	−9.5	−1.4	−.9	−1.1	−.4	.1	.0	114.5
13 Excluding energy	.0	.7	4.0	2.3	−1.9	−1.3	−.1	−.4	−.2	−.1	.0	121.3
Crude materials												
14 Foods	3.5	−7.1	−7.8	−7.3	1.1	−13.5	.1[r]	1.3[r]	−1.0	−3.2	.7	107.4
15 Energy	−10.5	10.5	305.8	−18.8	−53.5	−2.6	−14.9[r]	−7.1[r]	.0	3.0	−3.5	76.7
16 Other	−.1	−8.0	5.9	−18.1	−3.0	−14.6	−.1[r]	−.9[r]	−.5	−.8	−2.6	126.8

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	1988	1989	1990	1990				1991
				Q1	Q2	Q3	Q4	Q1
GROSS NATIONAL PRODUCT								
1 **Total**	**4,873.7**	**5,200.8**	**5,465.1**	**5,375.4**	**5,443.3**	**5,514.6**	**5,527.3**	**5,557.7**
By source								
2 Personal consumption expenditures	3,238.2	3,450.1	3,657.3	3,588.1	3,622.7	3,693.4	3,724.9	3,742.8
3 Durable goods	457.5	474.6	480.3	492.1	478.4	482.3	468.5	455.3
4 Nondurable goods	1,060.0	1,130.0	1,193.7	1,174.7	1,179.0	1,205.0	1,216.0	1,212.7
5 Services	1,720.7	1,845.5	1,983.3	1,921.3	1,965.3	2,006.2	2,040.4	2,074.8
6 Gross private domestic investment	747.1	771.2	741.0	747.2	759.0	759.7	698.3	660.0
7 Fixed investment	720.8	742.9	746.1	758.9	745.6	750.7	729.2	694.1
8 Nonresidential	488.4	511.9	524.1	523.1	516.5	532.8	524.0	503.6
9 Structures	139.9	146.2	147.0	148.8	147.2	149.8	142.1	139.5
10 Producers' durable equipment	348.4	365.7	377.1	374.3	369.3	383.0	381.9	364.1
11 Residential structures	232.5	231.0	222.0	235.9	229.1	217.9	205.2	190.5
12 Change in business inventories	26.2	28.3	−5.0	−11.8	13.4	9.0	−30.8	−34.2
13 Nonfarm	29.8	23.3	−7.4	−17.0	13.0	6.8	−32.4	−37.1
14 Net exports of goods and services	−74.1	−46.1	−31.2	−30.0	−24.9	−41.3	−28.8	13.5
15 Exports	552.0	626.2	672.8	661.3	659.7	672.7	697.4	694.5
16 Imports	626.1	672.3	704.0	691.3	684.6	714.1	726.2	681.0
17 Government purchases of goods and services	962.5	1,025.6	1,098.1	1,070.1	1,086.4	1,102.8	1,132.9	1,141.5
18 Federal	380.3	400.0	424.0	410.6	421.9	425.8	437.6	443.8
19 State and local	582.3	625.6	674.1	659.6	664.6	677.0	695.3	697.7
By major type of product								
20 Final sales, total	4,847.5	5,172.5	5,470.2	5,387.2	5,429.9	5,505.6	5,558.2	5,591.9
21 Goods	1,908.9	2,044.4	2,148.3	2,122.8	2,133.1	2,161.4	2,175.9	2,170.2
22 Durable	840.3	894.7	939.0	941.4	930.1	943.4	941.2	918.5
23 Nondurable	1,068.6	1,149.7	1,209.3	1,181.4	1,203.0	1,218.0	1,234.7	1,251.7
24 Services	2,488.6	2,671.2	2,864.5	2,791.3	2,834.2	2,889.6	2,943.0	3,004.0
25 Structures	450.0	456.9	457.4	473.0	462.5	454.6	439.3	417.7
26 Change in business inventories	26.2	28.3	−5.0	−11.8	13.4	9.0	−30.8	−34.2
27 Durable goods	19.9	11.9	−11.1	−21.6	.0	9.8	−32.5	−42.2
28 Nondurable goods	6.4	16.4	6.0	9.8	13.4	−.8	1.7	8.0
MEMO								
29 **Total GNP in 1982 dollars**	**4,016.9**	**4,117.7**	**4,157.3**	**4,150.6**	**4,155.1**	**4,170.0**	**4,153.4**	**4,124.1**
NATIONAL INCOME								
30 **Total**	**3,984.9**	**4,223.3**	**4,418.4**	**4,350.3**	**4,411.3**	**4,452.4**	**4,459.7**	**4,456.4**
31 Compensation of employees	2,905.1	3,079.0	3,244.2	3,180.4	3,232.5	3,276.9	3,286.9	3,299.3
32 Wages and salaries	2,431.1	2,573.2	2,705.3	2,651.6	2,696.3	2,734.2	2,738.9	2,742.8
33 Government and government enterprises	446.6	476.6	508.0	497.1	505.7	511.3	518.1	529.8
34 Other	1,984.5	2,096.6	2,197.2	2,154.5	2,190.6	2,222.9	2,220.8	2,213.0
35 Supplement to wages and salaries	474.0	505.8	538.9	528.8	536.1	542.7	548.0	556.5
36 Employer contributions for social insurance	248.5	263.9	280.8	276.0	279.7	282.7	284.8	290.3
37 Other labor income	225.5	241.9	258.1	252.8	256.4	260.0	263.2	266.2
38 Proprietors' income[1]	354.2	379.3	402.5	404.0	401.7	397.9	406.2	404.4
39 Business and professional[1]	310.5	330.7	352.6	346.6	350.8	355.6	357.4	355.8
40 Farm[1]	43.7	48.6	49.9	57.4	51.0	42.4	48.8	48.5
41 Rental income of persons[2]	16.3	8.2	6.9	5.5	4.3	8.4	9.3	5.6
42 Corporate profits[1]	337.6	311.6	298.3	296.8	306.6	300.7	288.9	286.2
43 Profits before tax[3]	316.7	307.7	304.7	296.9	299.3	318.5	304.1	281.5
44 Inventory valuation adjustment	−27.0	−21.7	−11.4	−11.4	−.5	−19.8	−13.8	8.1
45 Capital consumption adjustment	47.8	25.5	4.9	11.3	7.7	2.0	−1.4	−3.5
46 Net interest	371.8	445.1	466.7	463.6	466.2	468.3	468.4	460.9

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

SOURCE. *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	1988	1989	1990	1990				1991
				Q1	Q2	Q3	Q4	Q1
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**4,070.8**	**4,384.3**	**4,645.5**	**4,562.8**	**4,622.2**	**4,678.5**	**4,718.5**	**4,735.8**
2 Wage and salary disbursements	2,431.1	2,573.2	2,705.3	2,651.6	2,696.3	2,734.2	2,738.9	2,742.8
3 Commodity-producing industries	696.4	720.6	729.3	724.6	731.1	735.3	726.0	713.0
4 Manufacturing	524.0	541.8	546.8	541.2	548.1	551.8	546.1	536.7
5 Distributive industries	572.0	604.7	637.2	627.0	637.3	642.7	641.9	639.7
6 *Service industries*	716.2	771.4	830.8	802.9	822.2	844.9	853.0	860.3
7 Government and government enterprises	446.6	476.6	508.0	497.1	505.7	511.3	518.1	529.8
8 Other labor income	225.5	241.9	258.1	252.8	256.4	260.0	263.2	266.2
9 Proprietors' income[1]	354.2	379.3	402.5	404.0	401.7	397.9	406.2	404.4
10 Business and professional[1]	310.5	330.7	352.6	346.6	350.8	355.6	357.4	355.8
11 Farm[1]	43.7	48.6	49.9	57.4	51.0	42.4	48.8	48.5
12 Rental income of persons[2]	16.3	8.2	6.9	5.5	4.3	8.4	9.3	5.6
13 Dividends	102.2	114.4	123.8	120.5	122.9	124.9	126.7	126.7
14 Personal interest income	547.9	643.2	680.4	670.5	678.0	685.3	687.9	682.0
15 Transfer payments	587.7	636.9	694.8	680.9	686.7	696.4	715.1	745.4
16 Old-age survivors, disability, and health insurance benefits	300.5	325.3	350.7	347.2	347.6	351.1	356.8	372.1
17 LESS: Personal contributions for social insurance	194.1	212.8	226.2	222.9	224.1	228.6	228.9	237.3
18 EQUALS: Personal income	4,070.8	4,384.3	4,645.5	4,562.8	4,622.2	4,678.5	4,718.5	4,735.8
19 LESS: Personal tax and nontax payments	591.6	658.8	699.4	675.1	696.5	709.5	716.6	714.6
20 EQUALS: Disposable personal income	3,479.2	3,725.5	3,946.1	3,887.7	3,925.7	3,969.1	4,001.9	4,021.3
21 LESS: Personal outlays	3,333.6	3,553.7	3,766.0	3,696.4	3,730.6	3,802.6	3,834.4	3,852.5
22 EQUALS: Personal saving	145.6	171.8	180.1	191.3	195.1	166.5	167.5	168.7
MEMO								
Per capita (1982 dollars)								
23 Gross national product	16,302.4	16,549.6	16,535.3	16,576.4	16,552.5	16,562.9	16,449.4	16,293.4
24 Personal consumption expenditures	10,578.3	10,678.0	10,665.8	10,692.4	10,671.4	10,711.5	10,588.7	10,523.7
25 Disposable personal income	11,368.0	11,531.0	11,509.0	11,586.0	11,564.0	11,511.0	11,376.0	11,307.0
26 Saving rate (percent)	4.2	4.6	4.6	4.9	5.0	4.2	4.2	4.2
GROSS SAVING								
27 **Gross saving**	**656.1**	**691.5**	**657.3**	**664.8**	**679.3**	**665.9**	**619.2**	**697.1**
28 Gross private saving	751.3	779.3	787.9	795.0	806.7	772.2	777.8	793.9
29 Personal saving	145.6	171.8	180.1	191.3	195.1	166.5	167.5	168.7
30 Undistributed corporate profits[1]	91.4	53.0	32.2	36.7	40.5	26.5	25.2	33.6
31 Corporate inventory valuation adjustment	−27.0	−21.7	−11.4	−11.4	−.5	−19.8	−13.8	8.1
Capital consumption allowances								
32 Corporate	322.1	346.4	363.0	356.7	359.7	365.5	370.3	375.6
33 Noncorporate	192.2	208.0	212.6	210.3	211.4	213.8	214.8	216.0
34 Government surplus, or deficit (−), national income and product accounts	−95.3	−87.8	−130.6	−130.2	−127.3	−106.4	−158.6	−96.8
35 Federal	−141.7	−134.3	−166.0	−168.3	−166.0	−145.7	−184.3	−126.9
36 State and local	46.5	46.4	35.4	38.1	38.6	39.3	25.7	30.0
37 **Gross investment**	**627.8**	**674.4**	**655.6**	**665.6**	**676.1**	**661.0**	**619.6**	**705.3**
38 Gross private domestic	747.1	771.2	741.0	747.2	759.0	759.7	698.3	660.0
39 Net foreign	−119.2	−96.8	−85.5	−81.6	−82.9	−98.7	−78.7	45.3
40 **Statistical discrepancy**	**−28.2**	**−17.0**	**−1.7**	**.7**	**−3.2**	**−4.9**	**.4**	**8.2**

