
VOLUME 74 □ NUMBER 8 □ AUGUST 1988



FEDERAL RESERVE BULLETIN

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, D.C.

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At its meeting on May 17, 1988, the Committee adopted a directive that called initially for maintaining the current degree of pressure on reserve positions. Some slight firming would be implemented after a short interval following the meeting, assuming

that economic and financial conditions remained reasonably consistent with current expectations. In particular, and in keeping with the Committee's usual approach to policy, the conduct of open market operations would take account of conditions in financial markets, the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, and the behavior of the monetary aggregates. Later in the intermeeting period, some added reserve restraint would be acceptable, or some slight lessening of reserve pressure might be acceptable, depending on ongoing economic and financial developments. The contemplated reserve conditions were likely to be associated with slower monetary growth, but given their relatively rapid expansion in April, M2 and M3 were still expected to grow at the rates of 6 to 7 percent established in late March for the period from March to June. The members agreed that the intermeeting range for the federal funds rate should be raised by 1 percentage point to 5 to 9 percent.

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Monetary Policy Report to the Congress

Report submitted to the Congress on July 13, 1988, pursuant to the Full Employment and Balanced Growth Act of 1978.¹

MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1988 AND 1989

The economy continued to expand rapidly in the first half of 1988, displaying impressive resilience in the wake of last fall's stock market break. Especially encouraging has been the fact that the expansion in activity this year has been propelled largely by rising exports and business investment, which bodes well for the restoration of better balance in the economy.

With the industrial sector continuing to enjoy greater growth, capacity utilization rates have crept higher. At the same time, the civilian unemployment rate has declined since year-end, and the average of 5½ percent in the second quarter was the lowest in nearly 15 years. Despite the tightening of labor markets, wage increases to date have been notably restrained, on balance, helping to contain cost pressures in many sectors. Most measures of price inflation among finished goods and services also have shown little if any pickup, although basic commodity prices have risen considerably, most recently reflecting the effects of drought on agricultural markets.

During the first half of the year, the Federal Reserve continued to direct its policies toward providing monetary and financial conditions that would foster price stability over time, promote sustainable economic growth, and contribute to an improved pattern of international transactions. It was recognized that progress toward these goals in 1988 would require relatively slow

growth of domestic demand, which would allow the economy to accommodate rising external demands on U.S. producers without generating overall inflationary pressures. Consistent with continued external adjustment and with its commitment to achieving price stability over time, the Federal Open Market Committee (FOMC) in February lowered its 1988 target growth ranges for M2 and M3 to 4 to 8 percent.

At the beginning of the year, the conduct of monetary policy was complicated by exceptional uncertainty about the state of the economy. Some signs of weakness had begun to emerge, seemingly lending support to the widely held view that economic activity would falter after the stock market break. In particular, inventories had accumulated at a rapid rate in the fourth quarter of 1987, producing some overhang of stocks at the retail level. Moreover, other indicators suggested that the rate of increase in labor demand had slackened. At the same time, financial markets seemed to be somewhat fragile, as conditions had not yet returned to normal following the plunge in stock prices. The Federal Reserve thus was faced with the challenge of countering the apparent near-term weakness of the economy, while taking account of the longer-range need to ensure that growth in domestic demand would not become excessive.

In this situation, and with the dollar firming on foreign exchange markets, the Committee loosened slightly further the easier reserve conditions that had been adopted following the stock market plunge. Market interest rates edged down, which—in conjunction with earlier declines in rates—helped lift M2 and M3 to near the top of their 1988 target ranges and resulted in a modest fall in their velocities (the ratio of nominal gross national product to the money supply) during the first quarter. Given the risk that economic activity was weakening, as well as the still unsettled conditions in financial markets, the Committee viewed the more rapid growth in money as appropriate.

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

By early spring, however, the bulk of the incoming data indicated that business activity had, in fact, remained robust. Additional information available later in the second quarter confirmed the strength of the economy, and high and rising levels of resource utilization pointed to a greater potential for a buildup of inflationary pressures. The costs of allowing inflation to reintensify were seen as quite high, based on the experience of the early 1980s, when the reversal of the inflation process led unavoidably to sizable losses in output and to an extended period of high unemployment.

Against this backdrop, the Committee tightened reserve conditions somewhat in a series of moves beginning in late March. Market interest rates responded to the strength in the economy and to the Federal Reserve's actions by moving upward. Over the past four months, most short-term interest rates have increased about 1 percentage point on balance. Long-term rates generally rose substantially through late May, but have declined a little on net since then. The better performance of the bond market recently has occurred at a time when investor sentiment toward investment in dollar-denominated assets has been buoyed by better trade statistics and may also have reflected favorable market response to the Federal Reserve's demonstrated resolve to fight inflation.

Despite the Committee's tightening actions, M2 and M3 continued to expand rapidly through April, in response to earlier decreases in interest rates and to a bulge in transaction balances associated with unusually large individual tax payments. As the tax-related surge unwound and the influence of higher interest rates began to be felt, the two broad aggregates grew at a reduced pace in May and June, and ended the first half of the year in the upper halves of their target ranges.

MONETARY PLANS FOR THE REMAINDER OF 1988 AND FOR 1989

At its meeting last month, the Federal Open Market Committee agreed to retain the target growth ranges of 4 to 8 percent for M2 and M3, measured from the fourth quarter of 1987 to the

fourth quarter of 1988. In addition, the Committee retained the monitoring range of 7 to 11 percent for the debt of domestic nonfinancial sectors and again set no range for M1. Recognizing the variability of the relationship of these measures to the performance of the economy, the Committee agreed that operating decisions would continue to be made not only in light of the behavior of the monetary aggregates, but also with due regard to developments in the economy and financial markets, including attention to the sources and extent of price pressures and to the performance of the dollar in foreign exchange markets.

In the absence of any significant economic and financial disturbances, the Committee expected growth in M2 to moderate over the remainder of the year, placing the aggregate around the middle of its target range at year-end. Growth in M3 this year is expected to exceed that of M2 but to remain comfortably within its range, on the assumption that asset expansion at depository institutions would remain fairly robust in the second half. The debt of domestic nonfinancial sectors is expected to remain near the middle of its monitoring range, which would put its growth for the year around the slowest annual pace registered in the past decade.

For 1989, the Committee set, on a tentative basis, target growth ranges of 3 to 7 percent for M2 and 3½ to 7½ percent for M3, measured from the fourth quarter of 1988 to the fourth quarter of 1989; the monitoring range over the same period for domestic debt was set at 6½ to 10½ percent (table 1). Although uncertain about how strong the economy might be over the coming year or so, the Committee recognized that, given the current high levels of resource utilization, it was necessary to be particularly attentive to inflationary risks. An acceleration of inflation could undermine the sustainability of the economic

1. Ranges of growth for monetary and credit aggregates Percent change, fourth quarter to fourth quarter

Aggregate	1987	1988	Provisional for 1989
M2	5½ to 8½	4 to 8	3 to 7
M3	5½ to 8½	4 to 8	3½ to 7½
Debt	8 to 11	7 to 11	6½ to 10½

2. Economic projections for 1988 and 1989

Item	FOMC members and nonvoting FRB presidents		Administration
	Range	Central tendency	
<i>Percent change, fourth quarter to fourth quarter</i>			
Nominal GNP			
1988	4 to 7	5¾ to 6¾	6.6
1989	4 to 7½	5 to 7	7.1
Real GNP			
1988	1 to 3¼	2¾ to 3	3.0
1989	1 to 3	2 to 2½	3.3
Implicit deflator for GNP			
1988	2¾ to 4	3 to 3¾	3.5
1989	2 to 5	3 to 4½	3.7
<i>Average level in the fourth quarter, percent</i>			
Civilian unemployment rate			
1988	5¼ to 6½	5¼ to 5¾	5.5
1989	5 to 7	5½ to 6	5.3

expansion and the international competitive position of U.S. producers. The lower ranges tentatively adopted for 1989 were believed consistent with a monetary policy that would curb any tendency for inflation to worsen and would contribute over time to the restoration of price stability. However, the Committee also noted that developments over the next half year could alter substantially the rates of money growth needed to foster satisfactory economic performance in 1989 and beyond. Consequently, it stressed the provisional nature of its decision and the possibility that the ranges for 1989 might need to be adjusted when they are reviewed early next year.

The Committee again decided not to set a range for M1, given the sharp swings in its velocity in recent years, resulting in part from its increased sensitivity to movements in market interest rates since deposits were deregulated. In considering narrow monetary measures, the Committee also has discussed whether the monetary base could play a useful role in the conduct of policy. This measure comprises the major monetary liabilities of the Federal Reserve System—currency in the hands of the public and reserves of depository institutions—and represents, in a sense, the “base” of the broader monetary aggregates.² The Committee decided

against establishing a range for the monetary base because it seemed unlikely to provide a more reliable guide for policy than the aggregates for which ranges already are established. Although the base has been less variable in relation to economic activity and prices than M1, its velocity nonetheless has fluctuated appreciably and rather unpredictably from year to year.

Economic Projections

As is indicated in table 2, the central tendency of the forecasts of Committee members and nonvoting Reserve Bank presidents—premised on the monetary policy objectives outlined above—is for growth in real GNP of 2¾ to 3 percent in 1988, with a modest slowing of expansion in 1989. Such a pace of growth likely would generate employment gains sufficient to hold the civilian unemployment rate close to its average second-quarter level of 5½ percent. Prices, as measured by the implicit deflator for GNP, are generally expected to rise 3 to 3¾ percent over the four quarters of 1988, similar to last year's rate of advance. For 1989, projections of the increase in the GNP deflator are of course more uncertain, and the central-tendency range widens to 3 to 4½ percent.

The administration forecast for 1988 is quite similar to the central tendency of forecasts of FOMC members and nonvoting presidents. For 1989, the administration is projecting stronger

2. The characteristics of the base and its behavior are discussed in the appendix to this report.

growth of real output than that indicated by the FOMC forecasts, but its expectation for inflation is in the middle of the range of FOMC forecasts. The administration's projection of nominal GNP in both years is around the upper end of the central-tendency ranges and within the full ranges, suggesting that the administration's economic forecast and the FOMC's monetary ranges are broadly compatible. Continued improvement in the external sector is expected to provide the main impetus to U.S. economic growth over the next year and a half. Real exports of goods should remain on a strong upward path, reflecting the improved competitive position of U.S. producers. At the same time, the growth of real imports is likely to be restrained, owing to the lagged effects of the depreciation of the dollar through the end of last year. This continued shrinkage of the real trade deficit is expected to be sufficient to generate some reduction in the nation's deficit on current account during 1988 and a further decline in 1989. In contrast to the boost provided by the external sector, domestic demand is projected to remain relatively subdued. Consumer spending, in particular, has been on a sluggish growth trend since late 1986, and that pattern seems likely to persist. Moreover, in an environment of more moderate growth of overall activity, economy-wide spending on new plant and equipment may not rise as swiftly as it has on average over the past year. Even so, within manufacturing, improved profitability and higher capacity utilization have stimulated a healthy pickup in capital spending, which should continue for some time. The performance of the interest-sensitive sectors, most notably homebuilding and business investment, will be influenced considerably by the extent to which the federal government is competing for available supplies of credit. Accordingly, continued fiscal restraint is essential if we are to free up resources to support private investment. In this regard, the budget summit agreement reached last December was a favorable first step, and the Federal Open Market Committee members and other Reserve Bank presidents have assumed that the necessary legislative action will be taken to implement the agreement. There

is a clear need for further initiatives to deal with the out-year deficits, which remain distressingly large; financial events later this year and in 1989 could be substantially affected by the developments in the fiscal arena. Although little change is expected in the overall pace of inflation this year, as compared with 1987, the sources of actual and potential price pressure appear to have changed. In 1987, a rebound in oil prices was a major factor boosting the general price level; assuming that world oil prices remain fairly stable, domestic energy prices should not be a significant inflationary force in 1988–89. Labor markets have tightened considerably since last year, however, and most measures of wage and compensation rates have firmed. Although the overall rate of industrial capacity utilization is not high by historical standards, plants are being used very intensively in some materials-producing sectors; sharply rising materials prices have raised costs for manufacturers generally. Food prices also have been a less favorable element in the inflation picture recently, and are likely to experience some further acceleration as a consequence of drought conditions; however, it is important to recognize the temporary nature of this phenomenon, which should have no lasting effect on overall inflation so long as it does not become embedded in wage trends.

For 1989, the FOMC central-tendency range for the GNP deflator widens on the upper end, suggesting the possibility of a pickup in inflation from the pace this year. However, this apparent acceleration of prices largely reflects the arithmetic implication of an eccentric movement in the deflator for GNP in the first quarter of this year. Shifts in the composition of output caused the deflator to rise at an annual rate of less than 1½ percent during that quarter; these shifts are not expected to be so noticeable in coming quarters. The view that inflation next year will not differ significantly from the pace anticipated over the final three quarters of 1988 reflects the expectation that business and labor—recognizing the realities of a highly competitive international marketplace—will continue to exercise restraint in setting prices and wages.

*THE PERFORMANCE OF THE ECONOMY
DURING THE FIRST HALF OF 1988*

The economy continued to expand briskly in the first part of 1988. Activity was boosted by strength in capital spending and growth in foreign demand for U.S. goods. The rise in overall output during the first six months of this year supported the addition of about 1¼ million jobs to nonfarm payrolls, and the civilian unemployment rate, which had trended down throughout 1987, dropped somewhat further since the beginning of the year to an average level of 5½ percent in the second quarter.

Despite the greater tightness in labor markets and the higher rates of capacity utilization now prevailing in some industries, tendencies toward additional inflation have been limited. Prices of materials and components have risen sharply, but for finished goods there are only hints of price acceleration outside the food sector. Wages, on the whole, have continued to be fairly well behaved, suggesting a recognition by labor and by management of the need to maintain competitive cost structures.

The continued resurgence of manufacturing has been one of the most notable economic developments this year. During the first five months of 1988, industrial production expanded at nearly a 4 percent annual rate, and the rate of capacity utilization for total manufacturing rose ½ percentage point between December and May to just over 83 percent, the highest level during the 1980s. Owing to these advances in production, manufacturers have embarked on substantial programs to invest in plant and equipment, pacing an economy-wide pickup in the rate of capital spending. The better balance of expansion also has been visible in agriculture, although the upturn in that sector has been jeopardized by recent drought conditions.

The improvements in manufacturing and agriculture are, in part, reflections of a broader adjustment of the U.S. external position. The combination of a lower dollar and domestic cost containment has translated into a marked turnaround in real net exports. That process also has been aided by stronger economic growth in other large industrial countries.

The External Sector

After having trended downward for nearly three years, the dollar has appreciated substantially thus far in 1988 against most major foreign currencies. The dollar rose sharply at the beginning of the year, responding in part to coordinated central bank intervention. In recent months, sentiment toward the dollar has been improved by the release of better-than-expected trade reports and the firming actions of the Federal Reserve.

The U.S. merchandise trade deficit for the first quarter was \$144 billion at a seasonally adjusted annual rate, substantially below the figures for the fourth quarter and for 1987 as a whole. In April, the trade deficit narrowed further. Exports have continued to expand rapidly, while import growth has slowed considerably. The strong growth of exports can be attributed primarily to the increased price competitiveness of U.S. goods, which reflects the decline of the dollar in recent years and the tight control over production costs exercised by domestic firms. This growth of exports continues to be broadly based, and foreign sales have been particularly strong for industrial machinery and for computing equipment. On the import side, the volume of purchases rose less than 1 percent in the first quarter and apparently declined in April. Imports of consumer goods excluding autos were essentially unchanged in the first quarter, continuing the pattern of 1987, while auto imports fell somewhat. In contrast, imports of capital goods rose considerably, stimulated by the surge in equipment outlays by domestic firms.

Economic expansion abroad has continued at a moderate pace, on balance, so far this year, providing some support for an improved U.S. trade position. Activity increased sharply in the major foreign industrial countries in early 1988, while growth in the smaller industrial nations remained subdued. In the newly industrialized countries of Asia, economic activity continued to expand rapidly. In contrast, growth slowed in Latin America, primarily due to a sharp deceleration of activity in Brazil. In the OPEC countries, activity appears to have stabilized in 1988, after a decline in 1987, as higher volumes of oil

exports have offset the effects on government revenues of a slight softening in prices.

The Household Sector

Consumer spending showed some vigor in early 1988, after having declined in the fourth quarter of last year. Real outlays increased at a 3¾ percent annual rate in the first quarter, as purchases of motor vehicles bounced back with the expansion of manufacturers' incentive programs, outlays for other durable goods were strong, and expenditures on services continued to post appreciable gains. Data for April and May suggest, however, that the growth of consumer spending slowed from the rapid first-quarter rate.

The buoyancy of consumer spending early this year can be traced to robust income growth. Real disposable personal income rose at a 5 percent annual rate, on average, during the fourth quarter of 1987 and the first quarter of 1988, substantially above the 2 percent rate posted for 1987 as a whole. However, disposable income growth appears to have slowed considerably in the second quarter, as a result of a spurt in nonwithheld tax payments and a slower pace of employment gains.

Although the pace of consumer spending thus far this year has been stronger than many expected, the stock market break probably did exert some restraining effect. This is evident in the personal saving rate, which has averaged 4½ percent for the seven months after October—1 percentage point above the average level during the first three quarters of 1987. While most households experienced little direct loss of wealth from the stock market decline, the startling dimensions of the event obviously affected consumer sentiment last fall. With each passing month, however, confidence has grown and helped to sustain the growth of spending.

Residential construction was weak during the first half of 1988. Total housing starts averaged about 1½ million units at an annual rate through May, almost 9 percent below the 1987 total. In the multifamily sector, building declined from the already depressed 1987 level. Starts in this sector have been falling since the end of 1985, as

near-record vacancy rates and changes in the tax laws have reduced the incentive to build new units. In the single-family sector, building has fluctuated from month to month, influenced by movements in interest rates and perhaps by weather; on balance, the average level of starts through May was roughly 6 percent below the 1987 pace.

The Business Sector

Business fixed investment advanced sharply in the first quarter of 1988, owing to a large increase in purchases of equipment. In recent months, spending appears to have remained near the high first-quarter level. Surveys of capital spending plans, taken this spring, point to appreciable growth in investment outlays over the second half of 1988.

Real outlays for computing equipment jumped at more than a 90 percent annual rate in the first quarter, but fell back considerably in subsequent months. Smoothing through this volatility, it appears that demand for such equipment has emerged from the lull that prevailed during 1986 and the first half of 1987, when excess computing capacity—as well as concerns about the usefulness of available software—limited purchases. Outlays for other types of equipment also have been strong, on balance, since the turn of the year, largely reflecting the buoyancy of overall economic activity. In particular, with utilization rates now at elevated levels in many manufacturing industries, equipment investments have been an attractive way of removing bottlenecks and achieving a relatively rapid improvement in effective capacity.

Although the data for May showed a surprising jump in nonresidential construction activity, real outlays in this sector were sluggish overall during the first five months of the year. Commercial construction, the largest part of this aggregate, continues to be restrained by an overhang of vacant space. In addition, oil and gas drilling, which was up more than 20 percent in 1987, has changed little since last fall, owing in large part to the general weakness of petroleum prices over this period. Industrial construction, in contrast, has risen briskly in recent months. Nonetheless,

even here, the picture is cloudy. Although capacity utilization is high in a number of sectors, manufacturers apparently remain cautious about making the large, long-range commitments involved in building new plants, and new contracts for industrial construction actually have trended down since the beginning of the year, after having risen in 1987.

The pace of business inventory investment moderated somewhat during the first four months of 1988, reducing the concern about excessive stocks that had arisen earlier this year. This concern had focused on the retail sector, where inventories at auto dealers and at certain outlets for nondurable goods (primarily general merchandise and apparel stores) appeared high relative to sales at year-end. By cutting production early in the year and offering a variety of sales incentives, automakers have been able to bring their inventories into better alignment with sales. In contrast, inventory-to-sales ratios for nondurable retail goods continue to hover at levels that are high by historical standards. At the manufacturing level, inventory positions through May appeared fairly lean in general, given the pace of shipments. Much of the recent building of factory stocks has been in industries where market demand has been robust, such as aircraft, machinery, chemicals, and paper.

Before-tax economic profits of nonfinancial corporations continued to be strong in the first quarter, with manufacturing firms posting substantial gains. After-tax profits also rose noticeably, as the maximum tax rate on corporate profits was reduced from 40 to 34 percent, a change mandated by the Tax Reform Act of 1986. Owing to the strong growth of profits, the internal cash flow of nonfinancial corporations has increased considerably since mid-1987, reversing the slide of the previous year.

The Government Sector

In real terms, federal government purchases of goods and services—which add directly to GNP and account for about one-third of total federal expenditures—fell during the first quarter and appear to have remained relatively weak in recent months. This dropoff reflects the winding

down of some major defense procurement programs, restraint on domestic discretionary spending, and net reductions in farm inventories held by the Commodity Credit Corporation. However, on a budget basis, total outlays have been growing rapidly, owing to continued increases in entitlements, greater demands on deposit insurance agencies, and increasing net interest payments.

Meanwhile, growth of federal government revenue has slowed compared with the sharp increase in FY1987. Although tax receipts have been pushed up by the robust gains in income and by an increase in the payroll tax rate, this upward impetus to revenue has been tempered by the final reductions in income tax rates from the reforms enacted in 1986. In contrast to its effects this year, tax reform had provided a substantial boost to revenues in FY1987. On balance, it is quite possible that the budget deficit this year will exceed the \$150 billion shortfall recorded last year.

The state and local sector continues to operate under budgetary pressure, as operating and capital accounts (which exclude social insurance funds) have been in deficit for the past year and a half. In the first quarter of 1988, this combined deficit stood at \$9 billion, similar to the shortfall recorded during 1987. Many states have acted to curb this fiscal erosion, using a combination of tax hikes—primarily sales and excise taxes—and budget cuts. As a result, the growth of real spending slowed considerably in the first quarter, reflecting a sharp decrease in construction outlays. This was the third such decline in the past four quarters, and this downtrend in construction activity has occurred despite continuing needs to expand and upgrade the basic infrastructure.

Labor Markets

Early in the year, incoming data seemed to signal some weakening of labor demand. Initial claims for unemployment insurance, which had trended up during the final months of 1987, rose even further just after the turn of the year. Moreover, the first report on nonfarm payroll employment for January showed the smallest monthly increase since mid-1986. Taken together, these

indicators conveyed a picture of deterioration in the labor market. However, as subsequent data were released, it became clear that the underlying pattern of labor demand had, in fact, remained healthy. Claims for unemployment insurance dropped back to relatively low levels, and the anemic employment gains for January were revised up substantially. Moreover, since January, nonfarm payroll employment has advanced more than 300,000 at a monthly rate, somewhat above the average increase in 1987. Although the gains have been concentrated in the service-producing sector, manufacturing has posted an average monthly increase of about 30,000 jobs thus far this year, with the largest advances in the machinery and metals industries.

The combination of strong gains in employment and slower growth of the labor force over the first half of 1988 lowered the civilian jobless rate to 5.3 percent in June from 5.8 percent at the end of last year. Jobless rates fell for a broad spectrum of demographic groups over the first half of the year, and the June rate of unemployment represents the lowest monthly figure since mid-1974. The June level, however, may be artificially low, owing to the difficulty of adjusting for seasonal swings in employment at the end of the school year.

As the unemployment rate dropped last year, compensation increases, which had been moderating for several years, leveled out. In the early part of this year, there were some signs of an acceleration in labor costs. Hourly compensation, as measured by the employment cost index, advanced nearly 4 percent between the first quarter of 1987 and the first quarter of this year, about $\frac{3}{4}$ percentage point more than in the previous 12-month period. Although this pickup was related in large part to the strength of labor demand, it was exacerbated by the rise in the payroll tax rate that took effect on January 1. By sector, the sharpest uptick in compensation rates occurred in manufacturing, where increases in production have led to a firming in labor demand. This pattern stands in contrast to trends in the early 1980s, when pay gains in manufacturing lagged far behind those in the service-producing sector.

Since 1980, output per hour in the nonfarm business sector has risen at an average annual

rate of $1\frac{1}{2}$ percent. Although this rate is somewhat above the sluggish pace of the 1970s, it remains far below the advances registered earlier in the postwar period. In contrast, productivity gains in manufacturing have been quite rapid in recent years. The first-quarter rise in factory output per hour was nearly 3 percent at an annual rate, in line with the average increase registered during 1986 and 1987; these productivity advances have continued to hold down unit labor costs, which fell $\frac{1}{2}$ percent over the year ended in the first quarter of 1988.

Price Developments

Upward pressures on prices appear to have grown stronger this year, reflecting the lagged effects of the earlier depreciation of the dollar, as well as tighter markets for labor, industrial materials, and farm output. Energy prices, in contrast, have been restrained this year, on balance, and have provided some offset to these pressures. For the most part, signs of higher inflation have been confined to price indicators for commodities and intermediate goods, which have posted sharp increases. The consumer price index—a measure of inflation for finished goods and services—showed no acceleration during the first five months of 1988, rising at the $4\frac{1}{2}$ percent annual rate registered for 1987 as a whole.

In the energy sector, spot prices for crude oil plummeted after OPEC failed last December to reach a credible agreement to limit production. The contract price for West Texas Intermediate (the benchmark crude oil in the United States) fell from about \$18 per barrel in December to about \$16 per barrel in March. Reflecting these developments, retail prices for gasoline fell considerably in the first quarter. During March and April, prices for crude oil drifted up and, in response, consumer energy prices rebounded in April and May. More recently, however, crude oil prices have receded again, as OPEC's June meeting adjourned without an agreement on production cuts.

In the agricultural sector, tighter crop inventories and stronger grain exports pushed up farm-level prices early in 1988. In addition, prices for grains and soybeans recently have surged in commodity markets, owing to the drought in

major growing regions. It now appears likely that retail food prices will accelerate in coming months and exert some upward pressure on aggregate consumer price inflation.