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	1988	1989	1990	1990				1991
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−126,237	−106,304	−92,123	−22,667	−22,178	−23,881	−23,402	10,215
2 Not seasonally adjusted	....	....	....	−17,223	−20,653	−29,112	−25,136	15,395
3 Merchandise trade balance[2]	−126,986	−115,917	−108,115	−27,537	−24,090	−28,760	−27,728	−18,367
4 Merchandise exports	320,337	361,451	389,550	95,244	97,088	96,638	100,580	100,861
5 Merchandise imports	−447,323	−477,368	−497,665	−122,781	−121,178	−125,398	−128,308	−119,228
6 Military transactions, net	−5,743	−6,203	−7,219	−1,736	−1,558	−1,683	−2,243	−2,182
7 Investment income, net	5,353	2,689	11,945	3,002	7	2,802	6,133	4,652
8 Other service transactions, net	16,082	28,618	33,595	7,636	8,156	8,086	9,716	9,173
9 Remittances, pensions, and other transfers	−4,437	−4,420	−4,843	−1,218	−1,123	−1,302	−1,201	−1,295
10 U.S. government grants (excluding military)	−10,506	−11,071	−17,486	−2,814	−3,570	−3,024	−8,079	18,234
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	2,966	1,320	2,976	−669	−800	−314	4,759	1,581
12 Change in U.S. official reserve assets (increase, −)	−3,912	−25,293	−2,158	−3,177	371	1,739	−1,092	−353
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	127	−535	−192	−247	−216	363	−93	31
15 Reserve position in International Monetary Fund	1,025	471	731	234	493	8	−4	−341
16 Foreign currencies	−5,064	−25,229	−2,697	−3,164	94	1,368	−995	−43
17 Change in U.S. private assets abroad (increase, −)	−85,112	−104,637	−58,524	40,993	−33,033	−28,114	−38,370	5,953
18 Bank-reported claims[3]	−56,322	−51,255	5,333	57,085	−17,255	−9,984	−24,513	23,900
19 Nonbank-reported claims	−3,064	2,581	−1,944	1,649	−1,760	676	−2,509	....
20 U.S. purchase of foreign securities, net	−7,846	−22,575	−28,476	−8,756	−11,160	−1,014	−7,546	−9,426
21 U.S. direct investments abroad, net	−17,880	−33,388	−33,437	−8,985	−2,858	−17,792	−3,802	−8,521
22 Change in foreign official assets in United States (increase, +)	39,657	8,624	32,425	−7,022	5,805	13,341	20,301	6,534
23 U.S. Treasury securities	41,741	149	28,643	−5,786	2,461	11,849	20,119	2,220
24 Other U.S. government obligations	1,309	1,383	667	−521	346	134	708	−29
25 Other U.S. government liabilities[4]	−568	281	1,703	−292	1,141	−248	1,102	987
26 Other U.S. liabilities reported by U.S. banks[3]	−319	4,976	2,998	−297	2,131	1,871	−707	2,590
27 Other foreign official assets[5]	−2,506	1,835	−1,586	−126	−274	−265	−921	766
28 Change in foreign private assets in United States (increase, +)	181,877	207,925	53,879	−26,059	25,452	35,754	18,732	−8,458
29 U.S. bank-reported liabilities[3]	70,235	63,382	9,975	−43,234	8,980	26,968	17,261	−19,419
30 U.S. nonbank-reported liabilities	5,626	5,454	3,779	660	699	4,260	−1,840	....
31 Foreign private purchases of U.S. Treasury securities, net	20,239	29,618	1,131	−1,151	4,287	24	−2,029	3,910
32 Foreign purchases of other U.S. securities, net	26,353	38,920	1,781	1,397	2,140	−2,558	802	5,026
33 Foreign direct investments in United States, net	59,424	70,551	37,213	16,269	9,346	7,060	4,538	2,025
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	−9,240	18,366	63,526	18,601	24,383	1,475	19,072	−15,472
36 Owing to seasonal adjustments	....	....	....	4,367	105	−6,473	2,007	4,135
37 Statistical discrepancy in recorded data before seasonal adjustment	−9,240	18,366	63,526	14,235	24,278	7,948	17,066	−19,607
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,912	−25,293	−2,158	−3,177	371	1,739	−1,092	−353
39 Foreign official assets in United States excluding line 25 (increase, +)	40,225	8,343	30,722	−6,730	4,664	13,589	19,199	5,547
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−2,996	10,738	2,163	3,094	193	−1,699	575	1,109

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts (IA) basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; exports, F.A.S. value; imports, Customs value; monthly data are seasonally adjusted.

Item	1988	1989	1990	1990		1991				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[p]
1 Exports of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	322,426	363,812	393,592	33,586	33,570	34,144	33,599	34,031	35,632	35,304
2 General imports including merchandise for immediate consumption plus entries into bonded warehouses	440,952	473,211	495,311	43,123	39,895	41,520	39,103	38,100	40,139	39,878
3 **Trade balance**	**−118,526**	**−109,399**	**−101,718**	**−9,536**	**−6,325**	**−7,376**	**−5,504**	**−4,070**	**−4,507**	**−4,574**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, because of coverage and timing. On the *export side*, the largest 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 forty-five days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

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	1987	1988	1989	1990	1991					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**45,798**	**47,802**	**74,609**	**83,316**	**85,006**	**82,797**	**78,297**	**78,297**	**78,263**	**74,940**
2 Gold stock, including Exchange Stabilization Fund[1]	11,078	11,057	11,059	11,058	11,058	11,058	11,058	11,058	11,057	11,062
3 Special drawing rights[2,3]	10,283	9,637	9,951	10,989	10,922	10,958	10,368	10,325	10,515	10,309
4 Reserve position in International Monetary Fund[2]	11,349	9,745	9,048	9,076	9,468	9,556	8,910	8,806	8,854	8,629
5 Foreign currencies[4]	13,088	17,363	44,551	52,193	53,558	51,225	47,666	48,108	47,837	44,940

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 International Monetary Fund (IMF) adopted a technique for valuing the special drawing right (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 positions 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	1987	1988	1989	1990	1991					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 Deposits	244	347	589	369	271	329	228	292	196	223
Assets held in custody										
2 U.S. Treasury securities[2]	195,126	232,547	224,911	278,499	286,722	286,471	272,505	271,779	279,695	273,893
3 Earmarked gold[3]	13,919	13,636	13,456	13,387	13,377	13,382	13,374	13,363	13,358	13,354

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies at face value.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts 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	1987	1988	1989	1990		1991				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
					All foreign countries					
1 **Total, all currencies**	**518,618**	**505,595**	**545,366**	**558,626**	**556,925**	**563,997**	**560,968**	**546,491**	**537,891**	**529,044**
2 Claims on United States	138,034	169,111	198,835	180,938	188,496	183,991	188,174	182,828	180,627	173,051
3 Parent bank	105,845	129,856	157,092	140,302	148,837	141,498	145,967	142,683	141,580	135,377
4 Other banks in United States	16,416	14,918	17,042	12,937	13,296	14,541	12,887	12,268	12,085	10,412
5 Nonbanks	15,773	24,337	24,701	27,699	26,363	27,952	29,320	27,877	26,962	27,262
6 Claims on foreigners	342,520	299,728	300,575	323,020	312,449	321,247	313,595	307,102	300,456	297,225
7 Other branches of parent bank	122,155	107,179	113,810	135,177	135,003	132,157	124,584	129,529	121,961	118,332
8 Banks	108,859	96,932	90,703	81,440	72,602	81,219	80,030	72,757	72,549	74,190
9 Public borrowers	21,832	17,163	16,456	16,591	17,555	18,260	17,893	17,915	17,825	17,967
10 Nonbank foreigners	89,674	78,454	79,606	89,812	87,289	89,611	91,088	86,901	88,121	86,736
11 Other assets	38,064	36,756	45,956	54,668	55,980	58,759	59,199	56,561	56,808	58,768
12 **Total payable in U.S. dollars**	**350,107**	**357,573**	**382,498**	**371,753**	**379,479**	**380,116**	**380,180**	**381,848**	**371,999**	**362,737**
13 Claims on United States	132,023	163,456	191,184	172,336	180,174	175,909	180,601	175,741	173,933	166,959
14 Parent bank	103,251	126,929	152,294	134,436	142,962	135,793	140,789	137,738	137,343	131,186
15 Other banks in United States	14,657	14,167	16,386	12,088	12,513	13,739	12,266	11,757	11,624	10,020
16 Nonbanks	14,115	22,360	22,504	25,812	24,699	26,377	27,546	26,246	24,966	25,753
17 Claims on foreigners	202,428	177,685	169,690	174,832	174,451	179,762	173,527	180,415	173,044	171,355
18 Other branches of parent bank	88,284	80,736	82,949	95,599	95,298	93,847	87,394	95,106	87,895	85,359
19 Banks	63,707	54,884	48,396	37,795	36,440	41,134	40,785	40,451	40,407	42,246
20 Public borrowers	14,730	12,131	10,961	11,202	12,298	13,136	12,944	13,206	12,996	12,896
21 Nonbank foreigners	35,707	29,934	27,384	30,236	30,415	31,645	32,404	31,652	31,746	30,854
22 Other assets	15,656	16,432	21,624	24,585	24,854	24,445	26,052	25,692	25,022	24,423
					United Kingdom					
23 **Total, all currencies**	**158,695**	**156,835**	**161,947**	**188,182**	**184,818**	**184,817**	**180,211**	**175,025**	**168,917**	**168,646**
24 Claims on United States	32,518	40,089	39,212	42,301	45,560	40,197	41,278	41,448	38,136	38,338
25 Parent bank	27,350	34,243	35,847	38,453	42,413	36,533	37,662	38,291	34,930	34,830
26 Other banks in United States	1,259	1,123	1,058	1,088	792	1,095	924	848	1,179	1,104
27 Nonbanks	3,909	4,723	2,307	2,760	2,355	2,569	2,692	2,309	2,027	2,404
28 Claims on foreigners	115,700	106,388	107,657	124,077	115,536	121,077	115,361	110,329	107,031	105,893
29 Other branches of parent bank	39,903	35,625	37,728	49,499	46,367	47,857	41,653	44,341	40,730	39,077
30 Banks	36,735	36,765	36,159	36,135	31,604	34,050	34,518	30,660	30,608	32,027
31 Public borrowers	4,752	4,019	3,293	3,675	3,860	3,953	4,029	3,943	3,711	3,657
32 Nonbank foreigners	34,310	29,979	30,477	34,768	33,705	35,217	35,161	31,385	31,982	31,132
33 Other assets	10,477	10,358	15,078	21,804	23,722	23,543	23,572	23,248	23,750	24,415
34 **Total payable in U.S. dollars**	**100,574**	**103,503**	**103,208**	**115,182**	**116,762**	**114,413**	**113,673**	**114,347**	**108,600**	**105,676**
35 Claims on United States	30,439	38,012	36,404	37,668	41,259	36,120	37,644	37,971	35,058	35,274
36 Parent bank	26,304	33,252	34,329	35,614	39,609	33,754	35,345	36,068	32,973	32,771
37 Other banks in United States	1,044	964	843	611	334	771	615	562	976	970
38 Nonbanks	3,091	3,796	1,232	1,443	1,316	1,595	1,684	1,341	1,109	1,533
39 Claims on foreigners	64,560	60,472	59,062	66,876	63,701	67,996	64,682	65,034	62,183	60,106
40 Other branches of parent bank	28,635	28,474	29,872	39,630	37,142	38,120	33,136	36,150	32,842	31,297
41 Banks	19,188	18,494	16,579	13,915	13,135	14,905	15,840	15,097	15,460	16,102
42 Public borrowers	3,313	2,840	2,371	2,862	3,143	3,242	3,290	3,220	3,193	3,152
43 Nonbank foreigners	13,424	10,664	10,240	10,469	10,281	11,729	12,416	10,567	10,688	9,555
44 Other assets	5,575	5,019	7,742	10,638	11,802	10,297	11,347	11,342	11,359	10,798
					Bahamas and Caymans					
45 **Total, all currencies**	**160,321**	**170,639**	**176,006**	**153,850**	**162,316**	**167,306**	**168,209**	**163,315**	**164,565**	**158,506**
46 Claims on United States	85,318	105,320	124,205	106,694	112,989	115,806	118,783	110,727	113,532	108,148
47 Parent bank	60,048	73,409	87,882	71,416	77,873	78,350	81,888	75,485	79,818	75,367
48 Other banks in United States	14,277	13,145	15,071	11,017	11,869	12,877	11,380	10,753	10,063	8,748
49 Nonbanks	10,993	18,766	21,252	24,261	23,247	24,579	25,515	24,489	23,651	24,033
50 Claims on foreigners	70,162	58,393	44,168	38,669	41,356	42,801	40,363	43,665	41,877	41,368
51 Other branches of parent bank	21,277	17,954	11,309	12,697	13,416	12,292	11,477	13,658	12,364	12,243
52 Banks	33,751	28,268	22,611	16,299	16,310	18,343	16,863	17,571	17,458	17,206
53 Public borrowers	7,428	5,830	5,217	4,775	5,807	6,528	6,484	6,846	6,556	6,279
54 Nonbank foreigners	7,706	6,341	5,031	4,898	5,823	5,638	5,539	5,590	5,499	5,640
55 Other assets	4,841	6,926	7,633	8,487	7,971	8,699	9,063	8,923	9,156	8,990
56 **Total payable in U.S. dollars**	**151,434**	**163,518**	**170,780**	**149,754**	**158,390**	**162,458**	**163,533**	**159,226**	**160,577**	**154,826**