Excluding food and energy, prices at the consumer level rose at an annual rate of about 4³/₄ percent during the first five months of this year. Consumer price inflation has remained at this relatively high rate partly because of continued increases in import prices spurred by the earlier depreciation of the dollar. Particularly noteworthy has been a jump in clothing prices, which have been affected not only by the dollar's movement but also by quotas on apparel imports. In the service area, medical care costs have continued to rise rapidly.

At earlier stages of processing, inflation appears to have picked up for a wide range of items. On commodity markets, prices of crude industrial materials have remained on an upward course this year, although the price hikes have been less pervasive than in 1987. Reflecting, in part, these developments, the producer price index for intermediate materials other than food and energy rose at an annual rate of nearly 8 percent over the first five months of this year, up from the pace of 5 percent registered last year. Price increases have been especially large for materials used by producers of metals, chemicals, paper, and plastic, where output has been strong or capacity utilization rates high.

The upward movement of intermediate goods prices relative to finished goods prices at the producer level has been quite substantial. Although divergences in the two series, such as the one that has arisen over the past year, are not unprecedented, disparities typically have not persisted for long. Historical evidence indicates that higher materials costs, on average, pass through rather quickly into finished goods prices. In the recent period, the effect of the sharp rise in materials prices may have been cushioned by restraint on unit labor costs, by the spreading of overhead costs over larger sales volumes, and, perhaps, by efforts to save on or substitute away from higher cost materials. Nonetheless, past experience suggests that, even if there may not be a significant delayed pass-through in coming months, the risks of an acceleration in finished goods prices would be

considerable if the pressures on materials prices do not ease soon.

MONETARY POLICY AND FINANCIAL DEVELOPMENTS DURING THE FIRST HALF OF 1988

The Federal Open Market Committee has sought monetary and financial conditions that promote price stability over time, support sustainable economic growth, and contribute to an improved pattern of international transactions. To this end, the Committee at its February meeting established target ranges, measured as growth rates from the fourth quarter of 1987 to the fourth quarter of 1988, of 4 to 8 percent for both M2 and M3. It also set a monitoring range of 7 to 11 percent for the growth of domestic nonfinancial debt and chose, once again, not to stipulate a range for M1 growth. The 1988 target ranges for M2 and M3 represented reductions from last year's ranges of 5½ to 8½ percent for both aggregates and resulted in a lowering of the midpoint of the target ranges by 1 full percentage point.

In widening the target ranges for M2 and M3, the Committee cited the high degree of variability in the relationship between money and aggregate demand that had appeared in recent years. As a result of this development, which stemmed largely from an increased sensitivity of money growth to interest rate changes, it was believed that a wider range of monetary growth rates could be compatible with satisfactory outcomes for the economy. At the time of the February FOMC meeting, broader ranges seemed particularly appropriate in light of the uncertain outlook for spending. More specifically, the eventual effects on domestic demand of the October stock market plunge and the subsequent drop in interest rates remained unclear. M1 had become even more interest sensitive, and it had varied more widely relative to GNP than had the broad aggregates, thus making it even more difficult to interpret; consequently, the Committee decided against establishing a target range for this aggregate.

In setting a monitoring range for domestic nonfinancial sector debt, the Committee antici-

pated that debt growth would slow in 1988, owing to less government borrowing. Nonetheless, the rate of expansion of domestic debt was expected to exceed that of income. As was the case for the monetary aggregates, considerable uncertainty surrounded the prospects for debt growth, leading the Committee to widen the monitoring range by dropping the lower limit 1 percentage point from the previous year's rate.

During the first part of 1988, monetary policy was conducted against a backdrop of data suggesting some weakness in the economic expansion. Reflecting concern about the outlook for economic growth, the Committee moved in January to ease slightly the degree of pressure on reserve positions. On balance, interest rates fell during January and February, which, in conjunction with rate declines that followed the stock market drop in October, contributed to a pickup in growth of M2 and M3 over the first quarter of the year.

As information suggesting greater economic strength and an increased potential for a buildup of inflationary pressures became available in March and in subsequent months, and with M2 and M3 running near the upper ends of their growth ranges, the Committee moved, in several steps, to tighten reserve pressures. Owing to the force of credit demands and the Federal Re-

serve's less accommodative posture, interest rates rose on balance over those months. Late in the second quarter, growth in the aggregates moderated, leaving both well within their target ranges as the first half of 1988 ended.

Behavior of Money and Credit

From the fourth quarter of 1987 through June 1988, M2 increased at about a 7 percent annual rate, a noticeable increase over its 1987 rate of 4 percent (table 3). The faster growth can be attributed primarily to the lagged reaction of the public's demand for M2 balances to decreases in market interest rates relative to deposit rates that occurred in late 1987 and early 1988. In the second quarter of 1988, however, the "opportunity cost" of holding M2 reversed its downward trend, and growth in M2 moderated toward the end of the period. Also contributing to the May-June slowdown was the runoff of an unusually large, tax-related buildup of transaction balances that inflated both M1 and M2 in April. On balance, M2 velocity is estimated to have declined slightly over the first half of the year, in contrast to its upward movement in 1987 when market interest rates and the opportunity cost of M2 were generally increasing.

3. Growth of money and debt

Percentage changes at annual rates

Period	M1	M2	M3	Debt of domestic nonfinancial sectors
Fourth quarter 1987 to second quarter 1988 ^c ..	5.0	7.4	7.1	8.5
Fourth quarter 1987 to June 1988 ^c	5.1	7.1	7.0	8.5
<i>Fourth quarter to fourth quarter</i>				
1979	7.7	8.2	10.4	12.3
1980	7.5	8.9	9.5	9.6
1981	5.2(2.5) ¹	9.3	12.3	10.0
1982	8.7	9.1	9.9	8.9
1983	10.2	12.1	9.8	11.3
1984	5.3	7.6	10.4	14.2
1985	12.0	8.9	7.7	13.3
1986	15.6	9.4	9.1	13.3
1987	6.2	4.0	5.4	9.6
<i>Quarterly average</i>				
1987: 1	13.2	6.5	6.5	10.5
2	6.6	2.7	4.6	8.6
3 .....	.8	2.8	4.5	7.9
4	3.9	3.9	5.4	10.1
1988: 1	3.8	6.7	7.0	8.4
2 ^c	6.1	7.9	7.1	8.3

1. M1 figure in parentheses is adjusted for shifts to NOW accounts in 1981.

^cEstimated.

A number of the components of M2 contributed to its strengthening in the first half of the year. After having declined steadily over the last half of 1987, liquid retail deposits—the sum of other checkable deposits, savings deposits, and money market deposit accounts—registered a solid gain over the first half of 1988, as reductions in market interest rates during the winter combined with the slow adjustment of rates on these deposits to increase their relative attractiveness. Growth in small time deposits also was particularly strong, as was that in M2-type money market mutual fund assets early in the year. Falling market interest rates, coupled with slow adjustment of returns on fund assets, provided money funds with a rate advantage in the first quarter, thereby leading to higher asset growth. Rising market rates of interest and the apparent use of money funds to pay taxes, however, significantly slowed their growth in the second quarter.

M3 growth increased in the first half of 1988 to a rate of 7 percent, following an increase of 5½ percent in 1987. Credit expansion at banks and thrift institutions, which heavily influences the overall behavior of M3, remained at roughly the same pace as last year, but it was financed to a greater extent over the first half of the year by liabilities included in M3. In particular, inflows to banks from their foreign branches and borrowings by savings and loans from Federal Home Loan Banks, which are not included in M3, dropped off sharply compared with 1987.

M1 grew at a 5 percent rate during the first half of the year, which although below the 6¼ percent rate for all of 1987, was higher than its growth in the second half of last year. The sluggish growth of M1, especially in comparison to that of M2 and M3, owed entirely to weakness in demand deposits, which have been declining over the past year and a half. In contrast, growth in currency and other checkable deposits was robust.

Domestic nonfinancial debt grew at a rate of 8½ percent from the fourth quarter of 1987 to June, according to estimates based on partial data. Debt growth in the first half represented a slowdown from last year's rate of 9½ percent and a substantial decline from the rate of expansion of 13¼ percent in 1985 and 1986. Nonetheless, debt continued to grow faster than nominal GNP.

Reflecting the effects of smaller federal deficits during the calendar year, growth in federal debt slowed from last year's pace and remained at a rate well below that recorded over most of the 1980s. Nonfederal debt also expanded at a somewhat slower rate, as the growth of the debt of households and state and local governments declined modestly. In the household sector, a falloff in mortgage borrowing associated with weaker housing expenditures offset a pickup in consumer credit. Business borrowing expanded at roughly the same pace as in 1987, with rising interest rates in the second quarter causing firms to shift more of their borrowing to short-term instruments.

Implementation of Monetary Policy

In conducting monetary policy, the Federal Reserve directed its operations during the first three months of 1988 at either maintaining or easing slightly the degree of reserve pressure that had prevailed since the October stock market collapse. Thereafter, the System moved in several steps to firm reserve positions.

The early months of 1988 were marked by widespread concern that the economic expansion might be faltering. Data available in January and February pointed toward a weakening in domestic final demand, as evidenced by a substantial buildup of inventories in the fourth quarter of 1987 and some softening in labor market data. At the same time, inflationary pressures and expectations appeared to have diminished somewhat, and after coming under pressure in late December, the dollar first rebounded and then stabilized against most major currencies.

In these circumstances, the Committee moved in late January to ease slightly the pressure on bank reserve positions. The provision of nonborrowed reserves through open market operations was increased, the level of discount window borrowing declined, and the federal funds rate edged downward. Other market interest rates declined as well; in spite of lower interest rates, the dollar was relatively stable against most major currencies.

The downward trend for most market interest rates came to an end in late February and early March, when incoming information indicated

that the economy was considerably stronger than it was earlier thought to be, and in light of emerging pressures on industrial capacity and labor markets, the risks of a pickup in inflation appeared to have risen. In this environment, monetary policy began in late March to become less accommodative. The restraint in policy was aimed at moderating potential inflationary pressures by damping domestic demand to facilitate a shift of resources to the external sector. As information pointing to substantial economic strength became available in April and May, and with the monetary aggregates growing at rates near the upper end of their target ranges, the Committee moved again to apply slightly greater pressure on reserve positions. Reflecting both the System's actions and market concerns about inflation, market interest rates moved higher. Since late May, however, long-term interest rates have fallen on balance, despite further increases in short-term interest rates. The resulting narrowing of the spread between long- and short-term rates apparently reflects some lessening of concerns about inflation, brought about in part by the firmer monetary policy. Long-term yields also have benefited recently from the upward movement of the dollar against most major currencies, as the trade balance has continued to improve. The change in attitude toward the dollar apparently has encouraged investments in relatively high yielding dollar assets.

In the aftermath of the stock market crash last October, the Committee modified the System's procedures by placing greater emphasis on money market conditions and less on bank reserve positions in carrying out day-to-day open market operations. In doing so, it was neither the Committee's intention to alter its operating procedures permanently nor to ignore bank reserve positions completely. Rather, the thrust of the modification was to permit greater flexibility in System operations in light of the volatility and fragility characterizing financial markets at that time. During this period, it was considered important to assure the markets of the System's intention to provide adequate liquidity, and it was feared that significant variation in money market conditions could add to the unusual uncertainties already in the markets.

As markets exhibited signs of increased stability this year, the Committee responded by gradually placing greater emphasis on reserve positions in conducting System operations, allowing money markets to respond more sensitively to changing economic circumstances. The transition back to the pre-October approach was completed in the spring.

Other Financial Developments

The collapse of equity prices last October heightened public concerns about the volatility of stock prices and the fragility of financial institutions and markets. These concerns became the subject of studies by a presidential commission, governmental agencies, and the securities industry. Recommendations from these groups and from a follow-up presidential working group focused on ways to avoid excessive stock price volatility and to strengthen the ability of markets and related systems to deal with large price movements. Progress has been made in this regard, with steps having been taken by market participants to address some of the problems revealed by the market break in clearing and settlement systems. Additional steps have been taken to coordinate trading halts triggered by extreme movements in prices and to strengthen capital positions of specialists and other market makers.

In considering the possibility of future regulatory action in this sphere, it is noteworthy that the stock market break has not been followed by any major aftershocks. In part, this reflects the basic resilience in this period of the economy and financial markets. In addition, it attests to the general adequacy of the current regulatory framework and monetary policy institutions in cushioning financial disturbances, so that they do not spread to the economy as a whole. Thus, while the additional steps initiated by private entities to strengthen market mechanisms certainly are desirable, a major extension of the governmental regulatory apparatus does not seem necessary.

The banking industry also has been the subject of considerable concern, arising from its well-publicized difficulties with energy, agricultural, real estate, and developing country loans. These problems have been highlighted by the many

bank closings and the rescue by bank regulators of several large banks. As a result of large banks choosing to make sizable increases in loan-loss reserves, profits reported by the banking industry as a whole in 1987 were down nearly 80 percent from 1986. Despite these difficulties, some bright spots emerged last year, especially the improved performance of agricultural banks. It is important to note, however, that throughout this period of stress in the industry, the commercial banking system has continued to play its crucial role as a provider of credit to the economy.

The savings and loan industry continues to be under financial stress. Although the majority of savings and loans are healthy and reasonably profitable, the industry as a whole reported enormous losses in 1987 and in the first quarter of 1988. Roughly one-sixth of the institutions are insolvent when evaluated in accordance with generally accepted accounting principles, and their aggregate losses increased in 1987 and in the first quarter of 1988. The prospects for the recovery of the insolvent institutions are not bright, implying that the Federal Savings and Loan Insurance Corporation (FSLIC) will be required either to liquidate them or to assist in their absorption by stronger institutions.

The deterioration of the savings and loan industry has affected the financial condition of the FSLIC, whose net worth became more deeply negative in 1987. The Congress approved a plan last year providing nearly \$11 billion to recapitalize the FSLIC. This action has helped the FSLIC liquidate several large and especially troubled savings and loans, but concerns persist in the market that the total available new capital may fall short of that needed for the FSLIC to deal fully with the problem institutions.

The difficulties of many individual depository institutions have been associated, in most cases, with specific types of loans or certain regions and countries. However, concerns have been expressed more generally about the financial health of households and businesses—especially about the ability of these sectors to service their debts if interest rates were to rise sharply or business conditions were to weaken significantly.

With regard to households, the rapid growth of their debt during the current economic expansion

has outstripped that of disposable income. The ratio of household sector indebtedness to income is at an all-time high. Recent information also shows a rising level of personal bankruptcies and a relatively high level of delinquencies on certain types of consumer loans.

Although these developments suggest that debt burdens may be difficult for some households to manage, other evidence indicates that most households are able to meet their debt obligations reasonably well. The trend toward longer repayment schedules has held down debt-service payments. The increased use of adjustable-rate mortgages has made the financial positions of many households more vulnerable to increases in interest rates; however, at the same time, deposit deregulation has meant that household interest income is more responsive to changes in rates. Furthermore, for the sector as a whole, assets have risen more rapidly than debt, implying increases in household net worth. Indeed, survey information indicates that many families with consumer debt have substantial amounts of financial assets that could be tapped to meet debt-service obligations in the event that incomes proved to be inadequate.

Like households, businesses have added greatly to their indebtedness in recent years. Many companies have dramatically increased their leverage through debt-financed merger, buy-out, and share retirement activity. Reflecting heavier debt loads, the bite that interest payments take out of corporate cash flow is near historically high levels for the nonfinancial corporate sector as a whole. A downturn in earnings would place serious debt-servicing strains on many individual firms. In addition, heavy reliance on floating-rate loans and short-term debt obligations has rendered many firms vulnerable to a significant rise in borrowing costs. In reflection of this situation, downgradings of corporate debt have continued to exceed upgradings by a large margin.

Firms would not have been able to assume these greater financial exposures were it not for receptive attitudes among lenders and equity investors. Companies engaging in restructurings that have involved the addition of massive amounts of debt to their balance sheets have been rewarded with sizable runups in their share

prices; this is reflected in the absence of an uptrend during the 1980s in the market-value based "debt-equity" measure. Moreover, lenders are exacting relatively small risk premiums on debt obligations incurred by firms, as reflected, for example, in the spreads between yields on high-grade corporate bonds and Treasury securities or even those for below-investment-grade "junk" bonds. Nonetheless, our financial history provides numerous reminders of the fragility of this type of situation: last fall, for example, when confidence was jolted by the stock market break, yield spreads widened dramatically, and the availability of new credit to riskier borrowers was sharply curtailed.

APPENDIX: THE MONETARY BASE

In recent years, the monetary base has received increased attention as the behavior of other monetary aggregates—especially M1—has diverged from historical patterns. In part, the appeal of the base has resulted from the notion that it may have a reasonably stable relationship with nominal spending. In addition, it is perceived as being more directly under the control of the Federal Reserve than are the broader aggregates. This appendix reviews the historical and analytical characteristics of the monetary base. It discusses its definition, its relation to income and other economic variables, and its control by the Federal Reserve.

Concepts, Definitions, and Measurement

The monetary base consists of currency in the hands of the nonbank public and reserves held by depository institutions—both reserves required to be held against deposits and the additional, "excess" reserves that depository institutions choose to hold. Because reserve requirements are substantially higher for transaction deposits (that is, checkable deposits) than for nontransaction deposits, the bulk of required reserves—about three-quarters—is related to transaction deposits. In turn, transaction deposits consist primarily of demand deposits and other checkable deposits, which are the principal compo-

nents of the narrow monetary aggregate, M1. Thus, both through its currency component and its reserves component, the monetary base is closely related to M1. The links between the monetary base and broader measures of money, such as M2 and M3, are much looser because most savings-type instruments in these measures either are not reservable or have a much lower reserve requirement applied to them. Moreover, currency accounts for an even smaller share—on the order of 5 percent—of these aggregates.

Looking at the base as currency and reserves focuses on the monetary liabilities of the Federal Reserve—frequently referred to as the "uses" of the base.³ Alternatively, the base can be measured from its "sources" in the Federal Reserve balance sheet, the assets held by the System less its nonmonetary liabilities. The two concepts are identical if all components are measured contemporaneously.

There are two publicly available measures of the monetary base. One, corresponding to the uses concept, is constructed by the Board, and the other, a sources concept, is produced by the Federal Reserve Bank of St. Louis. Besides the difference in accounting approach, which affects the treatment of vault cash used to meet reserve requirements, the two measures differ in the method of adjustment for changes in reserve requirements and in the method of seasonal adjustment.

The Board measure constructs the base from the currency component of the money stock (currency held by the nonbank public, 76 percent), total reserves (lagged vault cash, up to required reserves, plus reserve deposits at the Federal Reserve banks, 23 percent), and a third component that includes current surplus vault cash held at depository institutions plus service-related balances (1 percent).⁴

3. Technically, the base also encompasses a relatively small amount of U.S. Treasury liabilities.

4. "Vault cash" included in total reserves is lagged four weeks, which reflects its use to meet reserve requirements. "Surplus vault cash" is bank holdings of currency in excess of required reserves. "Service-related balances" comprise other balances held by depository institutions at the Federal Reserve, including required clearing balances and adjustments to compensate for Federal Reserve float.

The St. Louis measure, consistent with its sources concept, comprises Federal Reserve credit—holdings of U.S. government securities, discounts and advances, Federal Reserve float, and other Federal Reserve assets—plus other sources, including the gold stock, special drawing rights and Treasury currency outstanding. It subtracts several categories of liabilities, namely, Treasury and foreign deposits at the Federal Reserve, Treasury holdings of coin and currency, and certain miscellaneous items. Implicitly, all vault cash is treated contemporaneously.⁵

The St. Louis and Board measures of the monetary base have moved together over time, though the St. Louis measure generally lies above the Board measure, reflecting differences in techniques for adjustment of breaks caused by changes in reserve requirements. In terms of growth rates, the two series track each other closely.

Growth of the monetary base has been much smoother on average than that of the other monetary aggregates.⁶ In large measure, the smooth growth of the base can be attributed to its large currency component, which over long periods of time has expanded in a relatively stable fashion. Between 1959 and 1987, the average quarter-to-quarter fluctuation of growth in currency in circulation was less than one-fifth of the quarterly fluctuation in growth of total reserve balances.

While growth in the base has been relatively smooth, its longer-run pattern has not differed

markedly from that of other narrow aggregates. Specifically, the velocity of the monetary base has behaved similarly to the velocity of M1, with a pronounced break in the 1980s from its earlier behavior. Between 1960 and 1980, the velocities of the base, M1-A (currency plus demand deposits), and M1 all rose, in part reflecting the effects on money demand of the generally rising trend of interest rates. Fluctuations of base velocity around its trend during the 1960s and 1970s were comparable with those of the other aggregates. And, in the 1980s, velocity of the base and M1 declined both absolutely and relative to the earlier trend as deregulation and falling market interest rates encouraged a large volume of funds to move into transaction deposits.

Statistical methods of relating growth in income to past growth rates in the base produce results that echo this pattern of velocity behavior. When these relationships are estimated using data through 1980, they make substantial errors in predicting nominal GNP in subsequent years, much as do equations involving other aggregates—especially the narrow aggregates. Techniques that allow for a break in behavior in the early 1980s make somewhat smaller but still large errors in the 1980s and leave unanswered questions about the potential for additional shifts in the relationships.

An examination of the demand properties of the base can shed light on the determinants of the behavior of its velocity and the errors made in predicting GNP. The demand for the base is derived from demands for its components, currency and reserves. The demand for reserves, in turn, depends on demands for excess reserves and for reservable deposits—primarily the transaction deposits that are included in M1 but also some that are not in that aggregate, such as interbank and U.S. government deposits and certain time and savings deposits.

Analysis by the Board's staff has found that the demand for the base has substantial interest sensitivity, mainly reflecting the interest sensitivity of demand deposits and other checkable deposits.⁷ This interest responsiveness, together

5. There are two other differences between the Board base and the St. Louis base concerning seasonal adjustment and adjustments for changes in reserve requirements. St. Louis seasonally adjusts the whole base directly after adding a reserve adjustment magnitude (RAM) to account for regulatory changes in reserve requirements as well as changes in composition of deposits. For the Board measure, currency, total reserves, and the residual component are seasonally adjusted separately, after applying to the reserves and residual components certain break adjustment factors, and finally the components are summed. The Board's break adjustment method is intended to adjust only for regulatory changes in reserve requirements.

6. This and subsequent mentions of the monetary base refer specifically to the Board measure of the base, but, in view of the close relationship between the two measures, should apply nearly as well to the series produced by the Federal Reserve Bank of St. Louis.

7. An estimated demand equation for the base was derived from the Board staff's standard models of demand for currency and demand for required reserves on transaction

with the drop in interest rates during the 1980s, helps to explain the turnaround in base velocity, much as it explains the movements in the velocities of other monetary aggregates—especially M1—in recent years. However, the base probably is less interest sensitive than are the other monetary aggregates, because of the importance of the currency component, which does not respond very much to changes in interest rates. This implies that efforts to control the base to predetermined target ranges could involve very wide swings in interest rates. Whether those fluctuations would be beneficial to the economy depends in part on the stability of the demand relationship. If the demand for the base is relatively stable, the interest rate movements would tend to stabilize GNP in the face of disturbances to spending. But if base demand tends to move unpredictably, the interest rate movements associated with controlling the base would tend to destabilize GNP.

Over long periods of time, the demand for the base appears to be fairly predictable, especially compared with M1-A and M1. Movements in transaction deposits, especially demand deposits, often have been somewhat erratic, tending to loosen the relationships of M1-A and M1 with GNP, but their effects on base demand are muted by the fractional nature of reserve requirements. Another factor contributing to the relative stability of the demand for the base is that unpredictable movements in transaction deposits at times have tended to offset unexplained changes in currency, perhaps owing to substitution between currency and demand deposits. However, there is considerable variability in the relationship of the base to income and other variables over periods of a year or less—and evidence suggests that at least over these shorter periods it is no more stable than M2.

In considering the past and prospective degree of stability of demand for the base, attention must be directed to its largest component, currency. Analysts have noted the extraordinarily large volume of dollar currency outstanding relative to measured U.S. economic activity or the

number of households. Although available data are inadequate to determine even approximate magnitudes, it seems likely that a substantial part of U.S. currency is being employed in support of activity that is not reflected in U.S. GNP—in particular, activity outside our borders. Especially to the extent this activity and the currency to support it move independently of U.S. GNP, this would tend to reduce the usefulness of the base as an indicator or target.

Not only is it difficult to account fully for the level of currency outstanding, growth occasionally has been at variance with expectations, despite the relatively stable long-run relationship with measured income. For example, in the past year and a half, growth of currency has been roughly twice as rapid as would be expected on the basis of historical experience, judging by the Board staff's quarterly econometric model, with no obvious explanation for the strength.

Controllability of the Monetary Base

For the most part, the Federal Reserve historically has supplied the monetary base to accommodate its demand. This has been a consistent policy with regard to demands for currency. With respect to reserves, the interactions have been more complex. Except in the early 1980s, reactions to deviations of reserves from expectations have been quite indirect. Any increases or decreases in the demand for reserves have been completely accommodated in the short run. However, over time persistent deviations in money (and implicitly reserves) from objectives have prompted adjustments in monetary policy when those deviations were judged likely to be associated with unwelcome developments in the economy.

Even in the period from late 1979 through late 1982, when the Federal Reserve used nonborrowed reserves as an operating target to achieve goals for money growth over time, total reserves were not closely controlled because borrowed reserves adjusted in response to deviations in money growth from objectives.

Because of the remaining two-day lag between the ends of the reserve computation and reserve maintenance periods, control of total reserves or the monetary base would need to be indirect,

accounts in M1 only. Demands for other components of reserves were not explicitly modeled, as the effects of these components on required reserves are relatively small.

working through the effects of changes in interest rates on the demand for the components of the base in the short run. In this respect, control of the base is achieved in the same way as for the broader aggregates. It is likely that the base, or for that matter any of the broader aggregates, could be controlled reasonably well over a span of several quarters—a period that would be meaningful in terms of the effects of monetary policy. However, the degree of interest rate

volatility under base targeting could be quite substantial, especially in the short-to-intermediate run. Changes in the quantity of the base demanded that caused the base to deviate from its target would need to be offset in the short run mainly by changes in reserves (given the low interest sensitivity of currency demand), which would have multiple effects on the quantity of money.

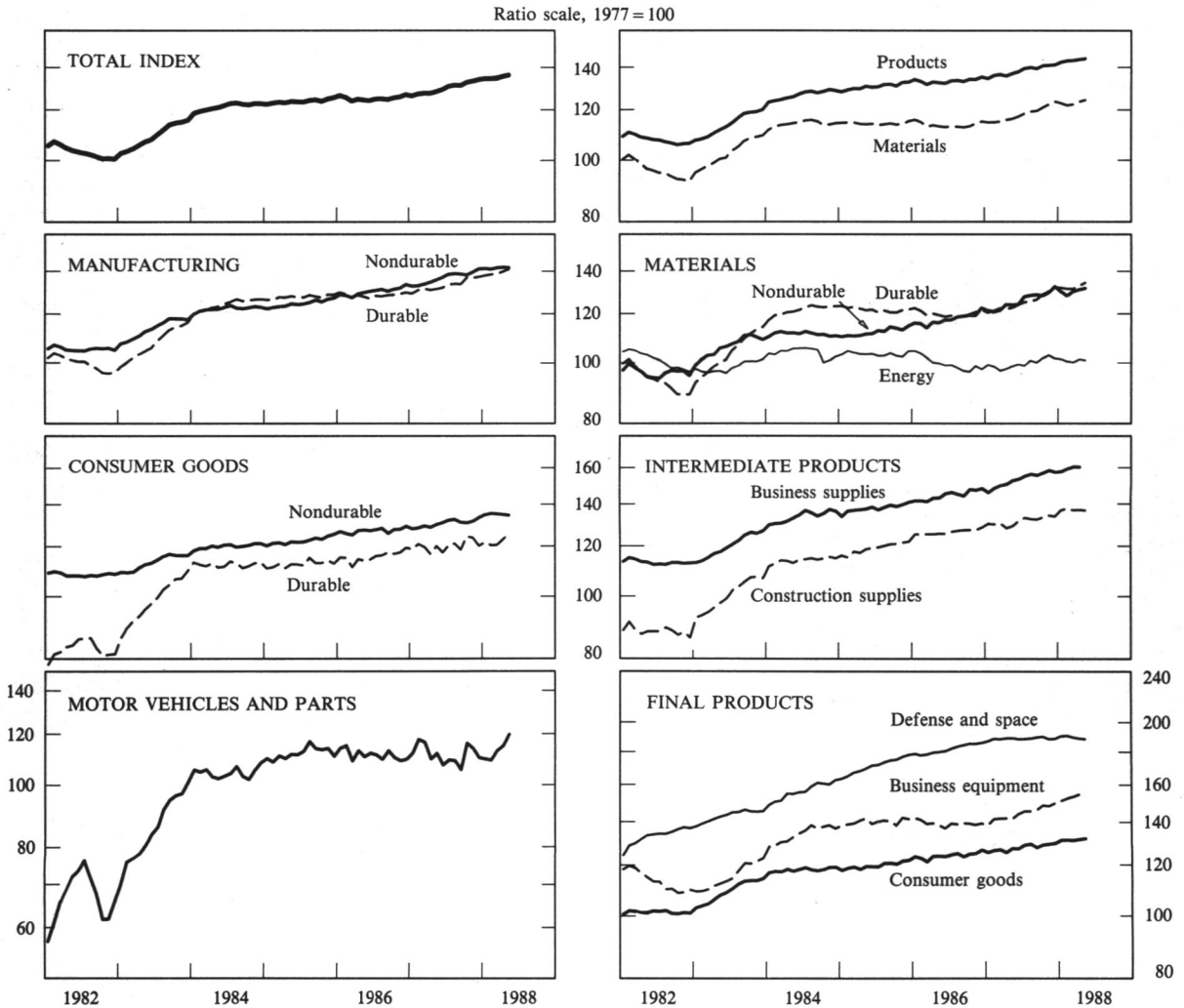
Industrial Production

Released for publication June 15

Industrial production increased 0.4 percent in May after a rise of 0.6 percent in April. The May gain reflected further sizable increases in the output of automotive products, business equipment, and materials. However, other major sectors, such as nondurable consumer goods and construction supplies, remained sluggish. At

136.0 percent of the 1977 annual average, the total index in May was 6.1 percent higher than it was a year earlier.

In market groups, production of durable consumer goods advanced sharply in May as the output of motor vehicles surged. Automobile assemblies rose to an annual rate of 7.5 million units from the 7 million unit rate in April, and light truck production also increased in May.



Group	1977 = 100		Percentage change from preceding month					Percentage change, May 1987 to May 1988
	1988		1988					
	Apr.	May	Jan.	Feb.	Mar.	Apr.	May	
Major market groups								
Total industrial production	135.5	136.0	.4	.0	.2	.6	.4	6.1
Products, total.....	144.0	144.5	1.0	.5	.2	.3	.3	5.6
Final products.....	142.4	143.0	1.0	.3	.2	.4	.4	5.6
Consumer goods.....	131.6	132.0	1.1	.1	-.1	.3	.3	3.7
Durable.....	123.1	125.4	1.2	-.1	-.1	2.0	1.9	4.4
Nondurable.....	134.8	134.4	1.1	.4	-.2	-.2	-.3	3.4
Business equipment.....	154.7	155.9	.9	.8	.6	.8	.8	10.1
Defense and space.....	189.1	188.7	.9	.2	-.6	-.4	-.2	-.3
Intermediate products.....	149.6	149.7	1.1	.9	.2	.0	.1	5.6
Construction supplies.....	137.0	136.8	2.3	.6	-.6	.1	-.1	6.0
Materials.....	123.8	124.5	-.6	-.7	.3	1.1	.6	7.1
Major industry groups								
Manufacturing.....	140.8	141.5	.3	.1	.4	.6	.4	6.2
Durable.....	139.9	141.2	.5	.4	.3	.8	.9	7.5
Nondurable.....	142.1	141.8	.1	-.2	.5	.2	-.1	4.5
Mining.....	104.0	103.2	-1.2	-1.7	.6	1.9	-.8	4.0
Utilities.....	112.6	113.4	3.1	.3	-1.8	-.8	.7	3.5

NOTE. Indexes are seasonally adjusted.

However, output of home goods, particularly appliances, edged down and remained below the level of the fourth quarter of last year. Production of nondurable consumer goods decreased for a third month as the output of food was again weak and consumer fuel production fell for the first time since last summer. In contrast, robust gains in the output of business equipment continued last month with strength in all major components of that subindex.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
February.....	134.4	134.4	.0	.0
March.....	134.7	134.7	.2	.2
April.....	135.6	135.5	.7	.6
May.....	...	136.0	...	.4

Among intermediate products and materials, production of construction supplies has been unchanged, on balance, since January; the output of business supplies, which rose strongly earlier in the year, has flattened out in the past two months. However, materials output rose again in May and now has surpassed the December high. The recent gains have been widespread among durable materials, with notable increases in the output of parts for consumer durable goods and equipment as well as in the production of basic metals. In nondurables, chemical materials have continued to improve after having declined sharply in January and February.

In industry groups, manufacturing output rose 0.4 percent in May, reflecting gains in steel, motor vehicles, and machinery. Production at utilities rose 0.7 percent, but mining output decreased 0.8 percent, reflecting decreases in oil and gas extraction.

Announcements

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on June 23, 1988, that its Consumer Advisory Council would meet on July 14 and 15.

The Consumer Advisory Council was established by the Board in 1976, at the direction of the Congress, to represent the interests of the financial industry and consumers. The Council advises and consults with the Board in the exercise of the Board's functions under the Consumer Credit Protection Act and on other consumer-related matters of interest to the Board.

NEW PRICES AND DEADLINES APPROVED FOR RETURNED CHECKS AND FORWARD COLLECTION SERVICES

The Federal Reserve Board approved on June 22, 1988, prices and deadlines for new Federal Reserve returned check services as well as revised prices and deadlines for forward collection services. The prices and deadlines will become effective September 1, 1988, and will remain in effect through 1989.

The Board's action at this time is due to responses to the new check return services that will be offered by the Federal Reserve Banks beginning September 1, 1988. These new services are designed to facilitate bank compliance with requirements of the Expedited Funds Availability Act by reducing risk to depository banks from making funds available for withdrawal on a more prompt basis.

The total cost for check services in 1988, including the Private Sector Adjustment Factor (PSAF), is projected to be \$511.6 million. Total revenue in 1988 is estimated at \$514.8 million, resulting in a cost recovery rate of 100.6 percent. In 1989, the total cost for check services, including PSAF, is projected at \$539.3 million. Total

revenue in 1989 is estimated at \$548.8 million, resulting in a cost recovery rate of 101.8 percent.

Raw returned check prices range from 30 cents to 75 cents for local returns and 40 cents to 95 cents for nonlocal returned checks. Qualified returned check prices are generally double to triple the corresponding forward collection fees. Fees for fine-sort returned checks are the same as those for fine-sort forward collection items.

Copies of the fee schedules and deadlines for Federal Reserve Bank priced services are available from the Federal Reserve Bank in each District.

NEW CONSUMER CREDIT PUBLICATIONS AVAILABLE

The Federal Reserve Board announced on June 20, 1988, the publication of three new booklets on the mortgage process that were prepared in conjunction with the Federal Home Loan Bank Board.

The three new booklets are the following: *A Consumer's Guide to Mortgage Financing*, *A Consumer's Guide to Mortgage Lock-ins*, and *A Consumer's Guide to Mortgage Closings*. They have been designed to help consumers understand these important aspects of the mortgage process.

The booklets were developed in consultation with many other federal agencies and trade and consumer groups at the request of the Congress. Copies are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or from the Federal Reserve Banks.

PROPOSED ACTIONS

The Federal Reserve Board issued for public comment on June 3, 1988, a proposed addition to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) to

facilitate public access to financial information regarding state member banks. Comments should be submitted to the Board by August 19, 1988.

The Federal Reserve Board also issued for public comment on June 3, 1988, proposed amendments to Regulation Y (Bank Holding Companies and Change in Bank Control) to implement the limitations placed on grandfathered nonbank banks by the Competitive Equality Banking Act of 1987 (CEBA). Comments were to have been submitted to the Board by July 18, 1988.

The Federal Reserve Board issued for public comment on June 22, 1988, a proposed amendment to Regulation CC (Availability of Funds and Collection of Checks) to restrict certain delayed disbursement practices. Comments should be submitted to the Board by September 23, 1988.

SYSTEM MEMBERSHIP: ADMISSION OF STATE BANKS

The following state banks were admitted to membership in the Federal Reserve System during the period June 1 through June 30, 1988.

Florida

Ocala Friendship Community Bank

Pennsylvania

Devon First Sterling Bank

Virginia

Fredericksburg Virginia Heartland Bank

West Virginia

Buckhannon First Community Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 17, 1988

Domestic Policy Directive

The information reviewed at this meeting suggested continuing strength in the economic expansion, supported by strong sales in both domestic and export markets, and relatively high utilization levels of labor and capital resources. In this setting, consumer and producer prices have risen more rapidly recently. In addition, labor costs increased substantially in the first quarter.

Nonfarm payroll employment continued to increase in April, though at a more moderate pace than in other recent months. The rise included sizable growth in the manufacturing sector and was accompanied by a sharp increase in the average workweek. Employment as measured by the household survey was up very sharply in April, and the civilian unemployment rate declined 0.2 percentage point to a level of 5.4 percent; that level was down appreciably since the start of the year and was the lowest since 1974.

Growth in industrial production picked up considerably in April from a reduced pace earlier in the year. Auto assemblies posted large gains, and the output of business equipment remained exceptionally strong. Capacity utilization rates in manufacturing and mining and in the production of industrial materials increased appreciably in April and on balance have risen substantially over the past several quarters to relatively high levels.

Consumer spending for durables and services was strong in the first quarter. Retail sales, as revised, showed substantial gains in February and March but fell in April. Auto sales declined somewhat in April, apparently reflecting reduced sales incentives, but household spending on

other durables and on services remained strong. Outlays on nondurable goods continued sluggish.

A surge in business fixed investment during the first quarter reflected large gains in spending on information-processing and other equipment. New orders for nondefense capital goods softened recently, but order backlogs were still high and suggested that output would remain at an advanced level in the current quarter. Spending on structures declined in the first quarter, and forward commitments for nonresidential building were essentially flat in nominal terms. While inventories of motor vehicles declined during the first quarter, nonauto inventory investment remained close to the high rate of the fourth quarter. Sales of new and existing homes increased late in the first quarter. After showing weakness early in the year, housing starts picked up to a 1.55 million annual rate in March, a level marginally above that in the fourth quarter but still appreciably below that in earlier quarters.

The U.S. merchandise trade deficit declined substantially in both nominal and real terms in the first quarter. Exports reached a record level; oil imports fell, but non-oil imports continued to expand. Indicators of economic activity in the major foreign industrial countries during the first months of 1988 showed continued strength in Japan and, on balance, in Europe as well.

The consumer price index increased substantially in March, despite a limited rise in retail food prices and flat retail energy prices. At the producer level, prices of finished goods rose rapidly in March and April, largely reflecting increases in the food and energy sectors. Prices of intermediate goods advanced considerably further in both months, continuing their uptrend of the past year and a half that has coincided with increased capacity utilization rates. Commodity prices strengthened recently after registering mixed changes in the first quarter. Broad mea-

asures of labor costs indicated a substantial advance in the first quarter, in part because of a rise in payroll taxes.

Dollar exchange rates moved within a narrow range during most of the intermeeting period, with uncertainties regarding U.S. trade and price performance apparently offset by indications of U.S. monetary tightening; also, weakness at the time of the release of the February trade data was met by concerted central bank intervention. On a weighted-average basis, the dollar appreciated slightly on balance in relation to the other G-10 currencies until late in the period; it strengthened with respect to the mark and weakened slightly with respect to the pound and the yen. The dollar then appreciated about 1 percent on the morning of the May 17 meeting in response to news of the improved U.S. trade deficit in March.

At its meeting in February the Committee agreed on policy objectives that called for monetary growth ranges of 4 to 8 percent for both M2 and M3 for the period from the fourth quarter of 1987 to the fourth quarter of 1988. The associated range for growth in total domestic nonfinancial debt was set at 7 to 11 percent. The Committee decided not to establish a numerical target for M1 growth; instead, the appropriateness of changes in M1 would be evaluated during the year in the light of the behavior of M1 velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

At its previous meeting on March 29, the Committee adopted a directive calling for a slight increase in the degree of pressure on reserve positions. These reserve conditions were expected to be consistent with growth in both M2 and M3 at annual rates of about 6 to 7 percent over the period from March through June. Taking account of conditions in financial markets, the members agreed that somewhat greater or somewhat lesser reserve restraint would be acceptable, depending on the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, and the behavior of the monetary aggregates. The intermeeting range for the federal funds rate was left unchanged at 4 to 8 percent.

Some slight firming of reserve conditions was implemented immediately after the March meeting. In the two reserve maintenance periods

ending April 20, adjustment plus seasonal borrowing rose to an average of about \$330 million; in the subsequent period ending May 4, borrowing averaged about \$440 million, reflecting the impact of a tax-related bulge in Treasury deposits at the Federal Reserve Banks that affected reserve market conditions and complicated the management of reserves. More recently, open market operations were adjusted toward the implementation of further slight firming in reserve conditions in relation to what had been sought earlier in the period. This action was taken in light of information that indicated considerable strength in the economy and a related increase in concerns about the potential for greater inflation. Growth of M2 and M3 for the year to date was at rates in the upper portions of the Committee's ranges for 1988. Monetary growth was boosted in April by a temporary buildup in transaction balances associated with very large tax payments by individuals. Although preliminary data for early May indicated substantial weakness of money growth, the cumulative expansion of the broad aggregates remained relatively high in their annual ranges. Total and nonborrowed reserves rose at rapid rates in April in conjunction with the increase in required reserves against transaction deposits.

The firming of reserve conditions was reflected in a rise in the federal funds rate from around 6½ percent at the time of the March meeting to around 7 percent most recently. Other short-term rates also rose about ½ percentage point over the intermeeting period, while yields on Treasury and corporate bonds increased somewhat less. Banks raised their prime lending rate from 8½ to 9 percent during the first half of May. Broad indexes of stock prices changed little on balance over the period.

The staff projection reviewed at this meeting suggested that the economy had considerable underlying strength, reflecting both an improving trade balance and continuing momentum in domestic demands. With unemployment already a little lower, and capacity utilization a little higher, than had been anticipated, the risks of higher rates of price and wage inflation had increased. The actual course of the economy would depend in part on how these developments affected financial markets. Pressures in those

markets could restrain domestic final demands. Relatively sluggish growth in such demands, along with indications of overstocking in the retail sector, would encourage a reduced rate of inventory investment. Growth in business fixed investment was projected to slow substantially, and federal purchases, in constant dollar terms, were expected to be weak. Under such circumstances, while prices and wages might rise somewhat more rapidly in the quarters ahead, reflecting the effects of the lower dollar on market prices and reduced margins of unutilized production resources, the extent and duration of any pickup of inflation might be limited.

In the Committee's discussion of the outlook for economic activity and prices, the members focused on the strong performance of the economy in recent months, and, in the context of diminishing margins of unused labor and other production resources, they expressed considerable concern about the potential for higher rates of inflation in the year ahead. Members referred to widespread evidence of strength in the manufacturing sector and to indications that many firms were producing at very high levels of capacity use. Manufacturing was continuing to benefit from the nation's improved ability to compete internationally as a result of the depreciated dollar, and strength in manufacturing was feeding through to other related sectors of the economy. On the negative side, members referred to indications that inventories were higher than desired in some industries, notably at the retail level, and some saw a relatively weak outlook for construction, both residential and nonresidential. Weaknesses in the financial sectors of the economy and relatively heavy debt burdens also increased the downside risks in the economy. But, on balance, while some slowing from the current rate of expansion was a reasonable expectation, the risks were on the side of faster-than-desired growth and more inflationary pressures. Some members observed that in these circumstances fiscal restraint, especially if supplemented by measures to reduce the inflationary consequences of many government programs, could greatly facilitate the effort to control inflation while encouraging sustained economic expansion.

Turning to the outlook for inflation, members

reported rising costs of materials and other manufacturing inputs. With profit margins under more pressure, numerous firms were looking for opportunities to pass on rising costs, and there were reports of some increase in successful efforts by businesses to raise prices, especially on crude and intermediate producer goods. However, while many specific instances of sizable price increases could be cited, broad measures of prices, including commodity prices as a group, did not indicate at this point that a significant worsening had occurred in the overall rate of inflation. Likewise, while reports of shortages of qualified labor were multiplying and business resistance to higher wages seemed to be diminishing in some areas, the members did not currently detect any appreciable acceleration in wage rate increases. Nonetheless, several expressed concern that, unless the expansion in overall demands were to slow markedly from the recent pace, which exceeded the trend growth of potential output, a substantially higher rate of price and wage inflation could not be avoided in the relatively near future. Others were less ready to conclude that an inflationary surge might be imminent, but they believed that the situation needed careful watching.

In the Committee's discussion of policy for the intermeeting period ahead, the members generally agreed that some further tightening of reserve conditions was needed to counter the risks of rising inflationary pressures in the economy. A failure to act in timely fashion not only would be inconsistent with the Committee's commitment to achieving price stability over time but would in fact compound the difficulties of accomplishing that objective. Views differed, however, regarding the desirable extent of such firming and the appropriate timing for its implementation. A majority favored only a slight move toward more restraint, at least pending an evaluation of further developments, and most of these members preferred to delay the tightening action for a short period. Other members felt that current and potential pressures on prices and wages argued more urgently for a prompt move to somewhat greater restraint.

The members who favored only slight further firming, whether immediately or after a short delay, saw a considerable risk that an apprecia-

ble further tightening would be unexpected so soon after the most recent firming and might well have an exaggerated impact on financial markets. Among other effects, it might give rise to anticipations of an increase in the discount rate, and foster unwarranted expectations about the System's intentions. Some members also stressed the adverse impact that any marked weakening of financial markets could have on troubled depository institutions. In these circumstances, marginal further tightening in the near term would provide an appropriate balance between the need to curb the emergence of excessive demand pressures in the economy and the risks of further restraint for financial markets and depository institutions. A few members also expressed the view that the two firming actions since late March, taken together, already represented a significant move to greater restraint and more time was needed to appraise their impact on the economy before any substantial further tightening was implemented.

Members who favored moving promptly to a somewhat greater degree of restraint gave more emphasis to the risks of more inflation as demand pressures encountered labor and capacity constraints in many industries. In this view the System's recent firming actions were helpful, but they did not go far enough toward restraining the growth in total demands to a noninflationary pace. These members recognized that appreciable further firming could have some adverse impact on financial markets in the short run and on the condition of many already weakened depository institutions. However, a prompt and somewhat stronger response to inflationary developments at this point would have a favorable effect on inflationary expectations, and over time also on long-term debt markets, and would reduce the need for greater and more disruptive tightening actions later. Some of these members indicated that a relatively modest move now, or in the very near future, and a readiness to tighten further later during the intermeeting period would constitute an acceptable compromise, given concerns about the risks of unwarranted reactions in the financial markets.

During the discussion members referred to a staff analysis prepared for this meeting that concluded that expansion of the monetary aggre-

gates, especially M1 and M2, was likely to moderate substantially from the pace in April. The projected slowing reflected in part a reversal of the tax-related buildup in transaction accounts during April, which was already occurring, and the impact of increased opportunity costs of holding money balances in response to the rise in market interest rates. While M2 and M3 currently appeared to be growing at rates that were consistent with the Committee's expectations for the second quarter, their cumulative growth thus far this year was at rates in the upper part of the Committee's ranges. One member stressed that any tendency for monetary growth to exceed the ranges should be firmly resisted under prevailing circumstances. Another commented that reduced growth, which brought the expansion for the year to around the middle of the Committee's ranges, would be a desirable outcome.

With regard to adjustments in the degree of reserve pressure during the intermeeting period, the slight firming after a short interval following today's meeting that was favored by a majority of the members would be implemented unless economic and financial conditions in the period ahead were to differ markedly from current expectations. Should unanticipated developments of that sort occur, the Chairman would call for a special consultation of the Committee. On the question of any subsequent adjustment in policy, a majority believed that policy implementation should remain especially alert to incoming information that might call for further firming. Given the recent tightening of reserve conditions and the presumption that at least marginally firmer reserve conditions would be implemented in the intermeeting period, the members decided to raise the intermeeting range for the federal funds rate by 1 percentage point to 5 to 9 percent. With such an increase the average trading level expected for the federal funds rate in the period ahead would be aligned somewhat more symmetrically around the middle of the range.

In further discussion most of the members indicated that they now favored dropping from the directive the special reference to sensitive conditions in financial markets and the related reference to the need for flexibility in the conduct of open market operations. Members noted that these references, while helpful in describing the

Committee's approach to operations for an extended period following the October disturbances in financial markets, no longer served a clarifying purpose in communicating the Committee's intentions. While still somewhat volatile, market conditions were now closer to those prevailing prior to the October break in the stock market, and the Committee anticipated that the earlier approach to open market operations generally would be followed. A few members felt, however, that still quite sensitive conditions in financial markets continued to warrant more than the usual amount of flexibility in the conduct of open market operations.

In advance of the discussion of long-term monetary growth ranges at its next meeting, the Committee considered the role that the monetary base might play in monetary policy. One proposal was to set fairly wide limits on quarterly fluctuations in the monetary base, but to adjust policy promptly if the limits were breached. The Committee also discussed whether a range for the base comparable to the existing ranges for M2 and M3 and nonfinancial debt might usefully supplement the current ranges. Most members expressed reservations about the reliability of the base as a guide to or restraint on policy, given their questions about the behavior of currency and reserves relative to income. However, there was sentiment for a continuing review of possible monetary indicators of future price trends.

At the conclusion of the Committee's discussion, all but two of the members indicated that they favored or could accept a directive that called initially for maintaining the current degree of pressure on reserve positions. Some slight firming would be implemented after a short interval following today's meeting, assuming that economic and financial conditions remained reasonably consistent with current expectations. In particular, and in keeping with the Committee's usual approach to policy, the conduct of open market operations would take account of conditions in financial markets, the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, and the behavior of the monetary aggregates. Later in the intermeeting period, some added reserve restraint would be acceptable, or some slight lessening of reserve pressure might

be acceptable, depending on ongoing economic and financial developments. The contemplated reserve conditions were likely to be associated with slower monetary growth, but given their relatively rapid expansion in April, M2 and M3 were still expected to grow at the rates of 6 to 7 percent established in late March for the period from March to June. The members agreed that the intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be raised by 1 percentage point to 5 to 9 percent.

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

The information reviewed at this meeting suggests continuing strong expansion in economic activity and rising levels of resource utilization. In April, total nonfarm payroll employment rose further; the increase included sizable growth in the manufacturing sector. The civilian unemployment rate fell to 5.4 percent, down appreciably from its level at the start of the year. Growth in industrial production picked up considerably in April from a reduced pace earlier in the year. Retail sales fell appreciably last month but estimates of sales in February and March were revised substantially higher. Indicators of business capital spending point to substantial gains thus far this year, notably for equipment. The nominal U.S. merchandise trade deficit in the first quarter was substantially smaller than that for the fourth quarter. Consumer and producer prices have risen more rapidly recently following a period of relatively modest increases. Broad measures of labor costs indicate a substantial advance in the first quarter, in part because of a rise in payroll taxes.

Interest rates have risen somewhat since the Committee's meeting on March 29. The trade-weighted foreign exchange value of the dollar in terms of other G-10 currencies had increased slightly on balance over the intermeeting period prior to May 17 and jumped following release of the March trade data.

M1 and M2 grew rapidly in April, owing in part to a buildup in transaction balances associated with tax payments, while M3 expanded at a slower pace than in previous months. Through April, expansion of M2 and M3 was in the upper portion of the ranges established by the Committee for 1988. Expansion in total domestic nonfinancial debt appears to be continuing at a pace close to that in 1987.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of

these objectives, the Committee at its meeting in February established growth ranges of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was set at 7 to 11 percent for the year.