1. Beginning in June 1984 reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14—Continued

Liability account	1987	1988	1989	1990 Nov.	1990 Dec.	1991 Jan.	1991 Feb.	1991 Mar.	1991 Apr.	1991 May
	All foreign countries									
57 **Total, all currencies**	**518,618**	**505,595**	**545,366**	**558,626**	**556,925**	**563,997**	**560,968**	**546,491**	**537,891**	**529,044**
58 Negotiable certificates of deposit (CDs)	30,929	28,511	23,500	21,521	18,060	19,106	18,595	19,920	19,484	17,703
59 To United States	161,390	185,577	197,239	171,592	189,412	186,312r	187,645r	185,220r	180,243r	172,147
60 Parent bank	87,606	114,720	138,412	115,519	138,748	134,118	132,227	128,009	123,883r	117,455
61 Other banks in United States	20,355	14,737	11,704	9,140	7,463	9,341	10,580	10,961	9,927r	8,996
62 Nonbanks	53,429	56,120	47,123	46,933	43,201	42,853r	44,838r	46,250r	46,433r	45,696
63 To foreigners	304,803	270,923	296,850	328,534	311,668	319,821r	316,522r	305,762r	300,660r	301,099
64 Other branches of parent bank	124,601	111,267	119,591	137,849	139,113	132,214	124,437	128,916	122,542	119,613
65 Banks	87,274	72,842	76,452	72,352	58,986	70,189r	73,773r	63,262r	63,908r	66,005
66 Official institutions	19,564	15,183	16,750	17,996	14,791	17,343	16,665	15,864	18,398	19,803
67 Nonbank foreigners	73,364	71,631	84,057	100,337	98,778	100,075	101,647	97,720	95,812r	95,678
68 Other liabilities	21,496	20,584	27,777	36,979	37,785	38,758	38,206	35,589	37,504	38,095
69 **Total payable in U.S. dollars**	**361,438**	**367,483**	**396,613**	**372,300r**	**383,522r**	**384,336r**	**380,542r**	**380,812r**	**372,669r**	**359,437**
70 Negotiable CDs	26,768	24,045	19,619	16,845	14,094	15,141	14,446	15,335	14,882	13,208
71 To United States	148,442	173,190	187,286	156,954r	175,654r	172,130r	174,602r	172,841r	168,772r	159,845
72 Parent bank	81,783	107,150	132,563	106,892r	130,510r	126,008r	124,963r	120,824r	117,297r	110,244
73 Other banks in United States	18,951	13,468	10,519	7,686	6,052	7,627	8,715	9,415	8,509	7,666
74 Nonbanks	47,708	52,572	44,204	42,376	39,092	38,495	40,924	42,602	42,966	41,935
75 To foreigners	177,711	160,766	176,460	183,461	179,002	182,131	175,761	177,902	173,589	171,204
76 Other branches of parent bank	90,469	84,021	87,636	95,556	98,128	94,765	87,288	93,910	88,299	85,847
77 Banks	35,065	28,493	30,537	25,022	20,251	23,661	25,536	23,769	22,892	21,689
78 Official institutions	12,409	8,224	9,873	9,091	7,921	10,585	10,021	9,205	11,568	12,339
79 Nonbank foreigners	39,768	40,028	48,414	53,792	52,702	53,120	52,916	51,018	50,830	51,329
80 Other liabilities	8,517	9,482	13,248	15,040	14,772	14,934	15,733	14,734	15,426	15,180
	United Kingdom									
81 **Total, all currencies**	**158,695**	**156,835**	**161,947**	**188,182**	**184,818**	**184,817**	**180,211**	**175,025**	**168,917**	**168,646**
82 Negotiable CDs	26,988	24,528	20,056	17,144	14,256	14,872	14,363	15,820	15,162	13,436
83 To United States	23,470	36,784	36,036	36,500	39,928	34,389	34,070	34,453	28,450	28,618
84 Parent bank	13,223	27,849	29,726	26,165	31,806	25,548	25,670	26,213	21,676	19,951
85 Other banks in United States	1,536	2,037	1,256	1,671	1,505	1,861	1,401	1,230	1,175	1,413
86 Nonbanks	8,711	6,898	5,054	8,664	6,617	6,980	6,999	7,010	5,599	7,254
87 To foreigners	98,689	86,026	92,307	113,958	108,531	113,754	110,454	105,090	103,976	104,372
88 Other branches of parent bank	33,078	26,812	27,397	34,406	36,709	34,547	30,978	33,084	31,860	30,155
89 Banks	34,290	30,609	29,780	32,844	25,126	31,765	32,784	26,609	27,001	28,492
90 Official institutions	11,015	7,873	8,551	9,534	8,361	10,368	9,745	8,969	11,300	12,342
91 Nonbank foreigners	20,306	20,732	26,579	37,174	38,335	37,074	36,947	36,428	33,815	33,383
92 Other liabilities	9,548	9,497	13,548	20,580	22,103	21,802	21,324	19,662	21,329	22,220
93 **Total payable in U.S. dollars**	**102,550**	**105,907**	**108,178**	**114,031r**	**116,094r**	**114,308r**	**112,284r**	**112,368r**	**106,568r**	**104,074**
94 Negotiable CDs	24,926	22,063	18,143	15,100	12,710	13,387	12,790	13,816	13,291	11,560
95 To United States	17,752	32,588	33,056	31,058r	34,697r	29,055r	29,646r	30,166r	24,690r	24,245
96 Parent bank	12,026	26,404	28,812	24,322r	29,955r	23,886r	24,330r	24,837r	20,391r	18,457
97 Other banks in United States	1,308	1,752	1,065	1,318	1,156	1,324	926	800	848	1,002
98 Nonbanks	4,418	4,432	3,179	5,418	3,586	3,845	4,390	4,529	3,451	4,786
99 To foreigners	55,919	47,083	50,517	59,787	60,014	63,702	60,977	59,985	59,440	58,899
100 Other branches of parent bank	22,334	18,561	18,384	23,288	25,957	24,954	21,339	24,049	22,452	21,671
101 Banks	15,580	13,407	12,244	11,911	9,488	11,539	12,976	10,112	9,931	9,704
102 Official institutions	7,530	4,348	5,454	5,000	4,692	7,158	6,587	6,188	8,239	8,914
103 Nonbank foreigners	10,475	10,767	14,435	19,588	19,877	20,051	20,075	19,636	18,818	18,610
104 Other liabilities	3,953	4,173	6,462	8,086	8,673	8,164	8,871	8,401	9,147	9,370
	Bahamas and Caymans									
105 **Total, all currencies**	**160,321**	**170,639**	**176,006**	**153,850**	**162,316**	**167,306**	**168,209**	**163,315**	**164,565**	**158,506**
106 Negotiable CDs	885	953	678	561	646	654	629	729	674	694
107 To United States	113,950	122,332	124,859	104,086	114,738	120,691r	122,231r	118,554r	120,961r	114,810
108 Parent bank	53,239	62,894	75,188	61,350	74,941	80,567	78,173	72,314	73,801	71,180
109 Other banks in United States	17,224	11,494	8,883	5,798	4,526	5,655	7,618	8,209	7,543	6,408
110 Nonbanks	43,487	47,944	40,788	36,938	35,271	34,469r	36,440r	38,031r	39,617r	37,222
111 To foreigners	43,815	45,161	47,382	46,299	44,444	42,850r	42,472r	41,375r	40,042r	40,481
112 Other branches of parent bank	19,185	23,686	23,414	25,579	24,715	23,099	22,923	22,018	21,398	21,865
113 Banks	10,769	8,336	8,823	6,569	5,588	6,030r	6,105r	6,232r	5,837	5,765
114 Official institutions	1,504	1,074	1,097	763	622	811	728	674	676	736
115 Nonbank foreigners	12,357	12,065	14,048	13,388	13,519	12,910	12,716	12,451	12,131r	12,115
116 Other liabilities	1,671	2,193	3,087	2,904	2,488	3,111	2,877	2,657	2,888	2,521
117 **Total payable in U.S. dollars**	**152,927**	**162,950**	**171,250**	**148,197**	**157,132**	**162,118**	**162,850**	**158,232**	**160,343**	**154,281**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1988	1989	1990		1991				
			Nov.[r]	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[r]	May[p]
1 **Total**[1]	**304,132**	**312,477**	**341,594**	**344,386**	**352,692**	**362,260**	**349,995**	**344,385**	**349,206**
By type									
2 Liabilities reported by banks in the United States[2]	31,519	36,496	43,444	39,765	41,464	43,309	42,266	38,868	40,105
3 U.S. Treasury bills and certificates[3]	103,722	76,985	80,971	79,447	83,695	83,963	84,013	81,110	82,444
U.S. Treasury bonds and notes									
4 Marketable	152,429	179,269	195,332	202,438	205,145	212,154	200,154	201,037	203,064
5 Nonmarketable[4]	523	568	3,765	4,491	4,521	4,550	4,580	4,610	4,642
6 U.S. securities other than U.S. Treasury securities[5]	15,939	19,159	18,082	18,245	17,867	18,284	18,982	18,760	18,951
By area									
7 Western Europe[1]	123,229[r]	132,849[r]	165,452	167,141	169,141	174,119	166,466	162,764	165,249
8 Canada	9,513	9,482	8,688	8,672	8,179	7,900	8,467	8,454	9,433
9 Latin America and Caribbean	10,553[r]	9,313[r]	19,318	21,115	21,957	23,716	24,649	25,378	27,701
10 Asia	151,887	153,338	139,158	138,071	143,260	146,186	139,796	137,664	136,567
11 Africa	1,403	1,030	1,404	1,433	1,659	1,439	1,802	1,171	1,184
12 Other countries[6]	7,548	6,469	7,576	7,955	8,497	8,897	8,814	8,953	9,074

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

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 and on the 1984 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1987	1988	1989	1990			1991
				June[r]	Sept.[r]	Dec.[r]	Mar.[r]
1 Banks' own liabilities	55,438	74,980	67,835	68,650	71,028	70,276	64,042
2 Banks' own claims	51,271	68,983	65,127	66,780	68,675	66,558	67,428
3 Deposits	18,861	25,100	20,491	22,210	27,206	29,651	27,619
4 Other claims	32,410	43,884	44,636	44,569	41,470	36,907	39,809
5 Claims of banks' domestic customers[2]	551	364	3,507	2,612	2,843	10,594	7,357