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

In the initial implementation of policy, the Committee seeks to maintain the existing degree of pressure on reserve positions. Taking account of conditions in financial markets, the strength of the business expansion, indications of inflationary pressures, developments in foreign exchange markets, and the behavior of the monetary aggregates, the Committee expects that a slight increase in the degree of pressure on reserve positions would be appropriate in the weeks ahead. Depending on further developments in these factors, somewhat greater reserve restraint would, or slightly lesser reserve restraint might, also be acceptable later in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from March through June at annual rates of about 6 to 7 percent. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 5 to 9 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Johnson, Kelley, and Seger. Votes against this action: Messrs. Hoskins and Parry.

Messrs. Hoskins and Parry dissented because they favored a prompt move to a greater degree of reserve restraint. In their view the risks were considerable that price and wage inflation would accelerate from rates that were already too high. A more substantial firming was needed to moderate underlying pressures and to foster reasonable progress toward price stability. In the absence of such a move at this time, even greater tightening might well be required later, with attendant costs to financial markets and the economy. Mr. Hoskins noted that the M2 and M3 aggregates were near the upper bound of their target ranges. He also referred to the strengthening of business activity abroad, which had implications, potentially, for more widespread price pressures, and to the desirability of increasing the credibility, and thus the effectiveness, of monetary policy through timely, anti-inflationary measures. He emphasized that monetary policy should be directed toward a steady reduction of inflation and not toward meeting shorter-term business cycle goals. Mr. Parry noted that the two tightening actions in recent weeks were of insufficient magnitude to have much effect on the economy in the context of strengthened prospects for growth and already tight labor markets.

Legal Developments

AMENDMENT TO REGULATION D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D, clarifying that the ostensible sale of a short-term loan made under a long-term lending commitment, known as a loan strip or strip participation, is regarded as a "deposit" for the purposes of Regulation D whenever the depository institution selling the loan or participation is legally committed to make another loan at the end of the short-term period if the original investor does not wish to renew its interest and another investor cannot be located. In such a circumstance, the legal commitment of the lender/seller to advance funds to the borrower, which would, in substance, permit repayment of the short-term loan to the purchaser, is comparable to a repurchase agreement. This is true regardless of whether the commitment is exercised. Actual reporting of and reserve maintenance against these liabilities will begin after final approval of a new reporting form being adopted in order to monitor these liabilities for monetary policy purposes. This approval is expected by July or August of 1988.

This interpretation is effective June 29, 1988, but depository institutions should not include these liabilities on their reports of deposits or maintain reserves against them at this time. Depository institutions will be informed individually when and how these deposits should be so included and when appropriate reserve maintenance should begin following final approval of the new reporting form for these liabilities which is expected in July or August of 1988.

Part 204—Reserve Requirements of Depository Institutions

1. The authority citation for 12 C.F.R. Part 204 continues to read as follows:

Authority: Secs. 11(a), 11(c), 19, 25, 25(a) of the Federal Reserve Act (12 U.S.C. 248(a), 248(c), 371a, 371b, 461, 601, 611); sec. 7 of the International Banking Act of 1978 (12 U.S.C. 3105); and section 411 of the Garn–St Germain Depository Institutions Act of 1982 (12 U.S.C. 461).

2. A new section 204.132 is added to read as follows:

Part 204.132—Treatment of Loan Strip Participations

Effective March 31, 1988, the glossary section of the instructions for the Report of Condition and Income (FFIEC 031-034; OMB No. 7100-0036) ("Call Report") was amended to clarify that certain short-term loan participation arrangements (sometimes known or styled as "loan strips" or "strip participations") are regarded as borrowings rather than sales for Call Report purposes in certain circumstances. Through this interpretation, the Board is clarifying that such transactions should be treated as deposits for purposes of Regulation D.

These transactions involve the sale (or placement) of a short-term loan by a depository institution that has been made under a long-term commitment of the depository institution to advance funds. For example, a 90-day loan made under a five-year revolving line of credit may be sold to or placed with a third party by the depository institution originating the loan. The depository institution originating the loan is obligated to renew the 90-day note itself (by advancing funds to its customer at the end of the 90-day period) in the event the original participation does not wish to renew the credit. Since, under these arrangements, the depository institution is obligated to make another loan at the end of 90 days (absent any event of default on the part of the borrower), the depository institutions selling the loan or participation in effect must buy back the loan or participation at the maturity of the 90-day loan sold to or funded by the purchaser at the option of the purchaser. Accordingly, these transactions bear the essential characteristics of a repurchase agreement and, therefore, are reportable and reservable under Regulation D.

Because many of these transactions give rise to deposit liabilities in the form of promissory notes, acknowledgements of advance or similar obligations (written or oral) as described in section 204.2(a)(1)(vii) of Regulation D, the exemptions from the definition of "deposit" incorporated in that section may apply to the liability incurred by a depository institution when it offers or originates a loan strip facility. Thus, for example, loan strips sold to domestic offices of other

depository institutions are exempt from Regulation D under section 204.2(a)(1)(vii)(A)(1) because they are obligations issued or undertaken and held for the account of a U.S. office of another depository institution. Similarly, some of these transactions result in Eurocurrency liabilities and are reportable and reservable as such.

AMENDMENT TO REGULATION H

The Board of Governors is amending 12 C.F.R. Part 208, its Regulation H, to implement Title VIII of the Competitive Equality Banking Act of 1987 ("CEBA") which permits state member agricultural banks to amortize losses on qualified agricultural loans. The regulation describes the procedures and standards applicable to state member banks desiring to amortize losses under that statute. It also describes the manner in which such amortizations are to be done. Title VIII of CEBA required regulations implementing Title VIII to be issued not more than 90 days after enactment, that is, by November 9, 1987. Therefore, the Board initially published the rule as a final rule effective November 9, 1987, and provided for reporting on the Call Report beginning December 31, 1987, but allowed interested parties to comment through December 3, 1987 (52 *Federal Register* 42,087; November 3, 1987). The comment period was extended and closed on January 8, 1988 (52 *Federal Register* 46,984; December 11, 1987).

After consideration of comments received, the Board is making one substantive change and several technical changes to the rule. The substantive change would allow eligible state member banks to amortize over a period of up to seven years losses on reappraisal or sale of real or personal property that was acquired in connection with a qualified agricultural loan and that the bank owned on January 1, 1983, or subsequently acquires prior to January 1, 1992. Under the initial rule, such property had to be currently owned. The technical changes clarify the regulatory definition of "qualified agricultural loan" and add a definition for "agriculturally-related other property."

Effective, retroactively, to November 9, 1987, the Board amends 12 C.F.R. Part 208 as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System

1. The authority citation for 12 C.F.R. Part 208 is revised to read as set forth below, and the authority citations following each section are removed:

Authority: Sections 9, 11, and 21 of the Federal Reserve Act (12 U.S.C. §§ 321–338, 248, and 486, respectively); sections 4 and 13(j) of the Federal Deposit Insurance Act (12 U.S.C. §§ 1814 and 1823(j), respectively); section 7(a) of the International Banking Act of 1978 (12 U.S.C. § 3105); sections 907 - 910 of the International Lending Supervision Act of 1983 (12 U.S.C. §§ 3906 - 3909); sections 2, 12(b), 12(g), 12(i), 15B(c)(5), 17, 17A, and 23 of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w, respectively); and section 5155 of the Revised Statutes (12 U.S.C. § 36) as amended by the McFadden Act of 1927.

2. Section 208.15 is amended by revising paragraphs (a)(1)(iv), (a)(2), (b)(1), (d)(3), (e)(4), (f)(1), and (f)(2)(vi) and adding paragraph (a)(4) to read as follows:

Section 208.15 —Agricultural loan loss amortization

(a) * * *

(1) * * *

(iv) which has:

(A) at least 25 percent of its total loans in qualified agricultural loans and agriculturally-related other property; or

(B) less than 25 percent of its total loans in qualified agricultural loans and agriculturally-related other property but which bank the Board or the Reserve Bank in whose District the bank is located or its primary state regulator has recommended to the Federal Deposit Insurance Corporation for eligibility under this part.

(2) "Qualified agricultural loan" means:

(i) loans qualifying as "loans to finance agricultural production and other loans to farmers" or as "loans secured by farm land" for purposes of Schedule RC-C of the FFIEC Consolidated Report of Condition or such other comparable schedule;

(ii) loans secured by farm machinery,

(iii) other loans that a bank proves to be sufficiently related to agriculture for classification as an agricultural loan by the Federal Reserve; and

(iv) the remaining unpaid balance of any loans, described in paragraphs (a)(2)(i), (ii), and (iii) of this section, that have been charged off since January 1, 1984, and that qualify for deferral under this section.

* * * * *

(4) "Agriculturally-related other property" means any property, real or personal, that the bank owned

on January 1, 1983, and any such additional property that it acquires prior to January 1, 1992, in connection with a qualified agricultural loan. For the purposes of sections 208.15(a)(1)(iv) and 208.15(e), the value of such property shall include the amount previously charged off as loss.

(b) * * *

(1) * * *

(i) Any loss that the bank would be required to reflect in its financial statements for any period between and including 1984 and 1991.

(ii) Any loss that the bank would be required to reflect in its financial statements for any period between and including 1983 and 1991 resulting from a reappraisal or sale of agriculturally-related other property.

* * * * *

(d) * * *

(3) there is no evidence that fraud or criminal abuse by the bank or its officers, directors, or principal shareholders led to significant losses on qualified agricultural loans or from a reappraisal or sale of agriculturally-related other property; and

* * * * *

(e) * * *

(4) the bank agrees to make a reasonable effort, consistent with safe and sound banking practices, to maintain in its loan portfolio a percentage of agricultural loans, including agriculturally-related other property, not lower than the percentage of such loans in its loan portfolio on January 1, 1986; and

* * * * *

(f) * * *

(1) A bank wishing to amortize losses on qualified agricultural loans or from reappraisal or sale of agriculturally-related other property shall submit a proposal to the appropriate Accepting Official.

(2) * * *

(vi) a list of the loans and agriculturally-related other property upon which the bank proposes to defer loss including for each such loan or property, the following information:

* * * * *

AMENDMENT TO REGULATION J

The Board of Governors is amending 12 C.F.R. Part 210, its Regulation J, to conform that regulation to the regulation the Board adopted on May 13, 1988, implementing the Expedited Funds Availability Act of 1987

(Regulation CC—Availability of Funds and Collection of Checks (12 C.F.R. Part 229)).

Effective September 1, 1988, the Board amends 12 C.F.R. Part 210 as follows:

1. The title of Part 210 is revised to read as follows:

Part 210—Regulation J (Collection of Checks and Other Items and Wire Transfers of Funds by Federal Reserve Banks)

2. The authority citation for Part 210 is revised to read as follows:

Authority: Federal Reserve Act, section 13 (12 U.S.C. 342), section 11(i) (12 U.S.C. 248(i)), section 16 (12 U.S.C. 248(o) and 360), and section 19(f) (12 U.S.C. 464); and the Expedited Funds Availability Act (12 U.S.C. 4001 *et seq.*)

3. The title of Subpart A is revised to read as follows:

Subpart A—Collection of Checks and Other Items by Federal Reserve Banks

4. Section 210.1 is revised to read as follows:

Section 210.1—Authority, purpose, and scope.

The Board of Governors of the Federal Reserve System ("Board") has issued this subpart pursuant to the Federal Reserve Act, section 13 (12 U.S.C. 342), section 11(i) (12 U.S.C. 248(i)), section 16 (12 U.S.C. 248(o) and 360), and section 19(f) (12 U.S.C. 464); the Expedited Funds Availability Act (12 U.S.C. 4001 *et seq.*); and other laws. This subpart governs the collection of checks and other cash and noncash items and the handling of returned checks by Federal Reserve Banks. Its purpose is to provide rules for collecting and returning items and settling balances.

5. In Section 210.2, paragraphs (e) and (f) and the undesignated paragraph at the end of paragraph (g) are revised, footnote 2 in paragraph (g) is deleted, paragraph (j) is revised, paragraphs (k) and (l) are redesignated as paragraphs (l) and (m), a new paragraph (k) is added, the introductory text of redesignated paragraph (l) is revised, and the undesignated paragraph at the end of section 210.2 is revised to read as follows:

Section 210.2—Definitions.

* * * * *

(e) "Cash item" means —

(1) a check other than one classified as a noncash item under this section; or

(2) any other item payable on demand and collectible at par that the Reserve Bank of the District in which the item is payable is willing to accept as a cash item. "Cash item" does not include a returned check.

(f) "Check" means a draft, as defined in the Uniform Commercial Code, that is drawn on a bank and payable on demand. "Check as defined in 12 C.F.R. 229.2(k)" means an item defined as a check in 12 C.F.R. 229.2(k) for purposes of Subpart C of Part 229.

(g) * * * Unless otherwise indicated, "item" includes both a cash and a noncash item, and includes a returned check sent by a paying or returning bank. "Item" does not include a check that cannot be collected at par, or an "item" as defined in section 210.26 that is handled under Subpart B.

* * * * *

(j) "Paying bank" means —

(1) The bank by which an item is payable unless the item is payable or collectible at or through another bank and is sent to the other bank for payment or collection;

(2) The bank at or through which an item is payable or collectible and to which it sent for payment or collection; or

(3) The bank whose routing number appears on a check in magnetic characters or fractional form and to which the check is sent for payment or collection.

(k) "Returned check" means a cash item or a check as defined in 12 C.F.R. 229.2(k) returned by a paying bank, including a notice of nonpayment in lieu of a returned check, whether or not a Reserve Bank handled the check for collection.

(1) "Sender" means any of the following that sends an item to a Reserve Bank for forward collection:
* * *

* * * * *

Unless the context otherwise requires, the terms not defined herein have the meanings set forth in 12 C.F.R. 229.2 applicable to Subpart C of Part 229, and the terms not defined herein or in 12 C.F.R. 229.2 have the meanings set forth in the Uniform Commercial Code.

6. Paragraph (b) of section 210.3 is revised to read as follows:

Section 210.3—General provisions.

* * * * *

(b) *Binding effect.* This subpart, together with Subpart C of Part 229 and the operating circulars of the Reserve Banks, are binding on all parties interested in an item handled by any Reserve Bank.

* * * * *

7. Paragraph (a)(1) of section 210.6 is revised to read as follows:

Section 210.6—Status, Warranties, and Liability of Reserve Bank.

(a)(1) *Status and Liability.* A Reserve Bank shall act only as agent or subagent of the owner with respect to an item. This agency terminates not later than the time the Reserve Bank receives payment for the item in actually and finally collected funds and makes the proceeds available for use by the sender. A Reserve Bank may be liable to the owner, to the sender, to a prior collecting bank, or to the depositor's customer with respect to a check as defined in 12 C.F.R. 229.2(k). A Reserve Bank shall not have or assume any liability with respect to an item or its proceeds except for the Reserve Bank's own lack of good faith or failure to exercise ordinary care, except as provided in paragraph (b) of this section and except as provided in Subpart C of Part 229.

* * * * *

8. Paragraph (b) of section 210.7 is revised to read as follows:

Section 210.7—Presenting items for payment.

* * * * *

(b) *Place of presentment.* A Reserve Bank or subsequent collecting bank may present an item —

(1) At a place requested by the paying bank;

(2) In the case of a check as defined in 12 C.F.R. 229.2(k), in accordance with 12 C.F.R. 229.36;

(3) At a place requested by the nonbank payor, if the item is payable by a nonbank payor other than through or at a paying bank;

(4) Under a special collection agreement consistent with this subpart; or

(5) Through a clearinghouse and subject to its rules and practices.

* * * * *

9. Section 210.9 is revised by redesignating footnote 3 as footnote 2, and revising the first sentence of paragraph (e) to read as follows:

Section 210.9—Payment.

* * * * *

(e) *Liability of Reserve Bank.* Except as set forth in 12 C.F.R. 229.35(b), a Reserve Bank shall not be liable for the failure of a collecting bank, paying bank, or nonbank payor to pay for an item, or for any loss resulting from the Reserve Bank's acceptance of any form of payment other than cash authorized in paragraph (a), (b), and (c) of this section.

* * * * *

10. Section 210.10 is revised to read as follows:

Section 210.10—Time schedule and availability of credits for cash items and returned checks.

(a) Each Reserve Bank shall include in its operating circulars a time schedule for each of its offices indicating when the amount of any cash item or returned check received by it (or sent direct to another Reserve office for the account of that Reserve Bank) is counted as reserves for purposes of Part 204 of this chapter (Regulation D) and becomes available for use by the sender or paying or returning bank. The Reserve Bank shall give either immediate or deferred credit in accordance with its time schedule to a sender or paying or returning bank other than a foreign correspondent. A Reserve Bank ordinarily gives credit to a foreign correspondent only when the Reserve Bank receives payment of the item in actually and finally collected funds, but, in its discretion, a Reserve Bank may give immediate or deferred credit in accordance with its time schedule.

(b) Notwithstanding its time schedule, a Reserve Bank may refuse at any time to permit the use of credit given for any cash item or returned check, and may defer availability after credit is received by the Reserve Bank for a period of time that is reasonable under the circumstances.

11. Section 210.12 is revised to read as follows:

Section 210.12—Return of cash items and handling of returned checks.

(a) *Return of cash items.* A paying bank that receives a cash item directly or indirectly from a Reserve Bank, other than for immediate payment over the counter, and that pays for the item as provided in section 210.9(a) of this subpart, may, before it has finally paid the item, return the item in accordance with Subpart C of Part 229, the Uniform Commercial Code, and its Reserve Bank's operating circular. The rules or practices of a clearinghouse through which the item was

presented, or a special collection agreement under which the item was presented, may not extend these return times, but may provide for a shorter return time.

(b) *Return of checks not handled by Reserve Banks.* A paying bank that receives a check as defined in 12 C.F.R. 229.2(k), other than directly or indirectly from a Reserve Bank, and that determines not to pay the check, may send the returned check to its Reserve Bank in accordance with Subpart C of Part 229, the Uniform Commercial Code, and its Reserve Bank's operating circular. A returning bank may send a returned check to its Reserve Bank in accordance with Subpart C of Part 229, the Uniform Commercial Code, and its Reserve Bank's operating circular.

(c) *Paying bank's and returning bank's agreement.* By sending a returned check to a Reserve Bank, the paying bank or returning bank —

(1) Authorizes the receiving Reserve Bank (and any other Reserve Bank or returning bank to which the returned check is sent) to handle the returned check subject to this subpart and to the Reserve Banks' operating circulars;

(2) Makes the warranties set forth in 12 C.F.R. 229.34; and

(3) Agrees to indemnify each Reserve Bank for any loss or expense (including attorneys' fees and expenses of litigation) resulting from —

(i) The paying or returning bank's lack of authority to give the authorization in paragraph (c)(1) of this section;

(ii) Any action taken by a Reserve Bank within the scope of its authority in handling the returned check; or

(iii) Any warranty made by the Reserve Bank under 12 C.F.R. 229.34.

(d) *Recovery by Reserve Bank.* If an action or proceeding is brought against (or if defense is tendered to) a Reserve Bank that has handled a returned check based on —

(1) The alleged failure of the paying or returning bank to have the authority to give the authorization in paragraph (c)(1) of this section;

(2) Any action by the Reserve Bank within the scope of its authority in handling the returned check; or

(3) Any warranty made by the Reserve Bank under 12 C.F.R. 229.34, the Reserve Bank may, upon the entry of a final judgment or decree, recover from the paying bank or returning bank the amount of attorneys' fees and other expenses of litigation incurred, as well as any amount the Reserve Bank is required to pay under the judgment or decree, together with interest thereon.

(e) *Methods of recovery.* The Reserve Bank may recover the amount stated in paragraph (d) of this

section by charging any account on its books that is maintained or used by the paying or returning bank (or, if the returning bank is another Reserve Bank, by entering a charge against the other Reserve Bank through the Interdistrict Settlement Fund), if —

- (1) The Reserve Bank made seasonable written demand on the paying or returning bank to assume defense of the action or proceeding; and
- (2) The paying or returning bank has not made any other arrangement for payment that is acceptable to the Reserve Bank.

The Reserve Bank is not responsible for defending the action or proceeding before using this method of recovery. A Reserve Bank that has been charged through the Interdistrict Settlement Fund may recover from the paying or returning bank in the manner and under the circumstances set forth in this paragraph. A Reserve Bank's failure to avail itself of the remedy provided in this paragraph does not prejudice its enforcement in any other manner of the indemnity agreement referred to in paragraph (c)(3) of this section.

(f) *Reserve Bank's responsibility.* A Reserve Bank shall handle a returned check, or a notice of nonpayment, in accordance with Subpart C of Part 229 and its operating circular. A Reserve Bank may permit or require the paying or returning bank to send direct to another Reserve Bank a returned check with respect to which the depository bank is located within the other Reserve Bank's District, in accordance with section 210.4(b).

(g) *Settlement.* A subsequent returning bank or depository bank shall settle for returned checks in the same manner as for cash items presented for payment.

12. Paragraph (a) of section 210.13 is revised to read as follows:

Section 210.13—Unpaid items.

(a) *Right of charge-back.* If a Reserve Bank does not receive payment in actually and finally collected funds for an item, the Reserve Bank shall recover by charge-back or otherwise the amount of the item from the sender, paying bank, or returning bank from which it was received, whether or not the item itself can be sent back. In the event of recovery, neither the owner or holder of the item, nor the sender, paying bank, or returning bank from which it was received, shall have any interest in any reserve balance or other funds in the Reserve Bank's possession of the bank failing to make payment in actually and finally collected funds.

* * * * *

Revision of Rules Regarding Availability of Information

The Board of Governors is revising 12 C.F.R. Part 261, its Rules Regarding Availability of Information, to update procedures, which have not had a comprehensive review since 1967. This revision was published for comment on April 23, 1987. (52 *Federal Register* 13,458). The revised regulation includes:

- (1) a description of the Board's procedures in processing requests under the Freedom of Information Act ("FOIA");
- (2) further delegation of authority to the Board's General Counsel to act on requests for information by law enforcement agencies and others;
- (3) additional provisions regarding the availability of information to federal and state financial institutions' supervisory authorities;
- (4) disclosure by financial institutions of examination or inspection reports to certified public accountants and attorneys employed by such institutions; and
- (5) notice of FOIA requests to submitters of confidential commercial or financial information, and procedures for requesting confidential treatment of such information and requests for disclosure of such information.

On April 22, 1987, the Board adopted as a final rule changes to its fee schedules pertaining to requests for Board documents pursuant to the Freedom of Information Reform Act of 1986, P.L. 99-570. 52 *Federal Register* 15,299 (April 28, 1987). Accordingly, those changes to that section (§ 261.10) were not addressed in this rulemaking.

Effective July 11, 1988, 12 C.F.R. Part 261 is revised as follows:

Part 261—Rules Regarding Availability of Information

Subpart A—General Provisions

- 261.1—Authority, Purpose, and Scope
- 261.2—Definitions
- 261.3—Custodian of Records; Certification; Service; Alternative authority

Subpart B—Published Information and Records Available to Public; Procedures for Requests

- 261.5—Published Information
- 261.6—Records Available to Public Upon Request
- 261.7—Deferred Availability of Certain Information
- 261.8—Exemptions from Disclosure

261.9—Procedures for Making Requests for Identifiable Records; Processing of Requests; Appellate Review of Denial of Request; Time Extensions

261.10—Fee Schedules; Waiver of Fees

Subpart C—Confidential Information Made Available to Supervised Institutions, Financial Institutions Supervisory Agencies, Law Enforcement Agencies, and Others in Certain Circumstances

261.11—Confidential Supervisory Information Made Available to Supervised Financial Institutions and Financial Institution Supervisory Agencies

261.12—Confidential Information Made Available to Law Enforcement Agencies and Other Non-financial Institution Supervisory Agencies

261.13—Other Disclosure of Confidential Supervisory Information

261.14—Subpoenas, Orders Compelling Production and Other Process

Subpart D—Requests for Confidential Treatment

261.15—Scope of Subpart

261.16—Submission and Form of Request for Confidential Treatment; Action on Request

261.17—Confidential Commercial or Financial Information

Authority: 5 U.S.C. 552, 12 U.S.C. 248(k), 321, and 1844.

Subpart A—General Provisions

Section 261.1—Authority, Purpose, and Scope.

(a) *Authority.* This regulation is issued by the Board of Governors of the Federal Reserve System (the “Board”) pursuant to 12 U.S.C. 248(i) and (k) and 5 U.S.C. 552.

(b) *Purpose.* This regulation sets forth the kinds of information made available to the public, the rules of procedure for obtaining documents and records, and the rules of procedure with respect to confidential information.

(c) *Scope.*

(1) Subpart A contains general provisions and definitions of terms used in this regulation.

(2) Subpart B implements the Freedom of Information Act (5 U.S.C. 552) and explains:

(i) the kinds of information the Board regularly publishes;

(ii) the types of records made available to the public upon request;

(iii) the kinds of information exempt from disclosure or subject to deferred availability; and

(iv) the procedures for obtaining information and for processing information requests.

(3) Subpart C sets forth:

(i) the kinds of confidential information made available to supervised institutions, supervisory agencies, law enforcement agencies, and others in certain circumstances;

(ii) the procedures for disclosure;

(iii) the procedures for processing law enforcement requests; and

(iv) the procedures with respect to subpoenas, orders compelling production, and other process.

(4) Subpart D contains the procedures relating to requests for confidential treatment of documents and information.

Section 261.2—Definitions.

For purposes of this regulation:

(a) “Board’s official files” means the Board’s central records.

(b) “Confidential supervisory information” means cease and desist orders, suspension or removal orders, or other orders or actions under the Financial Institutions Supervisory Act of 1966, as amended, the Bank Holding Company Act of 1956, as amended, or the Federal Reserve Act of 1913, as amended; reports of examination and inspection, confidential operating and condition reports, and any information derived from, related to, or contained in them. “Confidential supervisory information” may consist of documents prepared by, on behalf of, or for the use of the Board, a Reserve Bank, a Federal or state financial institutions supervisory agency, or a bank or bank holding company.

(c) “Information of the Board” means all information coming into the possession of the Board, any Board member, any Federal Reserve Bank, or any officer, employee, or agent of the Board or of any Federal Reserve Bank, in the performance of functions for or on behalf of the Board, including functions delegated by the Board pursuant to Part 265 of this Chapter.

(d)(1) “Records of the Board” includes applications, rules, statements, opinions, orders, memoranda, letters, reports, accounts, and other written material, as well as magnetic tapes, computer printouts of information obtained through use of existing computer programs, maps, photographs, and other materials in nonwritten or machine readable form

that are under the control of the Board, that contain information of the Board, and that:

- (i) constitute part of the Board's official files; or
 - (ii) are maintained for administrative reasons in the regular course of business in official files in any division or office of the Board or any Federal Reserve Bank in connection with the transaction of any official business.
- (2) "Records of the Board" does not include:
- (i) handwritten notes; personal files of Board members and employees; tangible exhibits, formulas, designs, or other items of valuable intellectual property; extra copies of documents and library and museum materials kept solely for reference or exhibition purposes; unaltered publications otherwise available to the public in Board publications, libraries, or established distribution systems;
 - (ii) documents, including lists, and other material not in existence or not in the Board's possession or control on the date a request for records is received;
 - (iii) documents no longer in the possession of the Board which have been disposed of in accordance with law;
 - (iv) copies of transcripts provided to the Board under any reporting service contract and that may be obtained directly from the contractor;
 - (v) documents of other agencies made available to the Board on a confidential basis by such agencies;
 - (vi) documents that are not the property of the Board and which have been made available to the Board on a temporary or otherwise limited basis with its consent.
- (e)(1) "Report of examination" means the report prepared by the Board concerning its examination of a state member bank of the Federal Reserve System, and includes reports of inspection of bank holding companies, U.S. branches or agencies of foreign banks, and other institutions examined by the Federal Reserve System. Such reports may be prepared either solely by the Board or jointly by the Board and an appropriate state bank supervisory agency.
- (2) "Reports of examination" may include reports of examination of other financial institutions prepared and provided to the Federal Reserve System by other Federal and state financial institution supervisory agencies.
- (f) "Report of inspection" means the report prepared by the Board concerning its inspection of a bank holding company and its bank and nonbank subsidiaries.
- (g)(1) "Search" means a reasonable search of the

Board's official files and any other files containing Board records as seem reasonably likely in the particular circumstances to contain documents of the kind requested. Searches may be done manually or by computer using existing programming. For purposes of computing fees under section 261.10 of this regulation, search time includes all time spent looking for material that is responsive to a request, including line-by-line identification of material within documents. Such activity is distinct from "review" of material to determine whether the material is exempt from disclosure.

(2) "Search" does not mean or include:

- (i) research;
- (ii) creation of any information or data retrieval program or system;
- (iii) extensive modification of an existing program or system;
- (iv) creation of any document, or any other activity that involves creative processes rather than simply retrieval of existing documents.

Section 261.3—Custodian of Records; Certification; Service; Alternative Authority.

(a) *Custodian of records.* The Secretary of the Board is the official custodian of all records of the Board, including all records that are in the possession or control of the Board, any Federal Reserve Bank, or any Board or Reserve Bank employee.

(b) *Certification of record.* The Secretary may certify the authenticity of any record of the Board, or of any copy of such record, for any purpose, and for or before any duly constituted Federal or state court, tribunal, or agency.

(c) *Service of subpoenas or other process.* Subpoenas or other judicial or administrative process demanding access to records of the Board shall be addressed to and served upon the Secretary of the Board at the Board's offices in Washington, D.C. 20551.

(d) *Alternative authority.*

(1) *Secretary of the Board.*

Any action or determination required or permitted by this regulation to be done by the Secretary of the Board may be done by an Associate Secretary or other responsible employee of the Board who has been duly designated for this purpose by the Secretary.

(2) *General Counsel.* Any action or determination required or permitted by this regulation to be done by the General Counsel may, in the General Counsel's absence, be done by a deputy or associate general counsel or other attorney of the Board's Legal Division who has been duly designated for this purpose by the General Counsel.

(3) *Director of Banking Supervision and Regulation.* Any action or determination required or permitted by this regulation to be done by the Director of the Division of Banking Supervision and Regulation may, in the Director's absence, be done by the Deputy Director or other official of the Division who has been duly designated for this purpose by the Director.

Subpart B—Published Information and Records Available to Public: Procedures for Requests

Section 261.5—Published Information.

(a) *Federal Register.* The Board publishes in the *Federal Register* for the guidance of the public:

- (1) descriptions of the Board's central and field organization;
- (2) statements of the general course and method by which the Board's functions are channeled and determined, including the nature and requirements of procedures;
- (3) rules of procedure, descriptions of forms available and the place where they may be obtained, and instructions on the scope and contents of all papers, reports, and examinations;
- (4) substantive rules and interpretations of general applicability, and statements of general policy;
- (5) every amendment, revision, or repeal of the foregoing;
- (6) general notices of proposed rulemaking;
- (7) notices of applications received under the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) and the Change in Bank Control Act (12 U.S.C. 1817);
- (8) notices of formal public hearings ordered by the Board;
- (9) notices of all Board meetings, pursuant to 5 U.S.C. 552b;
- (10) notices identifying the Board's systems of records, pursuant to 5 U.S.C. 552a; and
- (11) notices of agency data collection forms being reviewed under the Paperwork Reduction Act (5 U.S.C. 3501 *et seq.*).

(b) *Board's reports to Congress.*

(1) *Annual report under Federal Reserve Act.* The Board's annual report to Congress pursuant to the Federal Reserve Act (12 U.S.C. 247), which is made public upon its submission to Congress, contains a full account of the Board's operations during the year, an economic review of the year, and legislative recommendations to Congress. The report includes:

- (i) a full account of the policy actions taken by the Board and the Federal Open Market Committee,

showing the votes taken and the underlying reasons (12 U.S.C. 247a);

(ii) material pertaining to administering Board functions under the Bank Holding Company Act of 1956 (12 U.S.C. 1843 (c) and 1844 (d));

(iii) material pertaining to bank mergers approved by the Board under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828 (c) (9)); and

(iv) reports required by section 114 of the Truth in Lending Act (15 U.S.C. 1613); section 602 of the Change in Bank Control Act (12 U.S.C. 1817(j)(14)); section 121 of the Securities and Exchange Act (15 U.S.C. 78w(b); the Securities Act Amendments of 1975 (15 U.S.C. 78w); section 707 of the Equal Credit Opportunity Act (15 U.S.C. 1691f); section 18 of the Federal Trade Commission Improvement Act (12 U.S.C. 57a(f)(5)); section 918 of the Electronic Funds Transfer Act (15 U.S.C. 1693p); section 805 of the Community Reinvestment Act (12 U.S.C. 2904); and section 3(h) of the International Banking Act of 1978, P.L. 95-369.

(2) *Reports under other Acts.* The Board also reports to Congress annually, or at more frequent intervals, under certain Acts of Congress, including but not limited to the Freedom of Information Act (5 U.S.C. 552(e)); the Government in the Sunshine Act (5 U.S.C. 552b(i)); and the Full Employment and Balanced Growth Act of 1978 (12 U.S.C. 225a), concerning the administration of its functions under each of these acts.

(c) **FEDERAL RESERVE BULLETIN.**

(1) *Contents.* In the **FEDERAL RESERVE BULLETIN**, which is issued monthly, the Board publishes:

- (i) economic and statistical information;
- (ii) articles on subjects of economic interest or relating to Board activities;
- (iii) regulations;
- (iv) statements of general policy;
- (v) interpretations of laws and regulations of general interest to the public;
- (vi) notices of Board action on certain types of applications; and
- (vii) Board orders and accompanying statements on certain types of adjudications.

(2) *Advanced release of information.* Some material published in the *Bulletin* is released in advance of publication, including certain regulations, interpretations, orders and opinions, and the Board's index of industrial production and other statistical series.

(d) *Other published information.*

(1) *Statements of financial condition.* As required by section 11 (a) of the Federal Reserve Act (12 U.S.C. 248(a)), the Board issues weekly a statement show-

ing the condition of each Federal Reserve Bank and a consolidated statement of the condition of all Federal Reserve Banks.

(2) *Index of applications.* The Board also issues weekly an index of the applications received and the actions taken on such applications, as well as other matters issued, adopted, or promulgated by the Board.

(3) *Statement of changes in bank structure.* In addition, the Board issues weekly a statement showing changes in the structure of the banking industry resulting from mergers and the establishment of branches.

(4) *Press releases.* The Board frequently issues statements to the press and public regarding monetary and credit actions, regulatory actions, actions taken on certain types of applications, and other matters. Current press releases may be obtained from the Board's Publications Services Section.

(5) *Computer tapes.* The Board periodically prepares data of various kinds on computer tapes, which are available to the public through the National Technical Information Service and may be obtained by the procedure described in section 261.6(c)(3) of this regulation.

(6) *Regulatory Service.* The Board publishes *The Federal Reserve Regulatory Service*, which is a multivolume looseleaf service containing statutes, regulations, interpretations, rulings, staff opinions, and procedural rules under which the Board operates. Parts of the Service are also published as separate looseleaf handbooks relating to Consumer and Community Affairs, Monetary Policy and Reserve Requirements, and Securities Credit Transactions. The Service and each handbook contain subject and citation indexes, are updated monthly, and may be subscribed to on a yearly basis.

(7) *Lists of Board publications.* The Board's Publications Services Section maintains a list of Board publications that are available to the public. In addition, a partial list of important publications is published in the FEDERAL RESERVE BULLETIN.

(e) *Indexes to Board actions.*

(1) The Board's Freedom of Information Office maintains an index to Board actions which provides identifying information about any matters issued, adopted, and promulgated by the Board since July 4, 1967. The index is updated weekly and is available to the public on microform. Copies of the index may be obtained upon request to the Secretary of the Board subject to the current schedule of charges, as described in section 261.10 of this regulation.

(2) In addition, the Board publishes a weekly index, as described in paragraph (d)(2) of this section, which provides identifying information on a current

basis about matters issued, adopted, and promulgated by the Board. The weekly index is available from the Publications Services Section on a subscription or a single issue basis pursuant to a current schedule of charges. Back issues of this index are available from the Secretary of the Board subject to the schedule of charges, described in section 261.10 of this regulation.

(f) *Obtaining Board publications.* All publications issued by the Board may be obtained from the Publications Services Section of the Federal Reserve Board, 20th Street and Constitution Ave., N.W., Washington, D.C. 20551 (pedestrian entrance is on C Street, N.W.), including:

(1) current and available back issues of the Board's Annual Report to Congress (copies of the Board's Annual Report to Congress are also normally available for examination at each Federal Reserve Bank); and

(2) single current and available back issues of the FEDERAL RESERVE BULLETIN, which may be obtained at the prescribed rates (any individual or group may subscribe annually to the *Bulletin* at the prescribed rate).

Section 261.6—Records Available to Public Upon Request.

(a) *Types of records made available.* Subject to the provisions of this regulation, the following records shall be made available for inspection and copying upon request, unless they were published promptly and made available for sale or without charge:

(1) orders made in the adjudication of cases, and final opinions, including concurring and dissenting opinions, and orders and opinions issued pursuant to authority delegated by the Board;

(2) interpretations and statements of policy adopted by the Board that are not published in the *Federal Register*;

(3) records of the final votes of Board members;

(4) administrative staff manuals and instructions to staff that affect the public; and

(5) other records subject to disclosure pursuant to 5 U.S.C. 552.

(b) *Exceptions and limitations.*

(1) *Confidentiality.* The Board may delete identifying details from any record to prevent a clearly unwarranted invasion of personal privacy. The Board shall state in writing the reason for the deletion.

(2) *Deferred availability.* Availability of information in any record may be postponed, as provided in section 261.7 of this regulation.

(3) *Exempt records; discretionary release.* Some records are exempt from disclosure under 5 U.S.C. 552(b), as described in section 261.8 of this regulation. However, except where disclosure is expressly prohibited by statute, regulation, or order, the Board may release records that are exempt from mandatory disclosure whenever the Board or designated Board members, the Secretary of the Board, the General Counsel of the Board, the Director of the Division of Banking Supervision and Regulation, or the appropriate Federal Reserve Bank, acting pursuant to this regulation or part 265 of this title, determines that such disclosure would be in the public interest. In no event shall the release of information that has been requested for commercial solicitation purposes be considered to be in the public interest unless such release is specifically authorized by the persons named in the records to be released.

(4) *Nonexempt information.* Although the Board may deny access to portions of a record, it shall release reasonably segregable nonexempt portions.

(5) *Requests for applications, notices, and reports.* The Board preliminarily identifies public portions of most applications filed under the Bank Holding Company Act, notices filed under the Change in Bank Control Act, and other reports filed in connection with its supervision of financial institutions. The public portions contain information that may be released by the Board or appropriate Federal Reserve Bank without further review. Each request for these applications, notices, and reports shall be considered to be a request for the public portions only, unless the requester specifically seeks access to the entire document.

(6) *Disposal of records.* Nothing in this regulation precludes the Board from disposing of records eligible for disposal in the normal course of business and in accordance with applicable law.

(c) *How to obtain access to records.*

(1) Records of the Board subject to this section are available for inspection and copying, in response to requests for identifiable records pursuant to section 261.9 of this regulation, from 9:00 a.m. to 5:00 p.m. weekdays, at the Office of the Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 (the pedestrian entrance is on C Street, N.W.). Indexes of Board actions and copies of selected Board records are available in the Freedom of Information Office for immediate inspection without a request or other prior arrangements.

(2) The Board may determine that certain classes of publicly available filings shall be made available for

inspection and copying only at the Federal Reserve Bank where those records are filed.

(3) The publicly available portions of Reports of Condition and Income of individual banks, as well as certain other data files produced by the Board, are distributed by the National Technical Information Service. Requests for these public reports should be addressed to: Sales Office National Technical Information Service, U.S. Department of Commerce, 5285 Port Royal Road, Springfield, Virginia 22161, (703) 487-4650.

Section 261.7—Deferred Availability of Certain Information.

(a) *Information subject to deferred availability.* Certain types of information may not be published in the *Federal Register* or made available for inspection and copying until after a period of time the Board determines to be reasonably necessary to avoid the effects described in paragraph (b) of this section.

(b) *Reasons for deferred availability.* Information may be subject to deferred availability or deferred publication because earlier disclosure would likely:

- (1) interfere with accomplishing the objectives of the Board in the discharge of its statutory functions;
- (2) interfere with the orderly conduct of the foreign affairs of the United States;
- (3) permit speculators or others to gain unfair profits or other unfair advantages by speculative trading in securities or otherwise;
- (4) result in unnecessary or unwarranted disturbances in the securities markets;
- (5) interfere with the orderly execution of the objectives or policies of other government agencies; or
- (6) impair the ability to negotiate any contract or otherwise harm the commercial or financial interests of the United States, the Board, any Federal Reserve Bank, or any department or agency of the United States.

Section 261.8—Exemptions from Disclosure.

(a) *Types of information or records that are exempt from disclosure.* The following records and information of the Board are exempt from disclosure under this regulation:

- (1) *National defense.* Any information or record that is specifically authorized under criteria established by an Executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to such Executive order.
- (2) *Examination, inspection, operating, or condition reports, and confidential supervisory information.*

(i) Any matter that is contained in or related to confidential supervisory information prepared by, on behalf of, or for the use of the Board, any Federal Reserve Bank, or any Federal or state financial institution supervisory agency that deems such documents or information confidential.

(ii) The Board may, however, determine that certain kinds of operating or condition reports may, for reasons of policy, be routinely disclosed to the public upon request. In such case, no special authorization shall be required for disclosure of the reports by members of the Board's staff or by staff of the Reserve Banks; and there shall be no limitation on the use of the reports by members of the public receiving them.

(3) *Trade secrets; commercial or financial information.*

(i) Any matter that is a trade secret or that constitutes commercial or financial information obtained from a person and that is privileged or confidential.

(ii) The Board may, however, make any information furnished in confidence in connection with an application for Board approval of a transaction available to the public in accordance with section 261.6 of this regulation, and without prior notice and to the extent it deems necessary, may comment on such information in any opinion or statement issued to the public in connection with a Board action to which such information pertains.

(4) *Records or information compiled for law enforcement purposes.* Any records or information compiled for law enforcement purposes, to the extent permitted under 5 U.S.C. 552(b)(7), including information relating to proceedings for:

(i) issuing cease-and-desist orders, suspension or removal orders, or other orders or actions under the Financial Institutions Supervisory Act of 1966, as amended, the Bank Holding Company Act of 1956, as amended, or the Federal Reserve Act of 1913, as amended;

(ii) terminating membership of an institution in the Federal Reserve System under section 9 of the Federal Reserve Act (12 U.S.C. 327);

(iii) suspending a depository institution from use of the credit facilities of the Federal Reserve System under section 4 of the Federal Reserve Act (12 U.S.C. 301); or

(iv) granting or revoking any approval, permission, or authority, except to the extent provided in this regulation and Part 262 of this chapter concerning bank holding company and bank merger applications.

(5) *Internal personnel rules and practices.* Any

information related solely to the internal personnel rules and practices of the Board, within the meaning of 5 U.S.C. 552(b)(2).

(6) *Personnel and medical files.* Any information contained in personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

(7) *Inter- or intra-agency memorandums or letters.* Any matter contained in inter- or intra-agency memorandums or letters that would not be routinely available by law to a party (other than an agency) in litigation with an agency, including but not limited to:

(i) memorandums;

(ii) reports;

(iii) other documents prepared by the staffs of the Board or Federal Reserve Banks; and

(iv) records of deliberations of the Board and of discussions at meetings of the Board, any Board committee, or Board staff, that are not subject to 5 U.S.C. 552(b).

(8) *Court order prohibitions.* Any document or information that is covered by an order of a court of competent jurisdiction that prohibits its disclosure.

(9) *Statutory exemption.* Any information specifically exempted from disclosure by statute (other than 5 U.S.C. 552(b)), if the statute:

(i) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue; or

(ii) establishes particular criteria for withholding or refers to particular types of matters to be withheld.

(b) *Segregation of nonexempt information.*

(1) *Partial release.* The Board shall provide any reasonably segregable portion of a record that is requested after deleting those portions that are exempt under this section. In determining whether exempt information is reasonably segregable, the Board shall consider all relevant factors, including but not limited to:

(i) the amount and placement of nonexempt information in relation to the structure and size of the document; and

(ii) the intelligibility and usefulness of the nonexempt information that is segregated balanced against the administrative burden and cost of segregation.

(2) *Reasonably segregable portions.* Subject to these considerations, reasonably segregable nonexempt portions of a document are those nonexempt portions:

(i) whose meaning is not distorted by deletion;

(ii) that are sufficiently detailed to be intelligible and useful to the requester; and

(iii) from which a skillful and knowledgeable person could not reconstruct any exempt information.

(3) *Computer tapes.* Information stored on computer tape that can be segregated only by creating a new retrieval program is not considered reasonably segregable.

(c) *Prohibition against disclosure.* Except as provided in this regulation, no officer, employee, or agent of the Board or any Federal Reserve Bank shall disclose or permit the disclosure of any unpublished information of the Board to any person (other than Board or Reserve Bank officers, employees, or agents properly entitled to such information for the performance of official duties), whether by giving out or furnishing the information or a copy of it or by allowing any person to inspect or copy it, or otherwise.

Section 261.9—Procedures for Making Requests for Identifiable Records; Processing of Requests; Review of Denial of Request; Time Extensions.

(a) *Procedures for making request for records.*

(1) *Contents of Request.* A request for identifiable records shall reasonably describe the records to which access is sought in a way that enables the Board's staff to identify and produce the records with reasonable effort and without unduly burdening or disrupting any of the Board's operations. The request shall be submitted in writing to the Secretary of the Board, and the envelope clearly marked "Freedom of Information Act Request." The request shall contain the following information:

- (i) the name and address of the person filing the request, and the telephone number at which the requester can be reached during normal business hours;
- (ii) the name of any pending litigation to which the request relates, the court, and its location;
- (iii) whether the requested information is intended for commercial use, and whether the requester is an educational or noncommercial scientific institution, or news media representative; and
- (iv) a statement agreeing to pay the applicable fees; or a statement identifying any fee limitation desired; or a request for a waiver or reduction of fees that satisfies section 261.10(h) of this regulation.

(2) *Defective requests.*

- (i) The Board need not accept or process a request that is not a request for identifiable records or that:
 - (A) can be complied with only by designing an information retrieval system; or

(B) does not otherwise comply with the requirements of paragraph (a)(1) of this section.

(ii) The Board may return a defective request, specifying the deficiency. The requester may submit a corrected request which shall be treated as a new request.

(3) *Oral requests.* The Board may honor an oral request for records, but if the requester is dissatisfied with the Board's response and wishes to seek review, the requester must submit a written request, which shall be treated as an initial request.

(4) *Advance payment of fees.* Whenever the Board requires advance payment of any fee pursuant to section 261.10(g) of this regulation, the requester shall promptly remit the required advance payment to the Board as a condition to further processing of the request.

(b) *Procedures for responding to requests.*

(1) *Time limits.* In response to any request that satisfies paragraph (a) of this section, the Board shall, if necessary, cause an appropriate search to be conducted of records of the Board in existence on the date of receipt of the request, and shall determine within ten working days of receipt of the request whether to comply with the request, unless the running of such time is suspended for payment of fees, pursuant to section 261.10(g)(3) of this regulation, or such period is extended, pursuant to paragraph (e) of this section or section 261.7 of this regulation. The date of receipt for any request, including one that is addressed incorrectly or that is referred to the Board by another agency or by a Federal Reserve Bank, is the date the Office of the Secretary actually receives it.

(2) *Response to request.* The Board shall, within the time period specified in paragraph (b)(1) of this section, notify the requester of:

- (i) the Board's determination of the request;
- (ii) the reasons for the determination;
- (iii) the right of the requester to appeal to the Board any denial or partial denial, as specified in paragraph (d) of this section; and
- (iv) in the case of a denial of a request, the name and title or position of the person responsible for the denial.

(3) *Refusal to acknowledge records.* If a request covers records or types of records whose existence is confidential, such as records of enforcement actions against identifiable financial institutions, the Board may advise the requester that it can neither confirm nor deny the existence of the requested records and notify the requester of the legal basis for that determination.

(4) *Priority of responses.* The Secretary will assign responsible staff to particular requests and will

normally process requests in the order they are received. However, in the Secretary's discretion, or upon a court order in a matter to which the Board is a party, a particular request may be processed out of turn.

(5) *Referrals.* To the extent a request covers documents that were created by, obtained from, or classified by another agency, the Board may refer the request to that agency for a response and inform the requester promptly of the referral.

(c) *Procedures for copying and review of records; number of copies; method of duplication.*

(1) *Request for copies.* When a requester asks that documents be copied, copies shall be made at the fee established, as provided in section 261.10 of this regulation. Copies shall be sent to the requester by regular U.S. mail to the address indicated in the request, unless the requester elects to take delivery of the documents at the Board's Freedom of Information Office in Washington, D.C., or makes other arrangements acceptable to the Board.

(2) *Number of copies; method of duplication.* The Board need not provide more than one copy of any record to any requester, and the Board may select the form of the copy provided, such as paper, microform, or other medium.

(3) *Request to review documents.* Requesters may review documents at the Board's Freedom of Information Office under staff supervision. Requesters may not disassemble or alter any record or file being inspected.

(d) *Appeal of denial of request for records.*

(1) *Request for review; time limits.* Any person denied access to Board records requested in accordance with this section may file with the Board a written request for review of the denial by the Board or Board member(s) designated to hear such appeal. The request shall be filed within ten working days of the date on which the denial was issued, or, where a request for documents has been partially approved but access to the documents has not been given, within ten working days from the date such documents are transmitted to the requester. The request shall prominently display the word "Appeal" on the first page. An initial request for records may not be combined in the same letter with an appeal.

(2) *Untimely appeals.* The Board may consider an untimely appeal if:

- (i) it is accompanied by a written request for leave to file an untimely appeal; and
- (ii) the Board or designated Board member(s) determines, in its discretion and for good and substantial cause shown, that the appeal should be considered.

(3) *Decision on appeal; time limits.* The Board or designated Board member(s) shall make a determination with respect to any appeal within 20 working days of actual receipt of the appeal by the Secretary and shall immediately notify the appealing party of the determination and the right to seek judicial review if the determination upholds, in whole or in part, the denial of the request for records. Such determination is not subject to review under section 265.3 of this chapter which provides for review of actions taken under delegated authority.

(4) *Mootness of appeal.*

(i) The Board, a Board member, or a staff person designated by the Chairman may declare an appeal wholly or partially moot and instruct the Secretary of the Board to reconsider the previous denial or to release the requested documents, where a determination is made that intervening circumstances or additional facts not known at the time of denial have or may have eliminated any need or justification for withholding the requested documents.

(ii) The Secretary may reconsider a denial being appealed if such intervening circumstances or additional facts come to the attention of the Secretary while an appeal is pending.

(e) *Time extensions in unusual circumstances; failure to comply with time limits.*

(1) *Time extensions.* In unusual circumstances, as defined in 5 U.S.C. 552(a)(6), the time limits specified in paragraph (b)(1) and paragraph (d)(3) of this section may be extended for a period of time not to exceed 10 working days by written notice to the requester setting forth the reasons for the extension and the date on which a determination is expected to be dispatched. The extension of time may be divided between the initial and appellate reviews but the total extensions relating to any request and resulting appeal may not exceed 10 working days.

(2) *Failure to comply with time limits.* If the Board fails to comply with the time limits and extensions specified in this section, the Board or other responsible Board employee shall, where practicable, give notice to the requester, stating the reasons for the delay and the date by which the Board expects to dispatch its determination. Without prejudice to the legal remedies provided the requester in 5 U.S.C. 552, the Board shall continue processing the request as quickly as possible and shall dispatch its determination when reached in the same manner as if it had been reached within the applicable time limits.

Section 261.10—Fee Schedules; Waiver of Fees.

(a) *Fee schedules.* Records of the Board available for public inspection and copying are subject to a written Schedule of Fees for search, review, and duplication. (See Appendix A for Schedule of Fees.) The fees set forth in the Schedule of Fees reflect the full allowable direct costs of search, duplication, and review, and may be adjusted from time to time by the Secretary to reflect changes in direct costs.