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1988	1989	1990[r]	1990		1991[r]				
				Nov.[r]	Dec.[r]	Jan.	Feb.	Mar.	Apr.	May[p]
1 **All foreigners**	**685,339**	**736,878**	**752,916**	**742,916**	**752,916**	**752,864**	**757,916**	**747,913**	**731,060**	**722,738**
2 Banks' own liabilities	514,532	577,498	576,195	561,237	576,195	568,974	574,913	569,037	560,417	552,052
3 Demand deposits	21,863	22,032	21,724	19,683	21,724	19,686	20,144	20,268	19,740	18,872
4 Time deposits[2]	152,164	168,780	168,245	162,317	168,245	159,248	162,354	163,971	157,171	152,134
5 Other[3]	51,366	67,823	65,652	72,269	65,652	75,723	74,016	71,734	73,542	70,358
6 Own foreign offices[4]	289,138	318,864	320,575	306,968	320,575	314,317	318,399	313,063	309,964	310,687
7 Banks' custody liabilities[5]	170,807	159,380	176,721	181,679	176,721	183,890	183,003	178,876	170,643	170,687
8 U.S. Treasury bills and certificates[6]	115,056	91,100	96,808	99,862	96,808	104,493	103,948	102,145	97,378	98,087
9 Other negotiable and readily transferable instruments[7]	16,426	19,526	17,472	18,357	17,472	17,955	18,190	17,485	16,394	16,723
10 Other	39,325	48,754	62,441	63,460	62,441	61,442	60,865	59,246	56,871	55,876
11 **Nonmonetary international and regional organizations**[8]	**3,224**	**4,894**	**5,918**	**5,324**	**5,918**	**7,908**	**6,555**	**6,669**	**6,237**	**5,548**
12 Banks' own liabilities	2,527	3,279	4,540	3,179	4,540	6,431	4,092	4,806	5,061	4,167
13 Demand deposits	71	96	36	33	36	67	40	73	76	24
14 Time deposits[2]	1,183	927	1,050	783	1,050	1,600	1,684	2,034	1,980	2,142
15 Other[3]	1,272	2,255	3,455	2,363	3,455	4,763	2,368	2,700	3,006	2,001
16 Banks' custody liabilities[5]	698	1,616	1,378	2,145	1,378	1,478	2,462	1,863	1,176	1,381
17 U.S. Treasury bills and certificates[6]	57	197	364	1,077	364	423	1,620	1,103	275	662
18 Other negotiable and readily transferable instruments[7]	641	1,417	1,014	1,022	1,014	1,005	842	760	901	719
19 Other	0	2	0	46	0	50	0	0	0	0
20 **Official institutions**[9]	**135,241**	**113,481**	**119,212**	**124,415**	**119,212**	**125,159**	**127,271**	**126,280**	**119,978**	**122,550**
21 Banks' own liabilities	27,109	31,108	34,792	38,167	34,792	37,345	38,878	38,592	35,903	36,756
22 Demand deposits	1,917	2,196	1,924	1,781	1,924	1,664	1,579	1,645	1,633	1,444
23 Time deposits[2]	9,767	10,495	14,265	12,929	14,265	11,659	13,426	13,946	13,551	14,318
24 Other[3]	15,425	18,417	18,603	23,457	18,603	24,022	23,873	23,000	20,719	20,994
25 Banks' custody liabilities[5]	108,132	82,373	84,420	86,248	84,420	87,814	88,393	87,688	84,076	85,794
26 U.S. Treasury bills and certificates[6]	103,722	76,985	79,447	80,971	79,447	83,695	83,963	84,013	81,110	82,444
27 Other negotiable and readily transferable instruments[7]	4,130	5,028	4,770	4,897	4,770	3,939	4,057	3,582	2,835	3,197
28 Other	280	361	203	380	203	180	374	92	130	152
29 **Banks**[10]	**459,523**	**515,275**	**534,143**	**516,724**	**534,143**	**521,444**	**527,740**	**520,069**	**509,108**	**498,748**
30 Banks' own liabilities	409,501	454,273	457,535	437,890	457,535	445,772	451,031	445,588	438,527	430,223
31 Unaffiliated foreign banks	120,362	135,409	136,960	130,921	136,960	131,455	132,633	132,525	128,563	119,536
32 Demand deposits	9,948	10,279	10,053	8,999	10,053	9,003	9,522	10,050	9,067	8,688
33 Time deposits[2]	80,189	90,557	88,847	83,573	88,847	81,583	82,468	84,119	79,227	72,675
34 Other[3]	30,226	34,573	38,060	38,349	38,060	40,869	40,643	38,357	40,269	38,174
35 Own foreign offices[4]	289,138	318,864	320,575	306,968	320,575	314,317	318,399	313,063	309,964	310,687
36 Banks' custody liabilities[5]	50,022	61,002	76,608	78,834	76,608	75,672	76,709	74,481	70,581	68,525
37 U.S. Treasury bills and certificates[6]	7,602	9,367	10,634	11,378	10,634	10,174	11,136	10,645	10,026	8,714
38 Other negotiable and readily transferable instruments[7]	5,725	5,124	5,240	5,730	5,240	5,950	6,351	6,293	6,034	5,729
39 Other	36,694	46,510	60,735	61,726	60,735	59,548	59,222	57,543	54,520	54,083
40 **Other foreigners**	**87,351**	**103,228**	**93,642**	**96,453**	**93,642**	**98,352**	**96,350**	**94,896**	**95,737**	**95,892**
41 Banks' own liabilities	75,396	88,839	79,328	82,001	79,328	79,427	80,911	80,051	80,926	80,905
42 Demand deposits	9,928	9,460	9,711	8,869	9,711	8,952	9,004	8,500	8,965	8,717
43 Time deposits[2]	61,025	66,801	64,083	65,032	64,083	64,406	64,775	63,873	62,413	62,999
44 Other[3]	4,443	12,577	5,534	8,100	5,534	6,068	7,132	7,678	9,548	9,189
45 Banks' custody liabilities[5]	11,956	14,389	14,314	14,452	14,314	18,926	15,439	14,845	14,810	14,987
46 U.S. Treasury bills and certificates[6]	3,675	4,551	6,363	6,436	6,363	10,201	7,230	6,384	5,966	6,267
47 Other negotiable and readily transferable instruments[7]	5,929	7,958	6,448	6,708	6,448	7,062	6,940	6,850	6,624	7,078
48 Other	2,351	1,880	1,503	1,308	1,503	1,664	1,269	1,611	2,221	1,642
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	6,425	7,203	7,022	6,466	7,022	6,966	6,720	7,157	7,269	7,511

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. 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.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1988	1989	1990	1990 Nov.	1990 Dec.	1991 Jan.r	1991 Feb.r	1991 Mar.	1991 Apr.r	1991 May p
1 **Total**	**685,339**	**736,878**	**752,916r**	**742,916r**	**752,916r**	**752,864**	**757,916**	**747,913r**	**731,060**	**722,738**
2 **Foreign countries**	**682,115**	**731,984**	**746,998r**	**737,592r**	**746,998r**	**744,956**	**751,361**	**741,245r**	**724,822**	**717,190**
3 Europe	231,912	237,501	254,460r	247,059r	254,460r	247,705	250,091	249,956r	241,312	236,281
4 Austria	1,155	1,233	1,229	1,385	1,229	1,570	1,522	1,494	1,147	1,008
5 Belgium–Luxembourg	10,022	10,648	12,399r	11,510	12,399r	12,382	12,559	12,238	12,410	11,720
6 Denmark	2,200	1,415	1,399r	1,773r	1,399r	1,115	1,013	983r	945	988
7 Finland	285	570	602	422	602	404	489	662	724	453
8 France	24,777	26,903	30,946	29,196	30,946	29,371	27,892	28,211	26,822	26,314
9 Germany	6,772	7,578	7,281r	8,196	7,281r	8,262	9,605	8,988	8,446	8,366
10 Greece	672	1,028	934	949	934	895	797	747	808	785
11 Italy	14,599	16,169	17,736	16,051	17,736	16,157	17,506	17,367	15,045	14,675
12 Netherlands	5,316	6,613	5,375	6,056	5,375	5,680	6,397	6,204	6,773	6,721
13 Norway	1,559	2,401	2,358	2,330	2,358	2,181	2,078	2,121	1,099	1,168
14 Portugal	903	2,418	2,958	2,959	2,958	2,877	2,684	2,778	2,628	2,414
15 Spain	5,494	4,364	7,544r	7,197r	7,544r	8,813	8,073	9,784r	10,006	10,050
16 Sweden	1,284	1,491	1,837	2,304	1,837	1,290	759	1,159	720	525
17 Switzerland	34,199	34,496	36,915	34,031	36,915	35,572	37,209	38,546	36,711	35,068
18 Turkey	1,012	1,818	1,169	1,358	1,169	1,124	1,195	1,480	1,490	1,633
19 United Kingdom	111,811	102,362	109,496r	103,034	109,496r	102,363	103,846	102,973	101,490	99,404
20 Yugoslavia	529	1,474	928	1,571	928	1,030	959	848	1,034	953
21 Other Western Europe[1]	8,598	13,563	11,689r	15,131r	11,689r	14,352	12,806	10,545	10,138	11,067
22 U.S.S.R.	138	350	119	220	119	196	88	106	138	250
23 Other Eastern Europe[2]	591	608	1,546	1,388	1,546	2,071	2,614	2,722	2,740	2,721
24 Canada	21,062	18,865	20,332	20,679	20,332	19,218	23,839	23,445	23,254	22,734
25 Latin America and Caribbean	271,146	311,028	326,351r	317,414r	326,351r	332,135	335,679	325,786r	325,015	327,853
26 Argentina	7,804	7,304	7,366	7,664	7,366	7,659	7,679	7,872	7,708	7,595
27 Bahamas	86,863	99,341	107,386r	97,689	107,386r	105,028	102,264	96,289r	96,307	97,276
28 Bermuda	2,621	2,884	2,809	2,518	2,809	3,104	3,008	2,838	2,743	3,104
29 Brazil	5,314	6,351	5,853	6,470	5,853	5,975	6,310	6,489r	5,821	5,773
30 British West Indies	113,840	138,309	140,720r	141,395r	140,720r	148,187	154,294	150,581r	150,522	150,746
31 Chile	2,936	3,212	3,145	3,422	3,145	3,188	3,063	2,995	3,107	3,240
32 Colombia	4,374	4,653	4,492	4,251	4,492	4,466	4,308	3,786	4,348	4,409
33 Cuba	10	10	11	9	11	18	8	7	8	10
34 Ecuador	1,379	1,391	1,379	1,310	1,379	1,359	1,332	1,319	1,260	1,293
35 Guatemala	1,195	1,312	1,541	1,478	1,541	1,563	1,580	1,617	1,571	1,595
36 Jamaica	269	209	257	228	257	224	256	268	233	237
37 Mexico	15,185	15,423	16,625r	16,420r	16,625r	16,938	17,144	17,405r	17,501	18,657
38 Netherlands Antilles	6,420	6,310	7,381	7,350	7,381	7,139	6,970	6,600	6,898	5,986
39 Panama	4,353	4,362	4,575	4,644	4,575	4,345	4,351	4,454r	4,293	4,552
40 Peru	1,671	1,984	1,295	1,327	1,295	1,347	1,324	1,364	1,428	1,413
41 Uruguay	1,898	2,284	2,520	2,446	2,520	2,596	2,639	2,509	2,463	2,475
42 Venezuela	9,147	9,482	12,219r	12,099r	12,219r	11,944	12,095	12,266r	11,833	12,666
43 Other	5,868	6,206	6,779	6,693	6,779	7,053	7,055	7,127	6,969	6,825
44 Asia	147,838	156,201	136,780r	143,555r	136,780r	135,951	132,375	133,041r	126,784	121,665
China										
45 Mainland	1,895	1,773	2,421	2,493	2,421	2,866	2,720	3,030	2,415	2,498
46 Taiwan	26,058	19,588	11,244r	11,397r	11,244r	10,920	11,141	11,295r	11,001	10,597
47 Hong Kong	12,248	12,416	12,700r	13,849r	12,700r	14,872	14,794	15,748r	16,104	15,006
48 India	699	780	1,233r	1,124r	1,233r	1,472	1,628	1,174	986	766
49 Indonesia	1,180	1,281	1,238	1,261	1,238	1,191	1,719	1,941	1,309	1,303
50 Israel	1,461	1,243	2,767	3,075	2,767	2,823	2,509	2,965	2,849	2,609
51 Japan	74,015	81,184	67,075r	69,046r	67,075r	63,452	61,093	56,820	53,170	52,030
52 Korea	2,541	3,215	2,280	2,732	2,280	2,406	2,186	2,213	2,887	2,189
53 Philippines	1,163	1,766	1,585	1,549	1,585	1,455	1,655	1,609	1,681	1,521
54 Thailand	1,236	2,093	1,443	1,681	1,443	2,228	2,148	2,403	2,571	2,502
55 Middle-East oil-exporting countries[3]	12,083	13,370	15,829r	17,437r	15,829r	14,720	13,693	15,642	14,655	14,070
56 Other	13,260	17,491	16,965r	17,912r	16,965r	17,547	17,091	18,199	17,157	16,575
57 Africa	3,991	3,824	4,630	4,390	4,630	5,173	5,153	4,908	4,495	4,695
58 Egypt	911	686	1,425	996	1,425	1,476	1,416	1,449	927	1,364
59 Morocco	68	78	104	90	104	107	90	91	89	97
60 South Africa	437	206	228	283	228	212	317	312	220	202
61 Zaire	85	86	53	55	53	55	50	52	50	52
62 Oil-exporting countries[4]	1,017	1,121	1,110	1,288	1,110	1,508	1,528	1,370r	1,434	1,140
63 Other	1,474	1,648	1,710	1,678	1,710	1,815	1,751	1,634r	1,776	1,839
64 Other countries	6,165	4,564	4,445r	4,495r	4,445r	4,774	4,224	4,109r	3,963	3,962
65 Australia	5,293	3,867	3,807	3,804	3,807	3,883	3,434	3,131	3,118	3,232
66 All other	872	697	637r	691r	637r	891	790	978r	845	730
67 Nonmonetary international and regional organizations	3,224	4,894	5,918	5,324	5,918	7,908	6,555	6,669r	6,237	5,548
68 International[5]	2,503	3,947	4,390	4,203	4,390	6,428	4,880	5,108r	4,895	4,133
69 Latin American regional	589	684	1,048	809	1,048	975	1,235	1,170	913	802
70 Other regional[6]	133	263	479	312	479	506	440	391	429	614

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. Comprises Bulgaria, Czechoslovakia, 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[1] Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1988	1989	1990	1990 Nov.	1990 Dec.r	1991r Jan.	1991r Feb.	1991r Mar.	1991r Apr.	1991r Mayp
1 **Total**	**491,165**	**534,492**	**510,078r**	**504,283r**	**510,078**	**497,886**	**509,839**	**495,614**	**504,663**	**498,490**
2 **Foreign countries**	**489,094**	**530,630**	**505,285r**	**499,132r**	**505,285**	**495,344**	**505,995**	**493,114**	**502,357**	**496,556**
3 Europe	116,928	119,025	113,043r	106,782r	113,043	108,184	107,614	104,180	100,260	99,139
4 Austria	483	415	362	268	362	248	400	270	392	220
5 Belgium-Luxembourg	8,515	6,478	5,458	6,441	5,458	6,169	5,905	5,665	5,462	7,839
6 Denmark	483	582	497	842	497	567	472	583	750	909
7 Finland	1,065	1,027	1,047	846r	1,047	1,083	1,364	1,157	1,173	867
8 France	13,243	16,146	14,466r	13,320r	14,466	15,202	14,384	14,915	13,894	13,552
9 Germany	2,329	2,865	3,343r	3,564r	3,343	3,361	3,620	3,305	3,235	2,640
10 Greece	433	788	727r	718r	727	651	652	667	688	762
11 Italy	7,936	6,662	6,036r	5,098r	6,036	6,094	5,660	6,602	5,417	5,836
12 Netherlands	2,541	1,904	1,751r	1,864r	1,751	1,953	2,108	2,119	2,230	1,940
13 Norway	455	609	782r	666r	782	706	670	765	679	695
14 Portugal	261	376	292r	368	292	323	292	384	293	322
15 Spain	1,823	1,930	2,668r	2,494r	2,668	2,864	2,526	3,334	3,180	3,120
16 Sweden	1,977	1,773	2,093r	2,281r	2,093	2,175	2,336	2,330	2,115	1,923
17 Switzerland	3,895	6,141	4,200r	3,855r	4,200	2,073	2,444	3,165	3,238	3,486
18 Turkey	1,233	1,071	1,405	1,346	1,405	1,377	1,509	1,537	1,440	1,445
19 United Kingdom	65,706	65,527	65,147r	59,908r	65,147	60,532	60,397	53,896	52,492	50,109
20 Yugoslavia	1,390	1,329	1,142	1,160	1,142	1,084	980	991	1,012	965
21 Other Western Europe[2]	1,152	1,302	597r	629r	597	705	851	1,141	1,118	989
22 U.S.S.R.	1,255	1,179	530	653	530	505	501	781	904	936
23 Other Eastern Europe[3]	754	921	499	459	499	512	545	573	548	585
24 Canada	18,889	15,451	16,080r	14,284r	16,080	16,951	19,364	17,062	17,581	17,703
25 Latin America and Caribbean	214,264	230,438	230,196r	228,445r	230,196	231,387	237,514	233,032	238,128	241,161
26 Argentina	11,826	9,270	6,928r	7,077r	6,928	6,781	6,655	6,535	6,420	6,365
27 Bahamas	66,954	77,921	76,490r	71,048r	76,490	79,834	81,148	73,338	76,321	78,236
28 Bermuda	483	1,315	4,006	4,291	4,006	1,771	3,602	3,823	4,646	6,897
29 Brazil	25,735	23,749	17,994	18,393	17,994	17,956	17,935	18,319	16,525	15,590
30 British West Indies	55,888	68,749	87,429r	86,354r	87,429	94,213	97,500	100,882	103,606	104,041
31 Chile	5,217	4,353	3,271	3,373	3,271	3,225	3,237	3,170	3,050	3,037
32 Colombia	2,944	2,784	2,585	2,531	2,585	2,555	2,528	2,441	2,334	2,284
33 Cuba	1	1	0	1	0	0	0	0	0	0
34 Ecuador	2,075	1,688	1,387	1,499	1,387	1,361	1,361	1,325	1,326	1,339
35 Guatemala[4]	198	197	191	152	191	193	191	199	208	200
36 Jamaica[4]	212	297	238	265	238	243	171	224	196	181
37 Mexico	24,637	23,376	14,845r	15,144r	14,845	14,629	14,817	15,077	15,601	15,166
38 Netherlands Antilles	1,306	1,921	7,998	7,386	7,998	2,194	1,599	1,298	1,496	1,589
39 Panama	2,521	1,740	1,471	1,449	1,471	1,534	1,502	1,479	1,475	1,414
40 Peru	1,013	771	663	730	663	656	691	697	670	722
41 Uruguay	910	929	786	787	786	767	626	588	620	615
42 Venezuela	10,733	9,652	2,569r	6,565r	2,569	2,118	2,254	2,168	2,209	2,223
43 Other Latin America and Caribbean	1,612	1,726	1,344r	1,400r	1,344	1,357	1,698	1,468	1,424	1,261
44 Asia	130,881	157,474	138,628r	142,191r	138,628	131,144	134,016	131,273	138,940	131,132
China										
Mainland	762	634	620	689	620	565	497	723	641	566
46 Taiwan	4,184	2,776	1,934	1,586	1,934	1,776	1,475	1,264	1,612	1,282
47 Hong Kong	10,143	11,128	10,644	8,506	10,644	8,250	8,792	9,729	10,886	9,865
48 India	560	621	655	540	655	624	590	539	560	435
49 Indonesia	674	651	933	923	933	926	1,081	1,136	1,029	984
50 Israel	1,136	813	774	758	774	964	842	952	871	829
51 Japan	90,149	111,300	90,679r	99,693r	90,679	90,266	89,896	84,614	91,291	88,618
52 Korea	5,213	5,323	5,712r	5,511r	5,712	5,959	6,007	6,217	6,171	5,582
53 Philippines	1,876	1,344	1,247	1,175	1,247	1,230	1,261	1,445	1,478	1,457
54 Thailand	848	1,140	1,573	1,523	1,573	1,587	1,791	1,764	1,662	1,747
55 Middle East oil-exporting countries[5]	6,213	10,149	10,749r	10,947	10,749	8,966	12,096	12,386	12,286	9,658
56 Other Asia	9,122	11,594	13,107r	10,339r	13,107	10,031	9,688	10,503	10,452	10,109
57 Africa	5,718	5,890	5,445	5,705	5,445	5,439	5,424	5,488	5,355	5,464
58 Egypt	507	502	380	383	380	384	314	304	304	305
59 Morocco	511	559	513	519	513	514	511	538	538	603
60 South Africa	1,681	1,628	1,525	1,726	1,525	1,517	1,518	1,628	1,627	1,641
61 Zaire	17	16	16	19	16	17	21	17	18	18
62 Oil-exporting countries[6]	1,523	1,648	1,486	1,492	1,486	1,467	1,478	1,452	1,372	1,365
63 Other	1,479	1,537	1,525	1,566	1,525	1,539	1,582	1,547	1,497	1,533
64 Other countries	2,413	2,354	1,893r	1,726r	1,893	2,238	2,063	2,079	2,093	1,957
65 Australia	1,520	1,781	1,413r	1,366r	1,413	1,672	1,547	1,468	1,570	1,470
66 All other	894	573	479	360	479	566	517	611	524	487
67 Nonmonetary international and regional organizations[7]	2,071	3,862	4,793	5,151	4,793	2,542	3,844	2,501	2,306	1,934

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.
3. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.
4. Included in "Other Latin America and Caribbean" through March 1978.
5. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
6. Comprises Algeria, Gabon, Libya, and Nigeria.
7. 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	1988	1989	1990[r]	1990		1991[r]				
				Nov.[r]	Dec.[r]	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**	**538,689**	**593,087**	**576,790**	....	**576,790**	....	....	**558,186**	....	....
2 Banks' own claims on foreigners	491,165	534,492	510,078	504,283	510,078	497,886	509,839	495,614	504,663	498,490
3 Foreign public borrowers	62,658	60,511	41,797	46,695	41,797	38,872	43,726	43,855	42,234	37,807
4 Own foreign offices[2]	257,436	296,011	303,054	291,048	303,054	300,514	306,122	296,895	301,406	295,561
5 Unaffiliated foreign banks	129,425	134,885	117,799	120,851	117,799	116,664	116,509	110,497	112,173	117,593
6 Deposits	65,898	78,185	65,211	67,265	65,211	68,564	69,039	63,021	64,963	68,863
7 Other	63,527	56,700	52,588	53,585	52,588	48,100	47,470	47,476	47,211	48,731
8 All other foreigners	41,646	43,085	47,428	45,689	47,428	41,835	43,483	44,368	48,850	47,529
9 Claims of banks' domestic customers[3]	47,524	58,594	66,712	....	66,712	....	....	62,572	....	....
10 Deposits	8,289	13,019	14,375	....	14,375	....	....	17,044	....	....
11 Negotiable and readily transferable instruments[4]	25,700	30,983	42,030	....	42,030	....	....	34,533	....	....
12 Outstanding collections and other claims	13,535	14,592	10,308	....	10,308	....	....	10,995	....	....
13 MEMO: Customer liability on acceptances	19,596	12,899	13,659	....	13,659	....	....	11,766	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	45,360	45,509	43,645	49,026	43,645	46,776	42,264	41,657	40,788	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. 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[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area	1987	1988	1989	1990			1991
				June[r]	Sept.[r]	Dec.[r]	Mar.
1 **Total**	**235,130**	**233,184**	**238,123**	**207,906**	**213,258**	**206,995**	**198,492**
By borrower							
2 Maturity of one year or less[2]	163,997	172,634	178,346	158,603	166,040	165,732	157,468
3 Foreign public borrowers	25,889	26,562	23,916	20,877	21,670	19,283	21,170
4 All other foreigners	138,108	146,071	154,430	137,726	144,369	146,450	136,298
5 Maturity over one year[2]	71,133	60,550	59,776	49,303	47,218	41,263	41,024
6 Foreign public borrowers	38,625	35,291	36,014	28,132	26,354	22,393	22,380
7 All other foreigners	32,507	25,259	23,762	21,171	20,864	18,870	18,644
By area							
Maturity of one year or less[2]							
8 Europe	59,027	55,909	53,913	48,997	51,125	49,169	49,506
9 Canada	5,680	6,282	5,910	5,624	5,499	5,439	5,896
10 Latin America and Caribbean	56,535	57,991	53,003	44,312	44,010	49,674	42,282
11 Asia	35,919	46,224	57,755	51,043	56,123	53,138	53,848
12 Africa	2,833	3,337	3,225	2,994	2,954	3,040	3,016
13 All other[3]	4,003	2,891	4,541	5,633	6,330	5,273	2,919
Maturity of over one year[2]							
14 Europe	6,696	4,666	4,121	4,201	4,424	3,869	4,326
15 Canada	2,661	1,922	2,353	2,819	3,033	3,291	3,387
16 Latin America and Caribbean	53,817	47,547	45,816	33,209	31,284	25,964	24,953
17 Asia	3,830	3,613	4,172	5,864	5,664	5,204	5,424
18 Africa	1,747	2,301	2,630	2,744	2,546	2,374	2,417
19 All other[3]	2,381	501	684	465	266	561	517