(b) *Fees charged.* The fees charged only cover the full allowable direct costs of search, duplication, or review.

(1) “Direct costs” mean those expenditures which the Board actually incurs in searching for and duplicating (and in the case of commercial requesters, reviewing) documents to respond to a request made under section 261.9 of this regulation. Direct costs include, for example, the salary of the employee performing work (the basic rate of pay for the employee plus a factor to cover benefits) and the cost of operating duplicating machinery. Not included in direct costs are overhead expenses such as costs of space, and heating or lighting the facility in which the records are stored.

(2) “Duplication” refers to the process of making a copy of a document necessary to respond to a request for disclosure of records, or for inspection of original records that contain exempt material or that otherwise cannot be inspected directly. Such copies may take the form of paper copy, microform, audio-visual materials, or machine readable documentation (e.g., magnetic tape or disk), among others.

(3) “Review” refers to the process of examining documents located in response to a request that is for a commercial use to determine whether any portion of any document located is permitted to be withheld. It also includes processing any documents for disclosure, e.g., doing all that is necessary to excise them and otherwise prepare them for release. Review does not include time spent resolving general legal or policy issues regarding the application of exemptions.

(c) *Commercial use.*

(1) The fees in the Schedule of Fees for document search, duplication, and review apply when records are requested for commercial use.

(2) “Commercial use request” refers to a request from or on behalf of one who seeks information for a use or purpose that furthers the commercial, trade, or profit interests of the requester or the person on whose behalf the request is made.

(3) In determining whether a requester properly belongs in this category, the Secretary shall look first to the use to which a requester will put the documents requested. Where a requester does not explain its purpose, or where its explanation is insufficient, the Secretary may seek additional clarification from the requester before categorizing the request as one for commercial use.

(d) *Educational, research, or media use.*

(1) Only the fees in the Schedule of Fees for document duplication apply when records are not sought for commercial use and the requester is a representative of the news media, or an educational or noncommercial scientific institution, whose purpose is scholarly or scientific research. However, there is no charge for the first one hundred pages of duplication.

(2) “Educational institution” refers to a preschool, a public or private elementary or secondary school, or an institution of undergraduate higher education, graduate higher education, professional education, or an institution of vocational education which operates a program of scholarly research.

(3) “Noncommercial scientific institution” refers to an institution that is not operated on a “commercial” basis (as that term is used in paragraph (c) of this section) and which is operated solely for the purpose of conducting scientific research the results of which are not intended to promote any particular product or industry.

(4) “Representative of the news media” refers to any person that is actively gathering news for an entity that is organized and operated to publish or broadcast news to the public. The term “news” means information that is about current events or that would be of current interest to the public. Examples of news media entities include, but are not limited to, television or radio stations broadcasting to the public at large, and publishers of periodicals (but only in those instances when they can qualify as disseminators of “news”) who make their products available for purchase or subscription by the general public. “Freelance” journalists may be regarded as working for a news organization if they can demonstrate a solid basis for expecting publication through that organization, even though not actually employed by it.

(e) *Other uses.* For all other requests, the fees in the Schedule of Fees for document search and duplication apply. However, there is no charge for the first one hundred pages of duplication or the first two hours of search time.

(f) *Aggregated requests.* If the Secretary reasonably believes that a requester or group of requesters is attempting to break down a request into a series of

requests, each seeking portions of a document or documents solely for the purpose of avoiding the assessment of fees, the Secretary may aggregate such requests and charge accordingly. It is considered reasonable for the Secretary to presume that multiple requests of this type made within a 30-day period have been made to avoid fees.

(g) *Payment procedures.*

(1) *Fee payment.* The Secretary may assume that a person requesting records pursuant to section 261.9 of this regulation will pay the applicable fees, unless a request includes a limitation on fees to be paid or seeks a waiver or reduction of fees pursuant to paragraph (h) of this section.

(2) *Advance notification.* If the Secretary estimates that charges are likely to exceed \$25, the requester shall be notified of the estimated amount of fees, unless the requester has indicated in advance willingness to pay fees as high as those anticipated. Upon receipt of such notice the requester may confer with the Secretary as to the possibility of reformulating the request in order to lower the costs.

(3) *Advance payment.*

(i) The Secretary may require advance payment of any fee estimated to exceed \$250. The Secretary may also require full payment in advance where a requester has previously failed to pay a fee in a timely fashion.

(ii) For purposes of computing the time period for responding to requests under section 261.9(b) of this regulation, the running of the time period will begin only after the Secretary receives the required payment.

(4) *Late charges.* The Secretary may assess interest charges when a fee is not paid within 30 days of the date on which the billing was sent. Interest will be at the rate prescribed in section 3717 of Title 31 U.S.C.A. and will accrue from the date of the billing. This rate of interest is published by the Secretary of the Treasury before November 1 each year and is equal to the average investment rate for Treasury tax and loan accounts for the 12-month period ending on September 30 of each year. The rate is effective on the first day of the next calendar quarter after publication.

(5) *Fees for nonproductive search.* Fees for record searches and review may be charged even if no responsive documents are located or if the request is denied, particularly if the requester insists upon a search after being informed that it is likely to be nonproductive or that any records found are likely to be exempt from disclosure. The Secretary shall apply the standards set out in paragraph (h) of this section in determining whether to waive or reduce fees.

(h) *Waiver or reduction of fees.*

(1) *Standards for determining waiver or reduction.*

The Secretary or his or her designee shall grant a waiver or reduction of fees chargeable under paragraph (b) of this section where it is determined both that disclosure of the information is in the public interest because it is likely to contribute significantly to public understanding of the operations or activities of the government, and that the disclosure of information is not primarily in the commercial interest of the requester. The Secretary or his or her designee shall also waive fees that are less than the average cost of collecting fees. In determining whether disclosure is in the public interest, the following factors shall be considered:

(i) whether the subject of the requested records concerns the operations or activities of the government;

(ii) whether the disclosure is likely to contribute to an understanding of government operations or activities;

(iii) whether disclosure of the requested information will contribute to public understanding;

(iv) whether the disclosure is likely to contribute *significantly* to public understanding of government operations or activities;

(v) whether the requester has a commercial interest that would be furthered by the requested disclosure; and, if so,

(vi) whether the magnitude of the identified commercial interest of the requester is sufficiently large, in comparison with the public interest in disclosure, that disclosure is primarily in the commercial interest of the requester.

(2) *Contents of request for waiver.* The Secretary shall normally deny a request for a waiver of fees that does not include:

(i) a clear statement of the requester's interest in the requested documents;

(ii) the use proposed for the documents and whether the requester will derive income or other benefit from such use;

(iii) a statement of how the public will benefit from such use and from the Board's release of the requested documents; and

(iv) if specialized use of the documents or information is contemplated, a statement of the requester's qualifications that are relevant to the specialized use.

(3) *Burden of proof.* In all cases the burden shall be on the requester to present evidence or information in support of a request for a waiver or reduction of fees.

(4) *Employee requests.* In connection with any request by an employee, former employee, or appli-

cant for employment, for records for use in prosecuting a grievance or complaint of discrimination against the Board, fees shall be waived where the total charges (including charges for information provided under the Privacy Act of 1974 (5 U.S.C. 552(a)) are \$50 or less; but the Secretary may waive fees in excess of that amount.

Subpart C—Confidential Information Made Available to Supervised Institutions, Financial Institutions Supervisory Agencies, Law Enforcement Agencies, and Others in Certain Circumstances

Section 261.11—Confidential Supervisory Information Made Available to Supervised Financial Institutions and Financial Institution Supervisory Agencies.

(a) *Disclosure of confidential supervisory information to supervised financial institutions.* Confidential supervisory information concerning a supervised bank, bank holding company (including subsidiaries), U.S. branch or agency of a foreign bank, or other institution examined by the Federal Reserve System (“supervised financial institution”) may be made available by the Board or the appropriate Federal Reserve Bank to the supervised financial institution.

(b) *Disclosure of confidential supervisory information by supervised financial institutions.*

(1) *Parent bank holding company, directors, officers, and employees.* Any supervised financial institution lawfully in possession of confidential supervisory information of the Board pursuant to this section may disclose such information, or portions thereof, to its directors, officers, and employees, and to its parent bank holding company and its directors, officers, and employees.

(2) *Certified public accountants and legal counsel.* Any supervised financial institution lawfully in possession of confidential supervisory information of the Board pursuant to this section may disclose such information, or portions thereof, to any certified public accountant or legal counsel employed by the supervised financial institution, subject to the following conditions:

- (i) certified public accountants or legal counsel shall review the confidential supervisory information only on the premises of the supervised financial institution, and shall not make or retain any copies of such information;
- (ii) the certified public accountants or legal counsel shall not disclose the confidential supervisory

information for any purpose without the prior written approval of the Board’s General Counsel except as necessary to provide advice to the supervised financial institution, its parent bank holding company, or the officers, directors, and employees of such supervised financial institution and parent bank holding company.

(c) *Disclosure upon request to Federal financial institution supervisory agencies.* Upon request, the Director of the Division of Banking Supervision and Regulation or the appropriate Federal Reserve Bank, may make available to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board and their regional offices and representatives, confidential supervisory information and other appropriate information (such as confidential operating and condition reports) relating to a bank, bank holding company (including subsidiaries), U.S. branch or agency of a foreign bank, or other supervised financial institution.

(d) *Disclosure upon request to state financial institution supervisory agencies.* Upon request, the Director of the Division of Banking Supervision and Regulation or the appropriate Federal Reserve Bank may make available confidential supervisory information and other appropriate information (such as confidential operating and condition reports) relating to a bank, bank holding company (including subsidiaries), U.S. branch or agency of a foreign bank, or other supervised financial institution to:

- (1) a state financial institution supervisory agency having direct supervisory authority over such supervised financial institution; or
- (2) a state financial institution supervisory agency not having direct supervisory authority over such supervised financial institution if the requesting agency has entered into an information sharing agreement with the appropriate Federal Reserve Bank and the information to be provided concerns a supervised financial institution that has acquired or has applied to acquire a financial institution subject to that agency’s direct supervisory authority.

(e) *Discretionary disclosures.* The Board may determine, from time to time, to authorize other disclosures of confidential information as necessary.

(f) *Conditions and limitations.* The Board may impose any conditions or limitations on disclosure under this section that it determines are necessary to effect the purposes of this regulation.

(g) *Other disclosure prohibited.* All confidential supervisory information or other information made available under this section shall remain the property of the Board. No supervised financial institution, financial institution supervisory agency, person, or any other party to whom the information is made available, or

any other officer, director, employee or agent thereof, may disclose such information without the prior written permission of the Board's General Counsel except in published statistical material that does not disclose, either directly or when used in conjunction with publicly available information, the affairs of any individual, corporation, or other entity. No person obtaining access to confidential supervisory information pursuant to this section may make a personal copy of any such information; and no person may remove confidential supervisory information from the premises of the institution or agency in possession of such information except as permitted by specific language in this regulation or by the Board.

(h) *Disclosure of Foreign Bank Confidential Report of Operations.*

(1) *Availability of Foreign Bank Confidential Report of Operations to Bank Supervisory Agencies.* Notwithstanding any other provision of this regulation, any Confidential Report of Operations (Form F.R. 2068) of a foreign banking organization may, upon written request to and approval by the Director of the Division of Banking Supervision and Regulation (or his delegee), and with the concurrence of the General Counsel (or his delegee), be made available for inspection to another bank supervisory authority having general supervision of any United States branch, agency, subsidiary bank or commercial lending company of the foreign banking organization, only for use where necessary in the performance of official duties. These reports shall be made available for inspection by authorized persons only on Federal Reserve premises under the same procedures as apply to personnel of the Federal Reserve System. All reports made available under this paragraph shall remain the property of the Board; and no person, agency or authority who obtains access to any such report, or any officer, director, or employee thereof, shall publish, publicize, or otherwise disclose any information contained in the report to any person.

(2) *Restrictions on disclosure by Federal Reserve System employees.* It is the Board's policy that the confidentiality of a foreign banking organization's Confidential Report of Operations (Form F.R. 2068) should be maintained at all times. Except as provided by paragraph (h)(1) of this section, information submitted to the Board as part of any Confidential Report of Operations is not available for public inspection by any person other than an officer, employee, or agent of the Board or of a Federal Reserve Bank properly entitled to such information in the performance of such person's official duties. Any employee that violates this section by releasing such a report to any unauthorized person may be

subject to disciplinary action under 12 C.F.R. § 264.735-5 (Rules of Employee Responsibilities and Conduct).

Section 261.12—Confidential Information Made Available to Law Enforcement Agencies and Other Nonfinancial Institution Supervisory Agencies.

(a) *Disclosure upon request.* Upon written request, the Board may make available to appropriate law enforcement agencies and to other nonfinancial institution supervisory agencies for use where necessary in the performance of official duties, reports of examination and inspection, confidential supervisory information, and other confidential documents and information of the Board concerning banks, bank holding companies and their subsidiaries, U.S. branches and agencies of foreign banks, and other examined institutions.

(b) *Eligibility.* Federal, state, and local law enforcement agencies and other nonfinancial institution supervisory agencies may file written requests with the Board for access to confidential documents and information under this section of the regulation. Properly accredited foreign law enforcement agencies and other foreign government agencies may also file written requests with the Board.

(c) *Contents of request.* To obtain access to confidential documents or information under this section of the regulation, the head of the law enforcement agency or nonfinancial institution supervisory agency (or their designees) shall address a letter request to the Board's General Counsel, specifying:

- (1) the particular information, kinds of information, and where possible, the particular documents to which access is sought;
- (2) the reasons why such information cannot be obtained from the examined institution in question rather than from the Board;
- (3) a statement of the law enforcement purpose or other purpose for which the information shall be used;
- (4) whether the requested disclosure is permitted or restricted in any way by applicable law or regulation;
- (5) a commitment that the information requested shall not be disclosed to any person outside the agency without the written permission of the Board or its General Counsel; and
- (6) if the document or information requested includes customer account information subject to the Right to Financial Privacy Act, as amended (12 U.S.C. 3401 *et seq.*), a statement that such customer account information need not be provided, or a statement as to why the Act does not apply to

the request, or a certification that the requesting agency has complied with the requirements of the Act.

(d) *Action on request.*

(1) The General Counsel shall review each request and may approve the request upon determining that:

- (i) the request complies with this section;
- (ii) the information is needed in connection with a formal investigation or other official duties of the requesting agency;
- (iii) satisfactory assurances of confidentiality have been given; and
- (iv) no law prohibits the requested disclosure.

(2) The General Counsel may impose any conditions or limitations on disclosure that the General Counsel determines to be necessary to effect the purposes of this regulation or to insure compliance with applicable laws or regulations.

(e) *Federal and state grand jury, criminal trial, and government administrative subpoenas.* The Board's General Counsel shall review and may approve the disclosure of confidential information pursuant to Federal and state grand jury, criminal trial, and government administrative subpoenas. The General Counsel may impose such conditions or limitations on disclosure under this section that the General Counsel determines are necessary to effect the purposes of this regulation, to insure compliance with applicable laws or regulations, or to protect the confidentiality of the Board's information.

(f) *Requests for testimony or interviews.* Government agencies seeking to obtain testimony or interviews from current and former Federal Reserve System staff concerning any confidential information of the Board shall use the procedures set out in paragraph (c) of this section.

(g) *Other disclosure prohibited.* All reports and information made available under this section remain the property of the Board, and except as otherwise provided in this regulation, no person, agency, or authority to whom the information is made available, or any officer, director, or employee thereof, may disclose any such information except in published statistical material that does not disclose, either directly or when used in conjunction with publicly available information, the affairs of any individual or corporation.

Section 261.13—Other Disclosure of Confidential Supervisory Information.

(a) *Board policy.* It is the Board's policy regarding confidential supervisory information that such information is confidential and privileged. Accordingly, the Board will not normally disclose this information to the public. The Board, when considering a request for

disclosure of confidential supervisory information under this section, will not authorize disclosure unless the person requesting disclosure is able to show a substantial need for such information that outweighs the need to maintain confidentiality.

(b) *Requests for disclosure.*

(1) *Requests from litigants for information or testimony.* Any person (except agencies identified in sections 261.11 and 261.12 of this regulation) seeking access to confidential supervisory information or seeking to obtain the testimony of present or former Board or Reserve Bank employees on matters involving confidential supervisory information of the Board, whether by deposition or otherwise, for use in litigation before a court, board, commission, or agency, shall file a written request with the General Counsel of the Board. The request shall describe:

- (i) the particular information, kinds of information, and where possible, the particular documents to which access is sought;
- (ii) the judicial or administrative action for which the confidential supervisory information is sought;
- (iii) the relationship of the confidential supervisory information to the issues or matters raised by the judicial or administrative action;
- (iv) the requesting person's need for the information;
- (v) the reason why the requesting person cannot obtain the information sought from any other source; and
- (vi) a commitment to obtain a protective order acceptable to the Board from the judicial or administrative tribunal hearing the action preserving the confidentiality of any information that is provided.

(2) *All other requests.* Any other person (except agencies identified in sections 261.11 and 261.12 of this regulation) seeking access to confidential supervisory information for any other purpose shall file a written request with the General Counsel of the Board. A request under this paragraph (b)(2) shall describe the purpose for which such disclosure is sought.

(c) *Action on request.*

(1) *Determination of approval.* The General Counsel of the Board may approve a request made under this section provided that he or she determines that:

- (i) the person making the request has shown a substantial need for confidential supervisory information that outweighs the need to maintain confidentiality; and
- (ii) disclosure is consistent with the supervisory

and regulatory responsibilities and policies of the Board.

(2) *Conditions or limitations.* The General Counsel of the Board may, in approving a request, impose such conditions or limitations on use of any information disclosed as is deemed necessary to protect the confidentiality of the Board's information.

(d) *Exhaustion of administrative remedies for discovery purposes in civil, criminal, or administrative action.* Action on a request under this section by the General Counsel of the Board shall exhaust administrative remedies for discovery purposes in any civil, criminal, or administrative proceeding. A request made pursuant to section 261.9 of this regulation does not exhaust administrative remedies for discovery purposes. Therefore, it is not necessary to file a request pursuant to section 261.9 to exhaust administrative remedies under this section.

(e) *Other disclosure prohibited.* All confidential supervisory information made available under this section shall remain the property of the Board. Any person in possession of such information shall not use or disclose such information for any purpose other than that authorized by the General Counsel of the Board without his or her prior written approval.

Section 261.14—Subpoenas, Orders Compelling Production, and Other Process.

(a) *Advice by person served.* Any person (including any officers, employee, or agent of the Board or any Federal Reserve Bank) who has documents or information of the Board that may not be disclosed and who is served with a subpoena, order, or other judicial or administrative process requiring his or her personal attendance as a witness or requiring the production of documents or information in any proceeding, shall:

(1) promptly inform the Board's General Counsel of the service and all relevant facts, including the documents and information requested, and any facts of assistance to the Board in determining whether the material requested should be made available; and

(2) at the appropriate time inform the court or tribunal that issued the process and the attorney for the party at whose instance the process was issued of the substance of these rules.

(b) *Appearance by person served.* Unless the Board has authorized disclosure of the information requested, any person who has Board information that may not be disclosed, and who is required to respond to a subpoena or other legal process, shall attend at the time and place required and decline to disclose or to give any testimony with respect to the information, basing such refusal upon the provisions of this regula-

tion. If the court or other body orders the disclosure of the information or the giving of testimony, the person having the information shall continue to decline to disclose the information and shall promptly report the facts to the Board for such action as the Board may deem appropriate.

Subpart D—Requests for Confidential Treatment

Section 261.15—Scope of Subpart.

(a) *Data collection forms.* This subpart does not apply to data collected by the Board on forms that are approved pursuant to the Paperwork Reduction Act (44 U.S.C. 3501 *et seq.*) and are deemed confidential by the Board. Any such form deemed confidential by the Board shall contain language so indicating on the face of the form or in its instructions. Such information may, however, be disclosed in aggregate form in such a manner that individual company data is not disclosed or derivable.

(b) *Duty to submit information.* This subpart does not modify in any manner the obligation of any person or company to submit, pursuant to any law or regulation, any document, information, form, or other filing to the Board or any Federal Reserve Bank.

(c) *Public comments.*

(1) Any comments submitted by a member of the public on applications and regulatory proposals being considered by the Board are public unless the Board or the Secretary determines that confidential treatment is warranted.

(2) A request for confidential treatment of such comments shall be submitted in a separate letter or memorandum accompanying the comments and on which the words, "Request for Confidential Treatment" are prominently displayed. Notwithstanding any other provision of this regulation, the Board need not inform any person submitting such comments of a decision not to afford confidential treatment to the comments.

Section 261.16—Submission and Form of Request for Confidential Treatment; Action on Request.

(a) *Submission of request.* Any submitter of documents or information to the Board who desires that they be afforded confidential treatment pursuant to 5 U.S.C. 552(b)(4) shall file a request for confidential treatment with the Board (or in the case of documents filed with a Federal Reserve Bank, with that Reserve Bank), at the time they are submitted or a reasonable time after submission.

(b) *Form of request.* Each request for confidential treatment shall state in reasonable detail the facts and arguments supporting the request and its legal justification. Conclusory statements that particular information would be useful to competitors or would impair sales, or similar statements, generally will not be considered sufficient to justify confidential treatment.

(c) *Designation and separation of confidential material.* All information considered confidential by a submitter shall be clearly designated "Confidential" in the submission and clearly separated from information for which confidential treatment is not requested.

(d) *Action on request.*

(1) Requests for confidential treatment of any documents shall be considered in connection with any request for access to the documents. At their discretion, appropriate Board or staff members (including Reserve Bank staff) may act on the request for confidentiality prior to any request for access to the documents.

(2) Any request for confidentiality pursuant to 5 U.S.C. 552(b)(4) shall be handled in accordance with section 261.17 of this subpart.

(3) Nothing in this section limits the Secretary's authority to make determinations regarding requests for access to records under section 261.9.

(e) *Special procedures.* The Board may establish special procedures for particular documents, filings, or types of information by express provisions in this regulation or by instructions on particular forms that are approved by the Board. These special procedures shall take precedence over the procedures set out in this subpart.

Section 261.17—Confidential Commercial or Financial Information.

(a) *Request for confidential information.*

(1) The Secretary shall notify a submitter of any request for access to all or a portion of information provided to the Board by the submitter if:

(i) the submitter requested confidential treatment of that information pursuant to 5 U.S.C. 552(b)(4) ("trade secrets and commercial or financial information obtained from a person and privileged or confidential"); and

(ii) the request by the submitter for confidential treatment was made within 10 years preceding the date of the request for access.

(2) Absent a request by a submitter for confidential treatment, the Secretary may notify a submitter of a request for access to all or a portion of information provided by the submitter if it appears to the Secretary that disclosure of the information may reason-

ably be expected to cause substantial competitive harm to the submitter.

(b) *Notice to submitter.* The notice given to the submitter pursuant to paragraph (a) of this section shall:

(1) where possible, be given within five working days of the receipt of the request for access;

(2) describe the request;

(3) give the submitter a reasonable opportunity, not to exceed ten working days, to submit written objections to disclosure of the information; and

(4) if given orally, be promptly confirmed in writing by the Secretary.

(c) *Notice to requester.* At the same time the Secretary notifies the submitter, the Secretary shall also notify the requester that the request is subject to the provisions of this section and that the submitter is being notified of the request.

(d) *Determination by Secretary.* The Secretary's determination whether or not to disclose any document for which confidential treatment has been requested pursuant to this section shall be communicated to the submitter and the requester immediately. If the Secretary determines to disclose the document or information and the submitter has objected to such disclosure pursuant to paragraph (b) of this section, the Secretary shall provide the submitter with the reasons for disclosure, and shall delay release of the document or information for ten working days following the date of the determination.

(e) *Exceptions to notice to submitter.* Notice to the submitter need not be given if:

(1) the Secretary determines, prior to giving such notice, that the request for access should be denied;

(2) the requested information lawfully has been published or otherwise made available to the public;

(3) disclosure of the information is required by law (other than 5 U.S.C. 552); or

(4) the submitter's claim of confidentiality under 5 U.S.C. 552 (b)(4) appears obviously frivolous or has already been denied by the Secretary, except that in this last instance the Secretary shall give the submitter written notice of the determination to disclose the information at least five working days prior to release.

(f) *Notice of lawsuit.*

(1) The Secretary shall promptly notify any submitter of information or documents covered by this section of the filing of any suit against the Board pursuant to 5 U.S.C. 552 to compel disclosure of such documents or information.

(2) The Secretary shall promptly notify the requester of any suit filed against the Board to enjoin the disclosure of any documents requested by the requester.

(g) *Exception for Board rulings.* Nothing in this section shall apply in connection with any determination by the Board to comment upon information submitted to the Board in any opinion or statement issued to the public as described in section 261.8 of this regulation.

AMENDMENT TO RULES REGARDING DELEGATION OF AUTHORITY

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to conform references to the Board's Regulations G, T, and U (12 C.F.R. Parts 207, 220, and 221, respectively) to the totally revised versions of those regulations that became effective in 1983 and 1984.

Effective June 8, 1988, the Board amends 12 C.F.R. Part 265 as follows:

Part 265—Rules Regarding Delegation of Authority

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

Authority: Section 11(k), 38 Stat. 265 and 80 Stat. 1314; 12 U.S.C. 248(k).

2. Section 265.2 is amended by revising paragraph (c)(18) and removing and reserving paragraph (c)(19) to read as follows:

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

* * * * *

(c) * * *

(18) Under the provisions of sections 207.6(d), 220.17(d), and 221.7(d) of this chapter (Regulations G, T, and U, respectively) to approve issuance of the list of OTC margin stocks and to add, omit, or remove any stock in circumstances indicating that such change is necessary or appropriate in the public interest.

(19) [Reserved]

* * * * *

3. In section 265.2(f)(17), the reference to "section 207.1(b)" is revised to read "section 207.3(a)(2)" and the reference to "section 207.1(a)" is revised to read "section 207.3(a)(1)."