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.
2. Remaining time to maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1987	1988	1989				1990				1991
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**382.4**	**346.3**	**346.3**	**340.0**	**346.5**	**338.8**	**333.4r**	**321.4r**	**331.6r**	**316.5r**	**325.5r**
2 G-10 countries and Switzerland	159.7	152.7	145.5	145.1	146.4	152.9	146.4r	139.3r	144.3r	131.8r	129.7
3 Belgium-Luxembourg	10.0	9.0	8.6	7.8	6.9	6.3	6.6	6.2	6.5	5.9	6.1
4 France	13.7	10.5	11.2	10.8	11.1	11.7	10.4r	10.2r	11.1	10.3r	9.7
5 Germany	12.6	10.3	10.2	10.6	10.4	10.5	11.2	11.2	11.1r	10.6r	8.7
6 Italy	7.5	6.8	5.2	6.1	6.8	7.4	5.9r	5.4	4.4r	5.0	4.0
7 Netherlands	4.1	2.7	2.8	2.8	2.4	3.1	3.1	2.7	3.8	3.0r	3.3
8 Sweden	2.1	1.8	2.3	1.8	2.0	2.0	2.1	2.3	2.3	2.1	2.0
9 Switzerland	5.6	5.4	5.1	5.4	6.1	7.1	6.2r	6.3r	5.6r	4.4r	3.6
10 United Kingdom	68.8	66.2	65.6	64.5	63.7	67.2	63.9r	59.8r	62.5r	60.7r	62.6
11 Canada	5.5	5.0	4.0	5.1	5.9	5.4	4.7r	5.1r	5.1	5.9	6.7
12 Japan	29.8	34.9	30.5	30.2	31.0	32.2	32.2r	30.1r	32.0r	23.8r	22.9
13 Other developed countries	26.4	21.0	21.1	21.2	21.0	20.7	23.0r	22.4r	23.1r	22.6r	23.1
14 Austria	1.9	1.5	1.4	1.7	1.5	1.5	1.5	1.5	1.6	1.4	1.4
15 Denmark	1.7	1.1	1.1	1.4	1.1	1.1	1.2r	1.1	1.1	1.1	.9
16 Finland	1.2	1.1	1.0	1.0	1.1	1.0	1.1	.9	.8	.7	1.0
17 Greece	2.0	1.8	2.1	2.3	2.4	2.5	2.6	2.7	2.8	2.7	2.5
18 Norway	2.2	1.8	1.6	1.8	1.4	1.4	1.7	1.4	1.6r	1.6	1.5
19 Portugal	.6	.4	.4	.6	.4	.4	.4	.8	.6	.6	.6
20 Spain	8.0	6.2	6.6	6.2	6.9	7.1	8.2r	7.8r	8.4r	8.3r	9.0
21 Turkey	2.0	1.5	1.3	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.7
22 Other Western Europe	1.6	1.3	1.1	1.1	1.0	.7	1.0	1.1	.7	.9	.8
23 South Africa	2.9	2.4	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.8
24 Australia	2.4	1.8	2.4	1.9	2.1	1.6	2.1	1.8r	2.0	1.8r	1.9
25 OPEC countries[3]	17.4	16.6	16.2	16.1	16.2	17.1	15.5	15.3	14.4	12.8r	17.2
26 Ecuador	1.9	1.7	1.6	1.5	1.5	1.3	1.2	1.1	1.1	1.0	.9
27 Venezuela	8.1	7.9	7.9	7.5	7.4	7.0	6.1	6.0	6.0	5.0	5.1
28 Indonesia	1.9	1.7	1.7	1.9	2.0	2.0	2.1	2.0	2.3	2.7	2.8
29 Middle East countries	3.6	3.4	3.3	3.4	3.5	5.0	4.3	4.4	3.3	2.5r	6.7
30 African countries	1.9	1.9	1.7	1.6	1.9	1.7	1.8	1.8	1.7	1.7	1.7
31 Non-OPEC developing countries	97.8	85.3	85.9	83.4	81.2	77.5	68.8	66.7r	67.1r	65.3r	66.0r
Latin America											
32 Argentina	9.5	9.0	8.5	7.9	7.6	6.3	5.6r	5.2r	5.0r	4.9	4.7
33 Brazil	24.7	22.4	22.8	22.1	20.9	19.0	17.5	16.7	15.4	14.4	14.0
34 Chile	6.9	5.6	5.7	5.2	4.9	4.6	4.3	3.7	3.6	3.5	3.6
35 Colombia	2.0	2.1	1.9	1.7	1.6	1.8	1.8	1.7	1.8	1.8	1.7
36 Mexico	23.5	18.8	18.3	17.7	17.2	17.7	12.8r	12.6	12.8r	13.0r	13.1
37 Peru	1.1	.8	.7	.6	.6	.6	.5	.5	.5	.5	.5
38 Other Latin America	2.8	2.6	2.7	2.6	2.9	2.8	2.8r	2.3	2.4	2.3	2.3
Asia											
China											
39 Mainland	.3	.3	.5	.3	.3	.3	.3	.2	.2	.2	.4
40 Taiwan	8.2	3.7	4.9	5.2	5.0	4.5	3.8	3.6	4.0	3.5	3.6
41 India	1.9	2.1	2.6	2.4	2.7	3.1	3.5	3.6	3.6	3.3	3.5
42 Israel	1.0	1.2	.9	.8	.7	.7	.6	.7	.6	.5	.5
43 Korea (South)	5.0	6.1	6.1	6.6	6.5	5.9	5.3	5.6	6.2	6.1r	6.7
44 Malaysia	1.5	1.6	1.7	1.6	1.7	1.7	1.8	1.8	1.8	1.9	2.0
45 Philippines	5.2	4.5	4.4	4.4	4.0	4.1	3.7	3.9	3.9	3.8	3.7
46 Thailand	.7	1.1	1.0	1.0	1.3	1.3	1.1	1.3	1.5	1.5	1.6
47 Other Asia	.7	.9	.8	.8	1.0	1.0	1.2	1.1	1.6	1.7	2.1
Africa											
48 Egypt	.6	.4	.5	.6	.5	.4	.4	.5	.4	.4	.4
49 Morocco	.9	.9	.9	.9	.8	.9	.9	.9	.9	.8	.8
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[4]	1.3	1.1	1.1	1.1	1.0	1.0	.9	.8	.8	1.0	.8
52 Eastern Europe	3.2	3.6	3.5	3.4	3.5	3.5	3.3r	2.9	2.7	2.3	2.0
53 U.S.S.R.	.3	.7	.7	.6	.8	.7	.8	.4	.4	.2	.3
54 Yugoslavia	1.8	1.8	1.7	1.7	1.7	1.6	1.4	1.4	1.3	1.2	1.0
55 Other	1.1	1.1	1.1	1.1	1.1	1.3	1.2	1.1	1.1	.9	.7
56 Offshore banking centers	54.5	44.2	48.7	43.2	49.2	36.6	42.9	40.0r	41.8	40.9r	49.1r
57 Bahamas	17.3	11.0	15.8	11.0	11.4	5.5	9.2	8.5	8.9	2.8	9.1
58 Bermuda	.6	.9	1.1	.7	1.3	1.7	.9	2.2	4.0	4.3	4.1
59 Cayman Islands and other British West Indies	13.5	12.9	12.2	10.8	15.3	9.0	10.9	8.5	9.0	10.4r	13.0r
60 Netherlands Antilles	1.2	1.0	.9	1.0	1.1	2.3	2.6	2.3	2.2	7.9	1.1
61 Panama[5]	3.7	2.5	2.2	1.9	1.5	1.4	1.3	1.4	1.5	1.4	1.6
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.2	9.6	9.6	10.4	10.7	9.7	9.8	10.0	8.7	7.4	11.3
64 Singapore	7.0	6.1	6.8	7.3	7.8	7.0	8.0	7.0	7.5	6.5r	8.7
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	23.2	22.6	25.0	27.4	28.7	30.3	33.3	34.5	38.1	40.6	38.1r

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 in June 1984 reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. 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	1987	1988	1989r	1989	1990				
				Dec.	Mar.r	Juner	Sept.r	Dec.	Mar p
1 **Total**	**28,302**	**32,952**	**38,017**	**38,017r**	**38,076**	**39,092**	**43,885**	**41,788r**	**39,478**
2 Payable in dollars	22,785	27,335	33,211	33,211r	33,705	34,595	38,744	37,406r	35,445
3 Payable in foreign currencies	5,517	5,617	4,805	4,805r	4,371	4,496	5,140	4,382r	4,033
By type									
4 Financial liabilities	12,424	14,507	17,690	17,690r	17,134	18,715	19,616	17,538r	16,485
5 Payable in dollars	8,643	10,608	13,830	13,830r	13,841	15,336	15,766	14,306r	13,630
6 Payable in foreign currencies	3,781	3,900	3,860	3,860r	3,292	3,380	3,850	3,232r	2,856
7 Commercial liabilities	15,878	18,445	20,327	20,327r	20,942	20,376	24,268	24,251r	22,992
8 Trade payables	7,305	6,505	7,626	7,626r	7,471	6,968	10,081	10,007r	8,372
9 Advance receipts and other liabilities	8,573	11,940	12,701	12,701r	13,471	13,409	14,188	14,243	14,620
10 Payable in dollars	14,142	16,727	19,381	19,381r	19,864	19,260	22,978	23,100r	21,815
11 Payable in foreign currencies	1,737	1,717	945	945r	1,078	1,117	1,291	1,150r	1,177
By area or country									
Financial liabilities									
12 Europe	8,320	9,962	11,615	11,615r	11,094	11,759	11,216	9,641r	9,002
13 Belgium-Luxembourg	213	289	340	340	318	332	350	344	285
14 France	382	359	258	258	271	171	470	638	578
15 Germany	551	699	475	475r	442	557	615	630	570
16 Netherlands	866	880	944	944r	900	932	945	973	928
17 Switzerland	558	1,033	541	541	528	552	632	576	577
18 United Kingdom	5,557	6,533	8,846	8,846r	8,388	8,851	7,651	5,944r	5,497
19 Canada	360	388	601	601r	343	297	301	215	264
20 Latin America and Caribbean	1,189	839	1,268	1,268	1,815	2,573	3,394	3,239	3,337
21 Bahamas	318	184	157	157	272	249	368	344	342
22 Bermuda	0	0	17	17	2	0	0	0	0
23 Brazil	25	0	0	0	0	0	0	0	0
24 British West Indies	778	645	635	635	1,061	1,782	2,409	2,274	2,426
25 Mexico	13	1	6	6	5	4	4	5	6
26 Venezuela	0	0	0	0	0	0	0	4	4
27 Asia	2,451	3,312	4,104	4,104r	3,775	4,027	4,223	4,032r	3,878
28 Japan	2,042	2,563	3,252	3,252r	2,737	2,824	3,088	2,853r	2,805
29 Middle East oil-exporting countries[2]	8	3	2	2	3	5	4	5	1
30 Africa	4	2	2	2	3	3	2	2	2
31 Oil-exporting countries[3]	1	0	0	0	0	1	0	0	0
32 All other[4]	100	4	100	100	103	55	479	409	2
Commercial liabilities									
33 Europe	5,516	7,319	8,952	8,952r	9,198	8,560	9,834	10,292r	9,782
34 Belgium-Luxembourg	132	158	179	179	233	297	248	285	248
35 France	426	455	878	878r	888	1,049	1,263	1,260r	1,209
36 Germany	909	1,699	1,393	1,393r	1,174	990	1,052	1,264r	1,375
37 Netherlands	423	587	699	699	688	608	701	840r	715
38 Switzerland	559	417	641	641r	604	628	728	759r	668
39 United Kingdom	1,599	2,079	2,620	2,620r	2,926	2,439	2,777	2,791r	2,713
40 Canada	1,301	1,217	1,124	1,124	1,151	1,179	1,263	1,246r	1,226
41 Latin America and Caribbean	864	1,090	1,187	1,187	1,304	1,279	1,555	1,598r	1,703
42 Bahamas	18	49	41	41	37	22	18	12	21
43 Bermuda	168	286	308	308	516	412	371	538	494
44 Brazil	46	95	100	100	116	106	126	137	208
45 British West Indies	19	34	27	27	18	29	42	30	35
46 Mexico	189	217	304	304	241	285	506	421r	296
47 Venezuela	162	114	154	154	85	119	120	121	283
48 Asia	6,565	6,915	7,193	7,193r	7,019	7,084	8,892	8,928r	8,027
49 Japan	2,578	3,094	2,917	2,917r	2,748	3,189	3,283	3,606	3,284
50 Middle East oil-exporting countries[2,5]	1,964	1,385	1,401	1,401	1,393	1,125	2,321	1,701	1,236
51 Africa	574	576	844	844	753	885	1,315	789	648
52 Oil-exporting countries[3]	135	202	307	307	263	277	593	422	225
53 All other[4]	1,057	1,328	1,027	1,027	1,517	1,390	1,408	1,397	1,606

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type, and area or country	1987	1988	1989r	1989	1990				1991
					Dec.r	Mar.r	Juner	Sept.r	Dec.	Mar.p
1	**Total**	**30,964**	**34,035**	**31,542**	**31,542**	**29,956**	**31,716**	**31,086**	**33,487r**	**34,903**
2	Payable in dollars	28,502	31,654	29,209	29,209	27,802	29,398	28,691	31,038r	32,708
3	Payable in foreign currencies	2,462	2,381	2,334	2,334	2,154	2,318	2,395	2,449r	2,195
	By type									
4	Financial claims	20,363	21,869	17,721	17,721	16,622	18,079	16,638	18,109	18,540
5	Deposits	14,894	15,643	10,400	10,400	10,461	9,885	10,301	11,473	11,444
6	Payable in dollars	13,765	14,544	9,473	9,473	9,583	8,815	9,107	10,504	10,552
7	Payable in foreign currencies	1,128	1,099	927	927	878	1,070	1,193	969	891
8	Other financial claims	5,470	6,226	7,322	7,322	6,161	8,194	6,338	6,636	7,096
9	Payable in dollars	4,656	5,450	6,568	6,568	5,471	7,460	5,685	5,769	6,380
10	Payable in foreign currencies	814	777	754	754	690	733	652	866	716
11	Commercial claims	10,600	12,166	13,821	13,821	13,334	13,637	14,448	15,378r	16,364
12	Trade receivables	9,535	11,091	12,203	12,203	11,704	11,909	12,653	13,430r	14,312
13	Advance payments and other claims	1,065	1,075	1,618	1,618	1,630	1,728	1,795	1,948r	2,052
14	Payable in dollars	10,081	11,660	13,168	13,168	12,748	13,123	13,898	14,764r	15,776
15	Payable in foreign currencies	519	505	653	653	586	514	549	613r	587
	By area or country									
	Financial claims									
16	Europe	9,531	10,279	7,044	7,044	6,982	9,619	7,989	8,005	9,462
17	Belgium-Luxembourg	7	18	28	28	22	126	27	76	86
18	France	332	203	153	153	203	141	153	366	240
19	Germany	102	120	192	192	508	93	102	371	481
20	Netherlands	350	348	303	303	316	340	329	333	448
21	Switzerland	65	218	95	95	122	137	176	325	405
22	United Kingdom	8,467	9,039	6,035	6,035	5,589	8,556	6,976	6,276	7,555
23	Canada	2,844	2,325	1,904	1,904	1,758	2,036	1,989	2,887	1,833
24	Latin America and Caribbean	7,012	8,160	7,590	7,590	6,984	5,479	5,661	5,751	5,893
25	Bahamas	1,994	1,846	1,516	1,516	1,662	992	977	1,261	1,640
26	Bermuda	7	19	7	7	4	3	4	3	6
27	Brazil	63	47	224	224	79	84	70	68	68
28	British West Indies	4,433	5,763	5,431	5,431	4,824	4,003	4,210	4,031	3,773
29	Mexico	172	151	94	94	152	153	158	160	155
30	Venezuela	19	21	20	20	21	20	23	25	28
31	Asia	879	844	847	847	806	843	771	1,213	1,027
32	Japan	605	574	456	456	459	486	472	875	692
33	Middle East oil-exporting countries[2]	8	5	8	8	7	6	9	8	11
34	Africa	65	106	140	140	67	62	49	37	62
35	Oil-exporting countries[3]	7	10	12	12	11	8	7	0	3
36	All other[4]	33	155	195	195	25	41	179	215	262
	Commercial claims									
37	Europe	4,180	5,181	6,194	6,194	6,046	6,082	6,502	7,094r	7,015
38	Belgium-Luxembourg	178	189	242	242	220	209	189	211	221
39	France	650	672	963	963	964	924	1,206	1,302r	1,265
40	Germany	562	669	696	696	702	669	638	800r	855
41	Netherlands	133	212	479	479	453	479	492	552r	609
42	Switzerland	185	344	305	305	270	235	301	299r	331
43	United Kingdom	1,073	1,324	1,572	1,572	1,689	1,583	1,674	1,794r	1,645
44	Canada	936	983	1,079	1,079	1,148	1,147	1,148	1,050r	1,179
45	Latin America and Caribbean	1,930	2,241	2,178	2,178	2,063	2,207	2,399	2,320r	2,299
46	Bahamas	19	36	57	57	22	17	25	14	15
47	Bermuda	170	230	323	323	243	284	340	246r	232
48	Brazil	226	299	293	293	232	235	253	323r	307
49	British West Indies	26	22	36	36	38	47	35	40r	49
50	Mexico	368	461	510	510	526	582	651	646r	656
51	Venezuela	283	227	147	147	189	224	225	190r	190
52	Asia	2,915	2,993	3,560	3,560	3,279	3,446	3,594	4,032r	5,009
53	Japan	1,158	946	1,197	1,197	1,074	1,097	1,221	1,418r	2,456
54	Middle East oil-exporting countries[2]	450	453	518	518	434	417	408	459	548
55	Africa	401	435	419	419	425	390	373	488	390
56	Oil-exporting countries[3]	144	122	108	108	89	97	72	67	68
57	All other[4]	238	333	392	392	372	365	432	395r	472

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	1989	1990[r]	1991 Jan.– May	1990 Nov.	1990 Dec.[r]	1991[r] Jan.	1991[r] Feb.	1991[r] Mar.	1991[r] Apr.	1991[r] May[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	214,061	173,231	93,501	12,555[r]	13,316	10,259	21,691	21,763	20,573	19,214
2 Foreign sales	204,114	188,373	84,384	13,368	14,573	11,056	20,615	19,393	17,437	15,884
3 **Net purchases, or sales (–)**	**9,946**	**–15,142**	**9,117**	**–812[r]**	**–1,257**	**–797**	**1,076**	**2,370**	**3,137**	**3,331**
4 **Foreign countries**	**10,180**	**–15,213**	**8,926**	**–808[r]**	**–1,267**	**–798**	**1,020**	**2,369**	**3,059**	**3,276**
5 Europe	481	–8,498	1,952	–582	–487	–600	–1,245	846	1,734	1,217
6 France	–708	–1,234	141	–80	–49	–24	27	100	–45	83
7 Germany	–830	–368	–281	–14	–144	–114	–204	0	13	24
8 Netherlands	79	–398	–73	21	–46	–142	–104	119	30	25
9 Switzerland	–3,277	–2,867	34	–169	–263	–222	–943	357	552	290
10 United Kingdom	3,691	–2,992	1,431	–282	149	–83	27	121	781	586
11 Canada	–881	892	1,600	216	279	25	469	284	110	712
12 Latin America and Caribbean	3,042	–1,333	1,533	296[r]	–280	233	937	3	120	240
13 Middle East[1]	3,531	–2,435	391	–430	–251	–279	675	–30	–182	207
14 Other Asia	3,577	–3,477	3,436	–420	–406	–196	432	1,223	1,149	828
15 Japan	3,330	–2,891	1,106	–194	–382	–271	–366	–2	1,076	669
16 Africa	131	–63	100	–5	–14	33	31	16	0	21
17 Other countries	299	–298	–86	117	–108	–13	–279	28	128	51
18 **Nonmonetary international and regional organizations**	**–234**	**71**	**191**	**–5**	**9**	**2**	**56**	**1**	**78**	**55**
BONDS[2]										
19 Foreign purchases	120,550	118,755	56,743	11,205	10,216	8,859	8,468	14,802	10,291	14,323
20 Foreign sales	87,376	101,703	48,976	7,777[r]	7,890	8,575	9,269	10,608	8,945	11,580
21 **Net purchases, or sales (–)**	**33,174**	**17,052**	**7,768**	**3,429[r]**	**2,326**	**284**	**–801**	**4,194**	**1,346**	**2,744**
22 **Foreign countries**	**32,821**	**17,523**	**7,751**	**3,456**	**2,329**	**103**	**–723**	**4,093**	**1,453**	**2,825**
23 Europe	19,064	10,396	5,165	2,046	1,361	–130	–1,065	3,271	1,334	1,755
24 France	372	373	611	24	39	31	68	392	34	86
25 Germany	–238	–377	776	–59	–41	–54	78	238	114	400
26 Netherlands	850	172	173	52	110	47	1	20	84	21
27 Switzerland	–511	284	602	148	45	360	–217	318	–21	162
28 United Kingdom	18,123	10,703	2,493	1,727	1,680	–102	–885	1,633	900	948
29 Canada	1,116	1,906	1,182	93	–85	71	106	385	247	374
30 Latin America and Caribbean	3,686	4,289	821	343	495	–17	439	351	188	–142
31 Middle East[1]	–182	76	48	–35	74	69	–2	–13	–25	20
32 Other Asia	9,025	1,104	533	1,033	486	131	–209	81	–301	831
33 Japan	6,292	747	560	812	399	308	–214	162	–240	544
34 Africa	56	96	20	6	–9	–15	10	7	8	10
35 Other countries	57	–344	–18	–30	7	–5	–2	10	3	–23
36 **Nonmonetary international and regional organizations**	**353**	**–471**	**16**	**–27[r]**	**–2**	**181**	**–78**	**102**	**–107**	**–81**
	Foreign securities									
37 Stocks, net purchases, or sales (–)[3]	–13,120	–8,952	–12,718	1,069[r]	–1,831	–404	–3,177	–3,305	–2,520	–3,313
38 Foreign purchases	109,792	122,600	44,381	10,060	7,263	6,230	10,561	11,095	7,937	8,558
39 Foreign sales[3]	122,912	131,552	57,100	8,991[r]	9,094	6,634	13,738	14,400	10,457	11,871
40 Bonds, net purchases, or sales (–)	–5,943	–22,322	–5,687	176[r]	–4,745	–173	–1,945	–991	–589	–1,989
41 Foreign purchases	234,320	314,466	145,957	32,896[r]	33,391	27,138	37,202	40,161	20,785	20,671
42 Foreign sales	240,263	336,788	151,644	32,721[r]	38,136	27,312	39,146	41,152	21,374	22,660
43 **Net purchases, or sales (–), of stocks and bonds**	**–19,063**	**–31,273**	**–18,405**	**1,244[r]**	**–6,576**	**–577**	**–5,122**	**–4,296**	**–3,109**	**–5,302**
44 **Foreign countries**	**–19,101**	**–28,600**	**–16,553**	**1,219[r]**	**–5,834**	**–538**	**–5,166**	**–2,845**	**–3,232**	**–4,773**
45 Europe	–17,721	–7,999	–4,714	2,017	–898	328	–3,139	–340	351	–1,913
46 Canada	–4,180	–7,502	–4,601	–1,740	–655	–573	–797	3	–2,290	–943
47 Latin America and Caribbean	426	–8,959	–1,184	283	–2,810	351	314	114	–311	–1,652
48 Asia	2,532	–3,824	–6,211	712[r]	–1,572	–778	–1,793	–2,494	–987	–159
49 Africa	93	–137	68	–69	28	22	30	2	10	4
50 Other countries	–251	–179	88	16[r]	74	113	218	–130	–4	–109
51 **Nonmonetary international and regional organizations**	**38**	**–2,673**	**–1,852**	**25**	**–742**	**–39**	**44**	**–1,451**	**123**	**–529**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.
3. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received $5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data above.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1989	1990r	1991	1990r		1991r				
			Jan.–May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May p
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total**[2]	**54,203**	**19,687**	**19,867**	**6,410**	**5,554**	**3,144**	**12,922**	**–15,574**	**2,954**	**16,421**
2 Foreign countries[2]	52,301	19,524	20,462	5,999	5,557	4,776	11,462	–14,755	2,575	16,404
3 Europe[2]	36,286	19,065	5,921	2,344	4,258	3,356	2,933	–4,535	–1,353	5,520
4 Belgium-Luxembourg	1,048	10	681	–64	–105	260	149	115	37	121
5 Germany[2]	7,904	5,829	–4,689	1,849	571	–542	–1,691	–3,340	–549	1,433
6 Netherlands	–1,141	1,077	–745	–249	625	300	–85	–607	–292	–61
7 Sweden	693	1,152	–712	276	721	–661	43	–244	–410	560
8 Switzerland[2]	1,098	112	386	–6	200	170	139	470	–622	230
9 United Kingdom	20,198	–1,338	5,259	–1,527	240	2,829	–54	513	265	1,706
10 Other Western Europe	6,508	12,202	5,733	2,069	2,006	995	4,432	–1,442	214	1,534
11 Eastern Europe	–21	13	8	–5	0	6	0	0	5	–3
12 Canada	698	–4,614	124	–468	155	–795	–171	182	566	342
13 Latin America and Caribbean	464	14,980	13,968	4,502	830	–4,984	2,802	121	5,547	10,481
14 Venezuela	311	33	–144	132	1	–153	–1	6	2	2
15 Other Latin America and Caribbean	–322	4,190	10,575	1,080	428	–426	1,593	765	2,955	5,687
16 Netherlands Antilles	475	10,757	3,537	3,290	401	–4,405	1,210	–650	2,590	4,793
17 Asia	13,297	–11,062	386	–930	–72	7,019	5,517	–9,984	–2,179	12
18 Japan	1,681	–14,895	–5,524	–1,153	–2,407	2,244	1,915	–7,016	–3,379	711
19 Africa	116	313	205	8	–3	78	110	0	16	1
20 All other	1,439	842	–142	543	389	102	269	–540	–22	48
21 Nonmonetary international and regional organizations	1,902	163	–594	411	–4	–1,633	1,461	–819	379	17
22 International	1,473	287	–1,099	260	–119	–1,571	1,104	–845	171	42
23 Latin America regional	231	–2	–2	0	92	–202	156	5	225	–186
Memo										
24 Foreign countries[2]	52,301	19,524	20,462	5,999	5,557	4,776	11,462	–14,755	2,575	16,404
25 Official institutions	26,840	23,169	626	5,046	7,106	2,707	7,009	–12,000	883	2,027
26 Other foreign[2]	25,461	–3,645	19,835	953	–1,549	2,069	4,453	–2,755	1,692	14,377
Oil-exporting countries										
27 Middle East[3]	8,148	–387	–1,392	–878	1,014	523	644	–1,485	–513	–562
28 Africa[4]	–1	0	20	0	0	0	21	–6	5	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, denominated in foreign currencies, publicly issued to private foreign residents.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on July 31, 1991		Country	Rate on July 31, 1991		Country	Rate on July 31, 1991	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	6.5	Oct. 1989	France[1]	9.0	Mar. 1990	Norway	10.50	July 1990
Belgium	7.5	June 1991	Germany, Fed. Rep. of	6.50	Feb. 1991	Switzerland	6.0	Oct. 1989
Canada	8.94	July 1991	Italy	11.5	May 1991	United Kingdom[2]	....	....
Denmark	9.50	Jan. 1991	Japan	5.5	July 1991			
			Netherlands	7.75	Feb. 1991			