* * * * *

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

DG Bancshares, Inc.
Dallas, Texas

Order Approving Formation of a Bank Holding Company

DG Bancshares, Inc., Dallas, Texas ("Bancshares"), has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), to become a bank holding company by acquiring all of the voting shares of Deposit Guaranty Bank, Dallas, Texas ("Bank").¹

Notice of the application, affording an opportunity for interested persons to submit comments, has been published. (53 *Federal Register* 12,190 (1988)). 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 (12 U.S.C. § 1842(c)).

Bancshares, a non-operating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank. Bank is a newly-chartered institution formed for the purpose of acquiring the assets and assuming the liabilities of Bank of Dallas, Dallas, Texas, and controls deposits of \$151.7 million.² Consummation of this proposal would not significantly affect the concentration of banking resources in Texas.

Bank operates in the Dallas banking market.³ Principals of Bancshares are not associated with any other bank in that market. Accordingly, the Board has determined that consummation of this proposal would not have a significant adverse effect on competition in this market.

In evaluating this application, the Board has considered the financial resources of Bancshares and Bank. The Board notes that outside investors will be provid-

1. In connection with this application, DG II, Inc., Wilmington, Delaware, has also applied to become a bank holding company. DG II, Inc., will be an intermediate holding company between Bancshares and Bank.

2. Deposit data are as of March 31, 1988.

3. The Dallas banking market is approximated by Dallas County, the southeast quadrant of Denton County (including Denton and Lewisville), the southwest quadrant of Collin County (including McKinney and Plano), the northern half of Rockwall County, the communities of Forney and Terrell in Kaufman County, Midlothian, Waxahachie, and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County.

ing a substantial amount of new capital. Further, Bancshares will strengthen Bank's primary capital ratio. After a review of this proposal in light of all the facts of record, the Board concludes that the financial and managerial resources of Bancshares and Bank are consistent with approval.

Convenience and needs considerations 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 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 Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 13, 1988.

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

WILLIAM W. WILES
Secretary of the Board

First American Corporation
Nashville, Tennessee

Order Approving Acquisition of a Bank Holding Company

First American Corporation, Nashville, Tennessee ("First American"), a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3 of the Act to acquire by merger 100 percent of the voting shares of Northern of Tennessee Corp., Clarksville, Tennessee ("Northern"), and thereby indirectly to acquire Northern's bank holding company subsidiary, Central Bancorp, Inc., Murfreesboro, Tennessee, and Northern's four bank subsidiaries.¹

Notice of the application, affording an opportunity for interested persons to submit comments, has been duly published (53 *Federal Register* 8,285 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments re-

ceived in light of the factors set forth in section 3(c) of the Act.

First American is the second largest commercial banking organization in Tennessee² and controls deposits of approximately \$4.7 billion, representing 14.5 percent of total deposits in commercial banking organizations (hereafter "deposits") in the state.³ Northern is the ninth largest commercial banking organization in Tennessee, controlling deposits of approximately \$323.9 million, representing 1.0 percent of total deposits in the state. Upon consummation of this proposal, First American would remain the second largest commercial banking organization in Tennessee, controlling deposits of approximately \$5.0 billion, representing 15.5 percent of total deposits in the state. Accordingly, consummation of this proposal would not have any significant adverse effect on the concentration of banking resources in Tennessee.

First American's subsidiary banks compete directly with Northern's subsidiary banks in the Montgomery County and Nashville banking markets. In the Montgomery County banking market,⁴ First American is the smallest of four commercial banking organizations, controlling deposits of \$8.8 million, representing 2.0 percent of the total deposits in the market. Northern is the second largest commercial banking organization in the market, controlling deposits of \$160.1 million, representing 36.4 percent of the total deposits in the market. Upon consummation of this proposal, First American would become the second largest commercial banking organization in the market, controlling deposits of \$168.9 million, representing 38.4 percent of the total deposits in the market. The four-firm concentration ratio would remain 100 percent, and the Herfindahl-Hirschman Index ("HHI") would increase by 146 points to 3504.⁵

Although consummation of this proposal would eliminate some existing competition in the Montgomery County banking market, the Board believes the anticompetitive effects of this proposal are mitigated

2. First American has 11 bank subsidiaries in Tennessee and one in Kentucky.

3. State banking data are as of June 30, 1987.

4. The Montgomery County banking market is approximated by Montgomery County, Tennessee.

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

1. Northern's bank subsidiaries are: Northern Bank of Tennessee, Clarksville; Bedford County Bank, Shelbyville; First Southern Bank of Mt. Juliet, Mt. Juliet; and First Southern Bank of Rutherford County, Murfreesboro, all in Tennessee.

by several factors. The Board notes that First American is the smallest competitor in the market and operates only one banking office in the market. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal.⁶ Three thrift institutions operate in the market, controlling deposits of \$148.0 million, representing 25.2 percent of the total deposits among banks and thrifts in the market. The thrift institutions are active competitors in the market as providers of NOW accounts, consumer loans and commercial loans. Based upon the size and market share of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Montgomery County banking market.⁷

In the Nashville banking market,⁸ First American is the second largest of 16 commercial banking organizations, controlling deposits of approximately \$1.7 billion, representing 25.3 percent of the total deposits in the market. Northern is the eighth largest commercial banking organization in the market, controlling deposits of \$63.4 million, representing less than 1.0 percent of the total deposits in the market. Upon consummation of this proposal, First American would remain the second largest commercial banking organization in the market, controlling deposits of approximately \$1.8 billion, representing 26.2 percent of the total deposits in the market. The four-firm concentration ratio would increase by less than one percentage point to 90.3 percent, and the HHI would increase by 43 points to 2410.

Although consummation of this proposal would eliminate some existing competition in the Nashville banking market, numerous other commercial banks would continue to operate in the market after consummation of this proposal. Moreover, the Board has considered the presence of thrift institutions in the market. Based upon the number, size and market share of thrift institutions in the market, the Board has

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

7. If 50 percent of deposits held by thrift institutions in the Montgomery County banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 96.9 percent. First American would control 1.7 percent of the market's total deposits and Northern would control 31.2 percent of the market's total deposits. The HHI would increase by 109 points to 2703.

8. The Nashville banking market is approximated by Davidson, Rutherford, Williamson and Wilson Counties plus the southern halves of Robertson and Sumner Counties, all in Tennessee.

concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Nashville banking market.⁹

On the basis of the foregoing and other facts of record, the Board concludes that consummation of the proposal would not have a substantial adverse effect on existing competition in the Nashville and Montgomery County banking markets.

The financial and managerial resources of First American, Northern and their subsidiary banks are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Northern 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 Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective June 1, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Norwest Corporation Minneapolis, Minnesota

Order Approving Acquisition of a Bank Holding Company

Norwest Corporation, Minneapolis, Minnesota ("Norwest"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire PB Bancorp, Cedar Rapids, Iowa ("Bancorp"), and thereby to acquire indirectly Peoples Bank and Trust Company, Cedar Rapids, Iowa ("Bank").

9. If 50 percent of deposits held by thrift institutions in the Nashville banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 80.7 percent. First American would control 22.6 percent of the market's total deposits and Northern would control 0.8 percent of the market's total deposits. The HHI would increase by 35 points to 1952.

Notice of the application, affording opportunity for interested persons to submit comments and views, has been duly published (53 *Federal Register* 286 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Section 3(d) of the Act, the Douglas Amendment (12 U.S.C. § 1842(d)), prohibits the Board from approving an application by a bank holding company to acquire any bank located outside the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."¹ In relevant part, Iowa law authorizes, an out-of-state bank holding company to acquire an Iowa bank if the out-of-state bank holding company was on January 1, 1971, registered with the Board as a bank holding company and on that date owned at least two banks in Iowa.² Norwest meets the requirements of this provision of Iowa law. Norwest is an out-of-state bank holding company that was registered with the Board on January 1, 1971, and, on that date, Norwest owned at least two banks in Iowa.³ Further, the Iowa Deputy Superintendent of Banking has indicated that his office anticipates making no objection to Norwest's proposal. Accordingly, the Board concludes that the proposed acquisition is specifically authorized by the statute laws of Iowa and thus Board approval of this application is not prohibited by the Douglas Amendment.

Norwest, a multibank holding company with approximately \$2.1 billion in deposits in Iowa, is the largest of 480 commercial banking organizations in the state, controlling approximately 8.1 percent of total deposits in commercial banks in Iowa.⁴ Bank is the 14th largest commercial banking organization in Iowa, with deposits of approximately \$156.8 million, controlling less than one percent of the total deposits in commercial banks in Iowa. Upon consummation, Norwest would remain the largest commercial banking organization in Iowa, with deposits of approximately

\$2.2 billion, controlling approximately 8.9 percent of the total deposits in commercial banks in Iowa. Consummation of the proposed transaction would not significantly increase the concentration of banking resources in Iowa.

Norwest competes with Bank in the Cedar Rapids banking market.⁵ Norwest is the fourth largest of 19 commercial banking organizations in the market, controlling approximately \$84.4 million in deposits, representing approximately 6.1 percent of total deposits in commercial banking organizations in the market. Bank is the second largest commercial banking organization in the market, controlling \$208.5 million in deposits, representing approximately 15.2 percent of total deposits in the market. Upon consummation, Norwest would become the second largest commercial banking organization in the market, controlling deposits of \$292.9 million, representing approximately 21.3 percent of total deposits in commercial banking organizations in the market. The four-firm concentration ratio is approximately 70.6 percent, and the Herfindahl-Hirschman Index ("HHI") would increase by 186 points to 2341.⁶ Based upon these and other facts of record, the Board concludes that consummation of the proposal would not have any significant adverse competitive effects or result in the concentration of banking resources in any relevant banking market.

The financial and managerial resources of Norwest and Bancorp are consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of the subsidiary banks of Norwest and Bancorp under the Community Reinvestment Act ("CRA").⁷ The Board has received comments regarding Norwest's CRA performance from United Neighbors, Inc., Davenport, Iowa;⁸ Iowa Citizens for Community Improvement, Des Moines, Iowa

5. The Cedar Rapids banking market is approximated by Linn County, and Jefferson Township in Johnson County, Iowa.

6. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 100 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other non-depository financial entities.

7. 12 U.S.C. § 2901 *et seq.*

8. United Neighbors, Inc. has protested the CRA performance of Bettendorf Bank, N.A., Bettendorf, Iowa. United Neighbors generally alleges that this bank has an extremely poor home loan record in low- and moderate-income neighborhoods in its community and follows restrictive policies that cause and contribute to red-lining in those neighborhoods.

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

2. Iowa Code Ann. § 524.1805 (West 1987).

3. Norwest also fulfills the requirements of another provision of Iowa law which provides that a bank holding company may not acquire an Iowa bank if, upon acquisition, the acquiring bank holding company would have more than ten percent of the total time and demand deposits of all Iowa banks. Iowa Code Ann. § 524.1802(1) (West 1987).

4. Deposit data are as of December 30, 1986.

("Iowa CCI");⁹ and Minnesota Citizens Organizations Acting Together, St. Paul, Minnesota ("Minnesota COACT")¹⁰ (together, "Protestants"). In accordance with the Board's practice and procedure for handling protested applications,¹¹ the Federal Reserve Bank of Minneapolis assisted in arranging meetings between the parties to clarify the issues under the CRA and to provide a forum to resolve the concerns raised by the protest. The parties, however, were unable to come to a resolution of their differences.

The CRA requires the federal banking agencies, in connection with their examination of financial institutions, to assess the record of banks under their supervision in meeting the credit needs of their entire communities, including the low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institutions. The CRA requires the agencies to take these records into account when acting on certain applications involving the institutions. In connection with this application, the Board has carefully reviewed the record of CRA performance of Norwest's subsidiary banks as reflected in their reports of examination¹² and the information submitted by Protestants and Norwest.

The examination reports for the banks which are the subject of these protests indicate that the banks have satisfactory CRA records and are in general compliance with applicable CRA regulations. The banks have adopted CRA statements which describe the types of loan services the banks provide to help meet the credit needs of their communities,¹³ and the banks are acting in accordance with those statements. The examination reports also show that the banks do not discriminate in

their lending against low- and moderate-income neighborhoods within their relevant communities and that the present community delineations for the banks are proper. Although the proposed redelineations of communities for certain Minnesota banks after proposed mergers may not have included areas presently served by the banks to be merged, Norwest will establish community advisory boards consisting of persons representing those communities to restructure and review those delineations.

The record before the Board shows that the bank which is the focus of the United Neighbors, Inc. protest, with a loan-to-deposit ratio of 80 percent, is an active lender in the commercial and small business, agricultural, educational, and consumer areas and that its lending activities do not discriminate against low- and moderate-income neighborhoods. The Board also notes that the bank has recently developed a \$400,000 neighborhood reinvestment package targeted to low- and moderate-income segments of the bank's community.

The banks covered by Iowa CCI's protest have, throughout the recent difficulties in the farming sector, continued to carry a diversified loan portfolio which includes agricultural loans. The record shows that three of the four banks' agricultural lending as a percentage of their loan portfolios is above the peer group average, while that of the fourth bank is consistent with its peer group. That bank has also recently increased its agricultural lending.

Minnesota COACT expressed concerns regarding Norwest's CRA performance generally and certain Norwest banks specifically. The record shows that each of the particular banks covered by Minnesota COACT's protest, ten national banks and one state non-member bank, are helping to meet the agriculture, housing, and small business needs of their entire communities, including low- and moderate-income neighborhoods. To address certain concerns regarding responsibility within the Norwest organization for CRA policies, community delineations, and ascertainment of credit needs, Norwest has decided to establish community advisory boards at certain of its Minnesota banks to review community delineations, CRA statements, and loan programs. These boards also will help local banks to address CRA issues relevant to their local communities. With regard to COACT'S comments regarding Norwest's Duluth bank, the record shows that the bank has a good distribution of agriculture, housing, and small business loans and does not discriminate against low- and moderate-income neighborhoods. Further, as a result of ongoing dialogue with a local community group, the bank has lowered its minimum mortgage amount and appointed two lending officers to work with the group.

9. Iowa CCI has protested the CRA performance of Norwest Bank Des Moines, N.A., Des Moines, Iowa; Norwest Bank Atlantic, N.A., Atlantic, Iowa; Norwest Bank Denison, N.A., Denison, Iowa; and Norwest Bank Fort Dodge, N.A., Fort Dodge, Iowa. Iowa CCI generally alleges that these banks do not meet the credit needs of family farmers.

10. Minnesota COACT has protested the CRA performance of Norwest generally and eleven Norwest banks in Minnesota, specifically, Albert Lea, Austin, Dodge Center, Duluth, Litchfield, Mankato, Rochester, Sauk Rapids, St. Cloud, Two Harbors, and Winona. Minnesota COACT generally alleges that Norwest and these banks exclude low- and moderate-income neighborhoods from their community delineations, fail to adequately ascertain community credit needs and to communicate credit services, and fail to meaningfully assess and meet credit needs in the agriculture, housing, and small business areas.

11. See 12 C.F.R. § 262.25(c).

12. These recent examinations were conducted by the Office of the Comptroller of the Currency in response to protests filed with that office in connection with recent applications filed by Norwest to merge certain of its subsidiary banks.

13. The CRA statements list the specific types of credit that the banks are willing to extend within their local communities within certain categories, such as residential loans for 1 to 4 dwelling units, residential loans for 5 dwelling units and over, housing rehabilitation loans, home improvement loans, small business loans, farm loans, community development loans, commercial loans, and consumer loans.

Norwest does not presently have a corporate CRA plan at the holding company level for its subsidiary banks, but has advised the Board that it is in the process of developing a corporate CRA plan which it will adopt within three months and implement within six months. The plan will include a corporate CRA policy statement and will address the issue of documentation of the means used to identify and address community needs. Under the plan, each local bank will prepare a written community marketing plan that will identify community needs and will detail the means to be used to address those needs and the means to be used to communicate with and inform the entire community of its products and services. These plans will include advertising and marketing programs for credit and deposit products and services and will be designed to reach the entire community, including low- and moderate-income neighborhoods.

The community advisory boards will assist bank management in the preparation of these plans and review the applicable bank's performance in meeting its plan and addressing the needs of its community. The boards will report and make recommendations to the Board of Directors of each of the banks. Norwest's Executive Vice President for Community Banking will monitor and be accountable for CRA performance as a whole and will report periodically to Norwest's Board of Directors. Regional presidents will monitor and be accountable for bank performance with local managers and bank presidents responsible for implementing each bank's plan in its community or communities, and the plan will specifically detail these accountabilities and responsibilities. The plan should also address the issue of procedures for documentation of CRA performance and the areas in which recent examinations noted Norwest's subsidiary banks could strengthen their CRA performance. Norwest should submit its proposed CRA policy to the Federal Reserve Bank of Minneapolis for review and file with the Reserve Bank semi-annual reports outlining its progress in implementing the policy.

In light of all the facts of record, including Norwest's commitment to adopt a corporate plan regarding the CRA performance of its subsidiary banks, the Board concludes that convenience and needs considerations in this case are consistent with approval of the application.¹⁴

14. Iowa CCI also requested that the Board order a public meeting. Under the Board's rules, the Board may hold a public meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. § 262.25(d). In this case, the Reserve Bank has arranged a private meeting for this purpose. In light of all the facts of record, the Board has determined that a public meeting would serve no useful purpose. Accordingly, the request for a public meeting is denied.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Bancorp 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 Minneapolis, acting pursuant to delegated authority.

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

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

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Canadian Imperial Bank of Commerce
Toronto, Canada

Order Approving Application to Engage in Certain Securities and Financial Advisory Activities

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

- (1) providing brokerage and investment advisory services to institutional customers and Company's affiliates;
- (2) providing advice in connection with merger, acquisition, divestiture and financial transactions, including public and private financings, loan syndications, interest rate swaps, interest rate caps and similar transactions to affiliated and unaffiliated financial and nonfinancial institutions; and
- (3) providing financial advice to the Canadian federal, provincial and municipal governments and

In addition, Iowa CCI and Minnesota COACT requested a public hearing. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order an informal or a formal hearing. In light of all the facts of record, (and the facts that the Iowa CCI and Minnesota COACT have met with Norwest to present their views, and that Iowa CCI and Minnesota COACT have submitted written comments to the Board), the Board has determined that a hearing would serve no useful purpose. Accordingly, the requests for a hearing are denied.

their agents, such as with respect to the issuance of their securities in the United States.¹

Company currently engages in a wide range of securities underwriting, dealing, brokerage and advisory activities. Applicant has committed to limit Company to those activities for which it seeks approval here.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 16,588 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately \$67.3 billion, is the 63rd largest banking organization in the world.² Applicant owns bank subsidiaries in Los Angeles and New York and maintains branches in Chicago, Pittsburgh, Seattle and Portland, and agencies in San Francisco, Los Angeles, New York and Atlanta. Applicant engages in various activities in the United States under sections 4(c)(8) and 4(c)(9) of the BHC Act and the Board's Regulations Y and K (12 C.F.R. Parts 225 and 211, respectively).

Investment Advice and Securities Brokerage on a Combined Basis

The Board previously has determined that the combined offering of investment advice with securities brokerage services to institutional customers is a permissible nonbanking activity and does not violate the Glass-Steagall Act.³ Applicant has applied to conduct its brokerage activity in accordance with substantially all of the limitations approved by the Board in *Royal*

Bank of Canada.⁴ In addition, as in *Sovran Financial Corporation*, Applicant has proposed that Company be permitted to exchange confidential information with Applicant and its bank affiliates regarding their customers with such customers' consent. 74 FEDERAL RESERVE BULLETIN 334 (Order dated May 3, 1988).

Unlike *NatWest* and other prior brokerage cases, Applicant has not committed that it will prohibit Company from transmitting advisory or research recommendations to the commercial lending department of any affiliate. Instead, Applicant has proposed that Company be permitted to transmit to the commercial lending department of any affiliate advisory research or recommendations which are generally available to its customers.⁵

Under the circumstances, where the information is widely distributed to Company's customers, the Board does not believe that this modification would result in an increased potential for adverse effects that would outweigh reasonably anticipated public benefits. Indeed, Applicant has indicated that it has proposed such a modification to *NatWest* simply because of the operational difficulties that would be involved in preventing such information from reaching the commercial lending departments of Company's affiliates.

Circuit in its affirmance of the *NatWest* Order, and the U.S. Supreme Court has declined to review the matter. *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 821 F.2d 810 (D.C. Cir. 1987), cert. denied, 108 S. Ct. 697 (1988).

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

5. Advisory research or recommendations which Applicant indicates that it would deem to be generally available to its customers would include industry and company reports published by Company. Company regularly publishes research reports on particular industries. With respect to a particular industry, Company's industry reports may identify general trends, review worldwide or certain country markets, summarize historical performance and provide industry forecasts. Company also regularly publishes research reports on individual companies. Company reports may include information on a company's historical or projected performance, as well as its relative position in a particular market. Company reports may also be released which summarize and evaluate a particular transaction and may contain recommendations to the shareholders of the companies involved in such transactions. Such industry reports and company reports are made generally available by Company to its customers.

1. Applicant has also applied to engage in providing discount brokerage services together with related securities credit services pursuant to the Board's Regulation T (12 C.F.R. Part 220) and incidental activities such as offering custodial accounts and cash management services and securities borrowing and lending for affiliates and institutional customers; providing portfolio investment advice and research to affiliates and institutional customers; furnishing general economic information and advice, general economic statistical forecasting services and industry studies to affiliates and institutional customers; and underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations that state member banks are authorized to underwrite and deal in under 12 U.S.C. §§ 24 and 335 ("bank-eligible securities"). The Board has previously found these latter activities, as proposed here, to be generally permissible for bank holding companies. 12 C.F.R. §§ 225.25(b)(15), (4)(iii), (4)(iv) and (16), respectively. Applicant has also proposed to engage in futures, forward and options contracts on bank-eligible securities for hedging purposes in accordance with 12 C.F.R. § 225.142.

2. Asset and banking data are as of January 31, 1988. Ranking is as of December 31, 1986.

3. See, e.g., *National Westminster Bank PLC*, 72 FEDERAL RESERVE BULLETIN 584 (1986) ("*NatWest*"); and *Royal Bank of Canada*, 74 FEDERAL RESERVE BULLETIN 334 (1988). That position has been upheld by the U.S. Court of Appeals for the District of Columbia

Merger and Acquisition Advice to Unaffiliated Financial and Nonfinancial Institutions

The Board has previously approved providing advice to unaffiliated financial and nonfinancial institutions with certain limitations in *Signet Banking Corporation*, 73 FEDERAL RESERVE BULLETIN 59 (1987) ("Signet"). Applicant's proposal differs in two ways from *Signet*. First, Applicant has proposed to provide such services to affiliates, which it may do under the servicing exemption of the BHC Act.⁶ Second, Applicant has proposed, as in the context of its investment advice and brokerage proposal, to exchange confidential information received from Company's customers with such customers' consent. The Board believes that this modification is consistent with the reasoning in the Board's *Sovran* brokerage Order and does not alter the underlying rationale of the Board's decision in *Signet* that the activity is closely related to banking or a proper incident thereto.

Financial Advisory Services to Canadian Governmental Entities

In *Royal Bank of Canada*, the Board approved the activity of providing financial advice to the Canadian federal, provincial and municipal governments, such as with respect to the issuance of their securities in the United States. Applicant's proposal differs from this activity only in that Applicant proposes to provide financial advice to the above entities' agents. Applicant defines such an agent to mean, generally, a body corporate expressly declared by or pursuant to any Act of the Canadian Parliament or a provincial legislature to be an agent of the Crown.

The Board believes that the skills necessary to conduct the proposed activity are virtually indistinguishable from the advisory activity approved in *Royal Bank of Canada*. Moreover, the Board also believes that the slight modification proposed by Applicant to the activity previously approved by the Board in *Royal Bank of Canada* does not alter the activity to render it less closely related to banking. In addition, Applicant's modification would not appear to alter the activity such that the public benefits stemming from this proposal, such as increased competition, customer convenience and efficiency, would be outweighed by adverse effects.

6. Section 4(c)(1)(C) of the BHC Act provides in relevant part that a bank holding company may, without Board authorization, establish a subsidiary to be engaged in "furnishing services to or performing services for such bank holding company or its banking subsidiaries." 12 U.S.C. § 1843(c)(1)(C).

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

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

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

By order of the Board of Governors, effective June 1, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

The Long-Term Credit Bank of Japan, Limited
Tokyo, Japan

Order Approving Application to Acquire a Company Engaged in Certain Securities, Futures and Financial Advisory Activities

The Long-Term Credit Bank of Japan, Limited, Tokyo, Japan ("Applicant"), a foreign bank subject to

the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to acquire Greenwich Capital Markets, Inc., Greenwich, Connecticut ("Company"), and thereby engage in the following activities which the Board has determined by regulation to be closely related to banking and generally permissible for bank holding companies:

(1) underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations ("bank-eligible securities") pursuant to 12 C.F.R. § 225.25(b)(16);¹

(2) providing portfolio investment advice and research and furnishing general economic information and advice, general economic statistical forecasting services and industry studies on a nonfee basis in connection with and as an incident to the proposed bank-eligible securities activities, pursuant to 12 C.F.R. §§ 225.25(b)(4)(iii) and (iv);

(3) engaging in futures, forward and options contracts on bank-eligible securities for hedging purposes in accordance with 12 C.F.R. § 225.142;

(4) acting as a futures commission merchant ("FCM") for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts for bullion, foreign exchange, government securities, certificates of deposit and other money market instruments that a bank may buy or sell in the cash market for its own account in accordance with 12 C.F.R. § 225.25(b)(18);²

(5) providing investment advice as an FCM with respect to the purchase and sale of futures contracts and options on futures contracts for the commodities and instruments referred to in section 225.25(b)(18), pursuant to 12 C.F.R. § 225.25(b)(19);

(6) engaging through Greenwich Asset Management, Incorporated, in serving as an investment adviser as defined in section 2(a)(20) of the Investment Company Act of 1940 to investment companies regis-

tered under that act and organizing, sponsoring and managing closed-end investment companies; providing portfolio investment advice and research; and furnishing general economic information and advice, general economic statistical forecasting services and industry studies to affiliates and nonaffiliates, pursuant to 12 C.F.R. §§ 225.25(b)(4)(ii), (iii) and (iv); and

(7) providing through Greenwich Asset Management, Incorporated, investment advice as a commodity trading adviser registered with the Commodities Futures Trading Commission ("CFTC") with respect to the purchase and sale of futures contracts and options on futures contracts for the commodities and instruments referred to in section 225.25(b)(18), pursuant to 12 C.F.R. § 225.25(b)(19).