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

Averages of daily figures, percent per year

Country, or type	1988	1989	1990	1991						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Eurodollars	7.85	9.16	8.16	7.23	6.60	6.44	6.11	5.94	6.08	6.01
2 United Kingdom	10.28	13.87	14.73	13.91	13.20	12.33	11.90	11.48	11.21	11.04
3 Canada	9.63	12.20	13.00	11.13	10.37	9.97	9.67	9.12	8.83	8.78
4 Germany	4.28	7.04	8.41	9.25	8.96	8.99	9.08	8.98	8.95	9.06
5 Switzerland	2.94	6.83	8.71	8.44	7.81	8.17	8.26	8.10	7.89	7.74
6 Netherlands	4.72	7.28	8.57	9.31	9.01	9.04	9.11	9.05	9.08	9.09
7 France	7.80	9.27	10.20	10.14	9.64	9.34	9.21	9.13	9.59	9.46
8 Italy	11.04	12.44	12.11	13.13	13.31	12.52	11.90	11.46	11.48	11.74
9 Belgium	6.69	8.65	9.70	9.91	9.51	9.28	9.20	9.00	9.08	9.12
10 Japan	4.43	5.39	7.75	8.18	8.01	8.09	7.96	7.82	7.79	7.56

NOTE. Rates are for three-month interbank loans except for Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar

Country/currency	1988	1989	1990	1991 Feb.	1991 Mar.	1991 Apr.	1991 May	1991 June	1991 July
1 Australia/dollar[2]	78.409	79.186	78.069	78.351	77.107	77.947	77.427	75.982	77.156
2 Austria/schilling	12.357	13.236	11.331	10.416	11.341	11.977	12.104	12.538	12.562
3 Belgium/franc	36.785	39.409	33.424	30.475	33.206	35.017	35.363	36.689	36.751
4 Canada/dollar	1.2306	1.1842	1.1668	1.1549	1.1572	1.1535	1.1499	1.1439	1.1493
5 China, P.R./yuan	3.7314	3.7673	4.7921	5.2352	5.2352	5.2767	5.3257	5.3667	5.3693
6 Denmark/krone	6.7412	7.3210	6.1899	5.6953	6.1886	6.5163	6.5793	6.8634	6.9030
7 Finland/markka	4.1933	4.2963	3.8300	3.5941	3.8512	3.9925	4.0431	4.2189	4.3295
8 France/franc	5.9595	6.3802	5.4467	5.0398	5.4862	5.7540	5.8282	6.0483	6.0596
9 Germany/deutsche mark	1.7570	1.8808	1.6166	1.4805	1.6122	1.7027	1.7199	1.7828	1.7852
10 Greece/drachma	142.00	162.60	158.59	158.82	174.16	184.76	188.14	195.03	195.46
11 Hong Kong/dollar	7.8072	7.8008	7.7899	7.7943	7.7911	7.7939	7.7798	7.7341	7.7610
12 India/rupee	13.900	16.213	17.492	18.860	19.243	19.906	20.519	21.062	25.613
13 Ireland/punt[2]	152.49	141.80	165.76	179.81	157.43	157.12	155.68	142.66	136.48
14 Italy/lira	1,302.39	1,372.28	1,198.27	1,111.19	1,201.96	1,261.57	1,275.67	1,325.09	1,329.55
15 Japan/yen	128.17	138.07	145.00	130.54	137.39	137.11	138.22	139.75	137.83
16 Malaysia/ringgit	2.6190	2.7079	2.7057	2.6969	2.7418	2.7498	2.7573	2.7810	2.7868
17 Netherlands/guilder	1.9778	2.1219	1.8215	1.6689	1.8174	1.9186	1.9379	2.0085	2.0114
18 New Zealand/dollar[2]	65.560	59.561	59.619	60.120	59.389	58.909	58.647	57.645	56.681
19 Norway/krone	6.5243	6.9131	6.2541	5.7919	6.2899	6.6198	6.6953	6.9542	6.9627
20 Portugal/escudo	144.27	157.53	142.70	130.45	140.97	148.00	149.59	156.37	154.20
21 Singapore/dollar	2.0133	1.9511	1.8134	1.7180	1.7589	1.7688	1.7688	1.7782	1.7555
22 South Africa/rand	2.2770	2.6214	2.5885	2.5412	2.6636	2.7325	2.7975	2.8625	2.8819
23 South Korea/won	734.52	674.29	710.64	723.97	727.73	728.36	727.99	727.97	731.76
24 Spain/peseta	116.53	118.44	101.96	92.61	100.21	105.08	106.45	111.18	111.81
25 Sri Lanka/rupee	31.820	35.947	40.078	40.598	40.750	40.836	40.988	41.211	41.213
26 Sweden/krona	6.1370	6.4559	5.9231	5.5516	5.9081	6.1145	6.1578	6.4235	6.4609
27 Switzerland/franc	1.4643	1.6369	1.3901	1.2685	1.3918	1.4399	1.4574	1.5297	1.5481
28 Taiwan/dollar	28.636	26.407	26.918	27.109	27.311	27.333	27.282	27.166	26.982
29 Thailand/baht	25.312	25.725	25.609	25.141	25.447	25.578	25.645	25.766	25.745
30 United Kingdom/pound[2]	178.13	163.82	178.41	196.41	182.14	174.97	172.38	164.97	165.13
MEMO									
31 United States/dollar[3]	92.72	98.60	89.09	82.12	88.12	91.41	92.29	95.18	95.19

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*

SPECIAL TABLES—Published Irregularly, with Latest BULLETIN *Reference*

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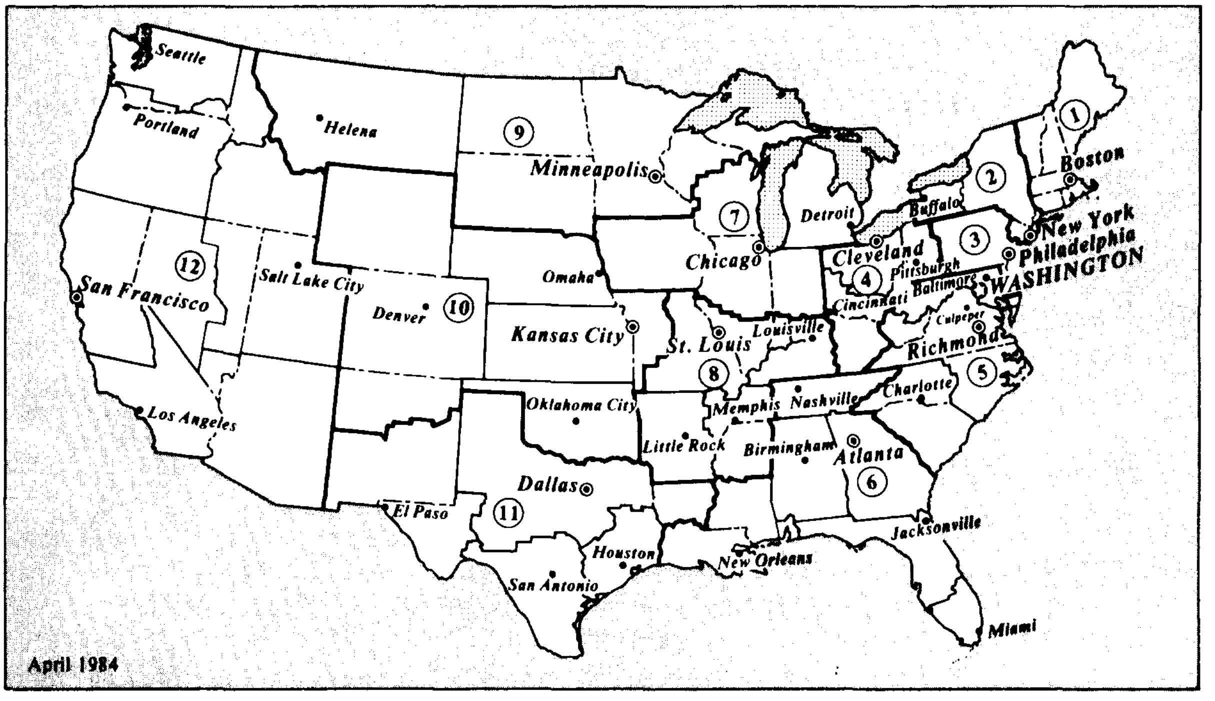

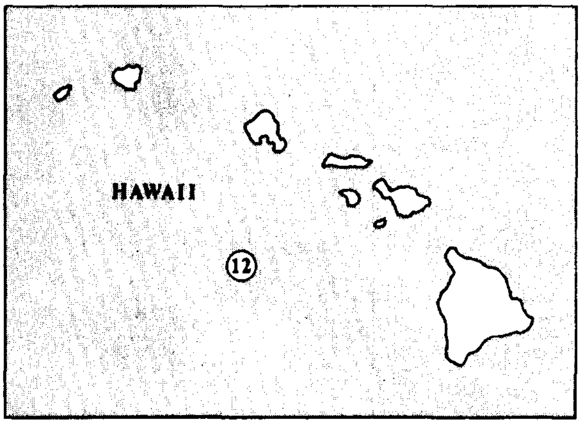

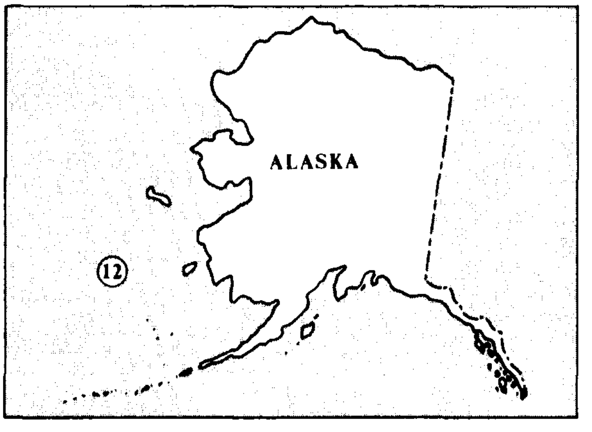

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