Applicant has also proposed to engage through Company in the following activities which the Board has not approved by regulation:

(1) trading for the account of Company in foreign exchange;³

(2) acting as an FCM and providing investment advice in connection with future contracts and options on futures contracts for certain broad-based stock and municipal bond indexes; and

(3) engaging through Company's subsidiary, Greenwich Capital Mortgage, Inc., in mortgage banking activities, consisting of the issuance and sale of mortgage-related securities backed by the guarantees of the Government National Mortgage Association.

In addition, Applicant has applied for approval to acquire indirectly through Company 1.01 percent of the voting shares of Liberty Brokerage, Inc., New York, New York, an inter-dealer blind broker of government securities.

Company currently engages in underwriting, trading and dealing in government securities in the cash, forward, futures and options markets.⁴ Company is registered as a broker-dealer with the Securities and Exchange Commission and as an FCM with the CFTC. Applicant has committed to limit Company to those activities for which it seeks approval here and to

1. Applicant has also applied to engage in the following incidental activities: engaging in repurchase and reverse repurchase transactions on such securities, collateralized borrowing and lending of such securities, clearing and settling bank-eligible securities transactions and providing custodial, accounting, record keeping and ancillary services, pursuant to 12 C.F.R. §§ 225.25(b)(3) and 225.25(b)(15).

2. Applicant has also proposed to provide such services to its affiliates pursuant to section 4(c)(1)(C) of the BHC Act, 12 U.S.C. § 1843(c)(1)(C).

3. Applicant has also proposed that Company be permitted to trade for its own account in foreign exchange forward, futures, options and options on futures transactions for hedging purposes. Applicant has requested that this portion of its application be suspended until the Board reviews an identical proposal by another bank holding company which is currently pending.

4. Company has four wholly owned subsidiaries: Greenwich Asset Management Incorporated, Greenwich Capital Acceptance, Inc., Greenwich Capital Mortgage, Inc., and Greenwich Capital Markets, Ltd.

liquidate any positions in securities or commodities held by Company in connection with its remaining activities.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 13,158 (1988)). The time for filing comments has expired, and the Board has considered the application in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately \$185 billion, is the 21st largest banking organization in the world.⁵ Applicant is a registered bank holding company by virtue of its ownership of LTCB Trust Company, New York, New York, a state chartered trust company, the deposits of which are insured by the Federal Deposit Insurance Corporation. In addition, Applicant maintains a branch in New York and an agency in Los Angeles.

Trading in Foreign Exchange

Applicant has proposed that Company be permitted to trade for its own account in foreign exchange. National banks are expressly authorized by statute to engage in "buying and selling exchange" and banks actively participate in this market.⁶ The Board has also previously permitted a bank holding company to deal in foreign exchange.⁷

FCM Activities

In addition to acting as an FCM pursuant to section 225.25(b)(18),⁸ Applicant has also proposed to act as an FCM and provide investment advice for The Standard & Poor's 100 Stock Price Index futures contract (the "S&P 100 futures"); The Standard & Poor's 500 Stock Price Index futures contract (the "S&P 500 futures"); options on the S&P 500 futures; The Major Market Index futures contract (the "MMI futures"); The Long-Term Municipal Bond Index futures contract—based on The Bond Buyer Municipal Bond Index (the "Bond Buyer futures"); and options on the Bond Buyer futures. The Board has previously authorized FCM subsidiaries of bank holding companies to

execute and clear all of the above futures contracts and options.⁹ The Board has also previously approved the provision of investment advice by FCM subsidiaries regarding all of the above instruments except for the MMI futures and the Bond Buyer futures.¹⁰

The Board believes that the skills necessary to engage in providing investment advice on the MMI futures and the Bond Buyer futures are virtually indistinguishable from the advisory activities previously approved by the Board in *Bankers Trust, J.P. Morgan and Northern Trust*. Moreover, the Board believes that the modifications proposed by Applicant to the activities previously approved by the Board do not alter the activity to render it less closely related to banking. In addition, Applicant's modification would not appear to alter the activity such that the public benefits stemming from this proposal, such as increased competition, customer convenience and efficiency, would be outweighed by adverse effects.

Issuance of GNMA Certificates

Applicant proposes that Company be permitted to purchase mortgage loans, issue for its own account through Greenwich Capital Mortgage, Inc., or third party servicers, and sell securities guaranteed by GNMA.¹¹ These securities would represent undivided interests in pools of mortgage loans. The Board has not previously approved this activity for bank holding companies.

In order to approve this aspect of the proposal, the Board must determine:

- (1) that the proposed activity is closely related to banking; and

9. *Bankers Trust New York Corporation*, 71 FEDERAL RESERVE BULLETIN 111 (1985) (approving the execution and clearance of the Bond Buyer futures) ("*Bankers Trust*"); *J.P. Morgan & Co. Incorporated*, 71 FEDERAL RESERVE BULLETIN 251 (1985) (approving the execution and clearance of the S&P 100 futures, the S&P 500 futures, options on the S&P 500 futures and the MMI futures) ("*J.P. Morgan*"); and *Northern Trust Corporation*, 74 FEDERAL RESERVE BULLETIN 333 (1980) (approving the execution and clearance of the S&P 500 futures, options on the S&P 500 futures, the MMI futures, the Bond Buyer futures and options on the Bond Buyer futures) ("*Northern Trust*").

10. *Bankers Trust*, *supra* (approving the provision of advice on the Bond Buyer futures); and *Citicorp*, 73 FEDERAL RESERVE BULLETIN 220 (1987) (approving the provision of advice on the S&P 100 futures, the S&P 500 futures and options on the S&P 500 futures).

11. Under section 306(g) of the National Housing Act, 12 U.S.C. § 1721(g), GNMA is authorized to guarantee the timely payment of principal and interest to holders of securities backed by pools of mortgages, usually on single family homes, insured or guaranteed by the Federal Housing Administration, the Veterans' Administration, or the Farmers Home Administration. The GNMA guaranty is backed by the full faith and credit of the federal government. The securities are typically issued in pass-through form in minimum face denominations of \$25,000.

5. Asset data are as of March 31, 1988. Banking data are as of December 31, 1987. Ranking is as of December 31, 1986.

6. 12 U.S.C. § 24 Seventh.

7. *Standard and Chartered Banking Corporation*, 38 *Federal Register* 27,552 (1973).

8. The Board notes that it has approved prior applications by bank holding companies to conduct securities and other nonbanking activities in addition to FCM activities in the same subsidiary. See, e.g., *Security Pacific Corporation*, 70 FEDERAL RESERVE BULLETIN 238 (1984) (Order approving FCM activities, brokering and dealing U.S. government securities and brokering options in U.S. government securities and options in U.S. and foreign money market instruments).

(2) that the public benefits associated with the proposed activity outweigh any possible adverse effects. 12 U.S.C. § 1843(c)(8).

In determining if an activity is closely related to banking under section 4(c)(8) of the BHC Act, the Board has relied on guidelines established by the federal courts. Under these guidelines, an activity may be found to be closely related to banking if it is demonstrated:

- (1) that banks generally have, in fact, provided the proposed services;
- (2) that banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or
- (3) that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.¹²

National banks are specifically authorized under the Glass-Steagall Act to issue and sell securities which are guaranteed by GNMA as well as to underwrite and deal in such securities.¹³ Accordingly, the Board believes that the issuance and sale of GNMA certificates is closely related to banking.

With respect to the "proper incident" requirement, section 4(c)(8) of the BHC Act requires the Board to consider whether the performance of the activity by an affiliate of a holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

The Board also believes that the activity will not result in adverse effects that would outweigh the public benefits stemming from this proposal, such as increased competition, customer convenience and efficiency. The statutory exemption permitting banks to issue and sell GNMA securities appears to reflect a Congressional determination that GNMA securities are not the type of securities that would lead to unsound speculation or that the public interest in the issuance and sale of GNMA securities by banks out-

weighs any potential harm resulting therefrom. Moreover, the issuance of GNMA securities is subject to the antifraud provisions of federal securities laws. Finally, the Board has previously determined that underwriting and dealing in GNMA certificates is of sufficiently low risk to be generally permissible for bank holding companies.¹⁴

Financial Factors

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the Act, the Board considers the financial condition and resources of the Applicant and its subsidiaries and the effect of the transaction on these resources.¹⁵ In accordance with the principles of national treatment and competitive equity, the Board has stated it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its United States banking operations.¹⁶ In considering applications of foreign banking organizations, the Board has noted that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks. In the past, the Board has addressed the complex issues involved in balancing these concerns in the context of individual applications on a case-by-case basis, making adjustments as appropriate to an applicant's capital to reflect differences in accounting treatment and regulatory practices.

The Board recently has announced a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.¹⁷ The Japanese Ministry of Finance in April of this year acted to implement for Japanese banking organizations the risk-based capital framework developed by the

14. 12 C.F.R. § 225.25(b)(16).

15. 12 C.F.R. § 225.24; *Bayerische Vereinsbank AG*, 73 FEDERAL RESERVE BULLETIN 155, 156 (1987).

16. *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *Ljubljanska Banka-Associated Bank*, 72 FEDERAL RESERVE BULLETIN 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 FEDERAL RESERVE BULLETIN 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsubishi Bank, Limited*, 70 FEDERAL RESERVE BULLETIN 518 (1984). See also Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

17. 53 *Federal Register* 8,549 (1988).

12. *National Courier Association v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975). However, the *National Courier* guidelines are not the exclusive basis for finding a close relationship between a proposed activity and banking. The Board has stated that in acting on a request to engage in a new nonbanking activity, it will consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Association v. Board of Governors*, 468 U.S. 207, 210-11 n.5 (1984).

13. 12 U.S.C. § 24 (Ninth) and (Seventh), respectively.

Basle Committee. The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. Until that framework becomes effective, however, the Board will continue to evaluate applications involving foreign banking organizations on a case-by-case basis consistent with its prior precedent.

In this case, the primary capital ratio of Applicant, as publicly reported, is well below the 5.5 percent minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board has also considered several additional factors that mitigate its concern in this case. The Board notes that the application involves nonbanking activities that require a small commitment of capital and that Applicant's bank in the United States is among the more strongly capitalized banking organizations in the United States. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. In this regard, the Board has considered as favorable factors that, in anticipation of implementation of the Basle Committee risk-based capital framework, Applicant has, through the issuance of common stock and retention of earnings increased its equity capital by almost \$1 billion in its latest fiscal year and that Applicant's capital improvement program is consistent with meeting the standards in the Basle Committee capital framework for 1990 and 1992.

Based on these and other facts of record, the Board concludes that financial considerations are consistent with approval of the application.

Consummation of Applicant's proposal would provide increased convenience to Company's customers and gains in efficiency. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

The Board believes that the proposal is not likely to result in decreased or unfair competition, conflicts of interests, unsound banking practices, concentration of resources, or other adverse effects. Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is

favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is further subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of the holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The Board notes that section 3502 of the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3) ("Trade Bill"), if enacted, would preclude the Federal Reserve Bank of New York from designating as a primary dealer any foreign organization whose country does not permit U.S. companies to underwrite its debt instruments to the same extent as its own domestic companies. The Trade Bill contains a provision, however, which states that a foreign organization is grandfathered if, before July 31, 1987, that organization and the primary dealer to be acquired informed the Reserve Bank of its intention to acquire control of the primary dealer. Applicant and Company had so informed the Reserve Bank.

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 June 6, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Midland Bank, PLC
London, England

Order Approving an Application to Engage in Foreign Exchange Activities and Related Advisory Services

Midland Bank, PLC, London, England ("Midland"), a foreign bank subject to the Bank Holding Company Act (the "BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied, pursuant to 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 permission to engage through its subsidiary Thomas Cook, Inc., Princeton, New Jersey ("TCI"), in certain

activities relating to trading and providing advice with respect to foreign exchange.

TCI's proposed activities include the purchase and sale of foreign exchange at the wholesale level for its own account and for the account of others. TCI would use forward and futures foreign currency contracts to hedge its cash position. In addition, TCI intends to provide travel-related advisory services to its clients regarding exchange rates and other foreign currency issues.¹

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (53 *Federal Register* 9,143 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Midland, a bank organized under the laws of Great Britain, has total assets of approximately \$90.7 billion.² Midland engages in a broad range of financial and commercial services directly and indirectly through its offices worldwide.

The Board has previously determined that a bank holding company may engage in the purchase and sale of foreign exchange for its own account and for the account of others.³ The Board has also approved the use of forward and futures contracts to hedge a cash position in foreign exchange, pursuant to section 225.142 of Regulation Y.⁴ Accordingly, the Board concludes that the proposed activities are closely related to banking.⁵

In order to approve this application, the Board is also required to determine that Midland's performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

12 U.S.C. § 1843(c)(8). TCI's participation in the wholesale foreign currency market will result in public benefits of increased competition and enhanced convenience for customers.

Regarding the possibility of unsound banking practices, TCI proposes to buy and sell foreign exchange for anticipated customer needs rather than for investment or speculative purposes. Furthermore, TCI intends to hedge potential risks in its cash foreign exchange position with forward and futures transactions. In the Board's view, these factors should minimize the potential risks involved in the proposed activities.

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the Board has determined that the application should be, and hereby is, approved. This determination is subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

By order of the Board of Governors, effective June 13, 1988.

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

WILLIAM W. WILES
Secretary of the Board

The Sanwa Bank, Limited
Osaka, Japan

Order Approving Application to Acquire a Company Engaged in Certain Securities, Futures and Financial Advisory Activities

The Sanwa Bank, Limited, Osaka, Japan ("Applicant"), a foreign bank subject to the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under

1. TCI would provide customers with advice such as the currency used in a particular country and whether U.S. dollar or foreign currency travellers cheques are accepted.

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

3. *The Long-Term Credit Bank of Japan, Ltd.*, 74 FEDERAL RESERVE BULLETIN 573 (Order dated June 6, 1988); *Southern Bancorporation, Inc.*, 69 FEDERAL RESERVE BULLETIN 224 (1983).

4. 12 C.F.R. § 225.142.

5. As part of its foreign currency activities, TCI proposes to provide information on exchange rates to its wholesale customers for use by the latter's retail customers as well as information regarding the acceptance of U.S. dollar or foreign currency travellers cheques abroad. Such information and advice will be provided as part of the sale of foreign currency without any separate fee. TCI will not provide advice to customers on foreign exchange exposures or on investment in foreign currency. The proposed advisory activities are generally related to the type of foreign currency transactions performed for travel-related purposes. Such activities, therefore, are permissible as incidental to TCI's foreign currency operations.

section 4(c)(8) of the BHC Act, 12 U.S.C. § 1843(c)(8), and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to acquire Brophy, Gestal, Knight & Co., L.P., New York, New York ("Company"), and thereby engage in the following activities which the Board has determined by regulation to be closely related to banking and generally permissible for bank holding companies:

(1) underwriting and dealing in obligations of the United States, general obligations of states and their political subdivisions, and other obligations ("bank-eligible securities"), pursuant to 12 C.F.R. § 225.25(b)(16);¹

(2) engaging in futures, forward and options contracts on bank-eligible securities for hedging purposes in accordance with 12 C.F.R. § 225.142;

(3) providing portfolio investment advice and research and furnishing general economic information and advice, general economic statistical forecasting services and industry studies pursuant to 12 C.F.R. §§ 225.25(b)(4)(iii) and (iv) in connection with and as an incident to the proposed bank-eligible securities activities but not in connection with its brokerage activities;

(4) providing discount brokerage services in accordance with 12 C.F.R. § 225.25(b)(15); and

(5) acting as a futures commission merchant ("FCM") for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts for bullion, foreign exchange, government securities, certificates of deposit, and other money market instruments that a bank may buy or sell in the cash market for its own account; and providing investment advice to institutional customers in conjunction therewith as permitted by 12 C.F.R. §§ 225.25(b)(18) and (19), respectively.²

In addition, Applicant has applied to provide advice in connection with financing transactions to nonaffiliated institutional customers in accordance with the limitations set forth in *Signet Banking Corporation*, 73 FEDERAL RESERVE BULLETIN 59 (1987). Applicant has also applied for approval to acquire indirectly through Company one percent of the voting shares of Liberty

Brokerage, Inc., New York, New York, an inter-dealer blind broker of government securities.

Company currently engages in underwriting, trading and dealing in government securities in the cash, forward, futures and options markets. Company is registered as a broker-dealer with the Securities and Exchange Commission. Applicant has committed to limit Company to those activities for which it seeks approval here and to liquidate any positions in securities or commodities held by Company in connection with its remaining activities.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (53 *Federal Register* 9,810 (1988)). The time for filing comments has expired, and the Board has considered the application in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets equivalent to approximately \$324 billion, is the fifth largest banking organization in the world.³ Applicant owns a bank subsidiary in San Francisco, branches in New York, Chicago and Boston, and agencies in San Francisco, Atlanta and Dallas. Applicant engages in various activities in the United States under sections 4(c)(8) and 4(c)(9) of the BHC Act and the Board's Regulations Y and K (12 C.F.R. Parts 225 and 211, respectively).

As noted, the Board has previously determined that all of Applicant's activities, as proposed here, are closely related to banking and generally permissible for bank holding companies, except for the provision of advice in connection with financing transactions to nonaffiliated institutional customers.⁴ The Board has previously determined by order that the latter activity is closely related to banking.

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the Act, the Board considers the financial condition and resources of the Applicant and its subsidiaries and the effect of the transaction on these resources.⁵ In accordance with the principles of national treatment and competitive equity, the Board has stated it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its

1. Applicant has also applied to engage in the following incidental activities: engaging in repurchase and reverse repurchase transactions and the provision of clearing, settling, accounting, record keeping and other ancillary services to those counterparties with which it deals that do not maintain accounts with clearing agencies.

2. Until Company becomes a registered FCM, Applicant proposes that Company continue to receive customer orders to purchase and sell financial contracts and pass them on to FCM's for execution, clearing and settlement for a fee. Company would not take a position as principal in such contracts.

3. Asset data are as of March 31, 1988. Banking data are as of December 31, 1987. Ranking is as of December 31, 1986.

4. The Board notes that it has approved prior applications by bank holding companies to conduct securities and other nonbanking activities in addition to FCM activities in the same subsidiary. *See, e.g., Security Pacific Corporation*, 70 FEDERAL RESERVE BULLETIN 238 (1984) (Order approving FCM activities, brokering and dealing U.S. government securities and brokering options in U.S. government securities and options in U.S. and foreign money market instruments).

5. 12 C.F.R. § 225.24; *Bayerische Vereinsbank AG*, 73 FEDERAL RESERVE BULLETIN 155, 156 (1987).

United States banking operations.⁶ In considering applications of foreign banking organizations, the Board has noted that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks. In the past, the Board has addressed the complex issues involved in balancing these concerns in the context of individual applications on a case-by-case basis, making adjustments as appropriate to an applicant's capital to reflect differences in accounting treatment and regulatory practices.

The Board recently has announced a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.⁷ The Japanese Ministry of Finance in April of this year acted to implement for Japanese banking organizations the risk-based capital framework developed by the Basle Committee. The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. Until that framework becomes effective, however, the Board will continue to evaluate applications involving foreign banking organizations on a case-by-case basis consistent with its prior precedent.

In this case, the primary capital ratio of Applicant, as publicly reported, is well below the 5.5 percent minimum level specified in the Board's Capital Adequacy Guidelines. After making adjustments to reflect Japanese banking and accounting practices, however, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework, Applicant's capital ratio meets United States standards.

The Board has also considered several additional factors that mitigate its concern in this case. The Board notes that the application involves nonbanking activities that require a small commitment of capital and that Applicant's bank in the United States is

among the more strongly capitalized banking organizations in the United States. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. In this regard, the Board has considered as favorable factors that, in anticipation of implementation of the Basle Committee risk-based capital framework, Applicant has, through the issuance of common stock and retention of earnings, increased its equity capital by \$1.9 billion in its latest fiscal year and that Applicant's capital improvement program is consistent with meeting the standards in the Basle Committee capital framework for 1990 and 1992.

Based on these and other facts of record, the Board concludes that financial considerations are consistent with approval of the application.

Consummation of Applicant's proposal would provide increased convenience to Company's customers and gains in efficiency. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public.

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

The Board notes that section 3502 of the Omnibus Trade and Competitiveness Act of 1988 (H.R. 3) ("Trade Bill"), if enacted, would preclude the Federal Reserve Bank of New York from designating as a primary dealer any foreign organization whose country does not permit U.S. companies to underwrite its debt instruments to the same extent as its own domestic companies. The Trade Bill contains a provision, however, which states that a foreign organization is grandfathered if, before July 31, 1987, that organization and the primary dealer to be acquired informed the Reserve Bank of its intention to acquire control of

6. *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *Ljubljanska Banka-Associated Bank*, 72 FEDERAL RESERVE BULLETIN 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 FEDERAL RESERVE BULLETIN 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsubishi Bank, Limited*, 70 FEDERAL RESERVE BULLETIN 518 (1984). See also, Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

7. 53 *Federal Register* 8,549 (1988).

the primary dealer. Applicant and Company had so informed the Reserve Bank.

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

By order of the Board of Governors, effective June 6, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

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

National City Corporation
Cleveland, Ohio

Order Approving Acquisition of a Bank Holding Company and Its Banking and Nonbanking Subsidiaries

National City Corporation, Cleveland, Ohio ("National City"), has applied for the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("Act"), to acquire all of the voting shares of First Kentucky National Corporation, Louisville, Kentucky ("First Kentucky"), and thereby to acquire indirectly First Kentucky's subsidiary banks: First Kentucky Trust Company, Louisville, Kentucky; First National Bank of Louisville, Louisville, Kentucky; Commerce National Bank, Lexington, Kentucky; The Third National Bank of Ashland, Ashland, Kentucky; The American National Bank and Trust Company, Bowling Green, Kentucky; Central Bank and Trust Company, Owensboro, Kentucky; Mutual Trust Bank, New Albany, Indiana; and First National Bank of Louisville, Henrico County, Virginia.

National City also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire First Kentucky's nonbanking subsidiaries: First Kentucky Company, Louisville, Kentucky, and thereby engage in providing investment advisory activities primarily to pension and profit sharing accounts pursuant to section 225.25(b)(4); First Kentucky Investment Advisors, Inc., Louisville, Kentucky, and thereby engage in providing investment advice to individuals and institutions pursuant to section 225.25(b)(4); Churchill Insurance Agency,

Inc., Louisville, Kentucky, and thereby engage in acting as agent and broker for credit life, accident, and health insurance that is related to extensions of credit by affiliated banks pursuant to section 225.25(b)(8); and National Processing Company, Inc., Louisville, Kentucky; Irving, Texas; Phoenix, Arizona; Homewood, Illinois; and Atlanta, Georgia; and thereby engage in providing data processing services for financial transactions nationwide, pursuant to section 225.25(b)(7) of the Board's Regulation Y. Further, National City has provided notice to the Board under section 4(c)(14) of the Act to acquire First Kentucky National Trading Company, Louisville, Kentucky.¹

Notice of the applications, affording an opportunity for interested persons to submit comments, has been published (53 *Federal Register* 10,154 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Section 3(d) of the 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). In this case, First Kentucky controls banks in three states: Kentucky, Indiana, and Virginia. The laws of Kentucky and Indiana³ expressly authorize the acquisition of banks in these states by Ohio bank holding companies, such as National City. Virginia law permits an out-of-state bank holding company to acquire a finance service center bank subject to certain conditions.⁴ First Kentucky's sole bank in Virginia is a finance service center bank, and the Virginia Corporation Commission, in consultation with the Virginia Commissioner of Financial Institutions, has approved the acquisition by National City pursuant to Virginia law. Accordingly, the

1. National City will acquire First Kentucky through the merger of First Kentucky with and into National City's wholly owned subsidiary, NC Acquisition Corporation, Cleveland, Ohio. In connection with these applications, NC Acquisition Corporation also has applied to acquire First Kentucky's banking and nonbanking subsidiaries, and has provided notice to the Board under section 4(c)(14) of the Act to acquire First Kentucky National Trading Company.

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. Ky. Rev. Stat. Ann. § 287.900 (Michie/Bobbs-Merrill 1986) and Ind. Code Ann. § 28-2-15-14 *et seq.* (Burns 1987). See Cooperative Agreement and Determination of Reciprocity between the Commonwealth of Kentucky and the State of Ohio, October 16, 1985.

4. Va. Code Ann. § 6.1-392 (1987). Virginia law allows regional bank holding companies to acquire Virginia full service banks, but Ohio is not within the region. Va. Code Ann. § 6.1-398 *et seq.* (1987).

Board's approval of these applications is not precluded by the Douglas Amendment. The Board's approval, however, is subject to National City's obtaining approval of the acquisitions from the Kentucky Commissioner of Banking and Securities, and the Indiana Department of Financial Institutions, as required by the relevant statutes of these states.

National City, with approximately \$11.0 billion in domestic deposits, is the largest commercial banking organization in Ohio, controlling approximately 15.2 percent of total deposits in commercial banks in Ohio.⁵ First Kentucky is the largest commercial banking organization in Kentucky, with domestic deposits of approximately \$3.5 billion, controlling approximately 12.7 percent of the total deposits in commercial banks in Kentucky.

National City competes with First Kentucky in the Huntington, West Virginia; Ashland, Kentucky; and Ironton, Ohio, markets.⁶ National City is the 13th largest of 23 commercial banking organizations in the market, controlling deposits of approximately \$58.1 million, representing approximately 3.1 percent of total deposits in commercial banking organizations in the market.⁷ First Kentucky is the 3rd largest commercial banking organization in the market, controlling deposits of approximately \$153.1 million, representing approximately 8.3 percent of market deposits. Upon consummation, National City would become the second largest commercial banking organization in the market, controlling deposits of approximately \$211.2 million, representing approximately 11.4 percent of total market deposits. The Herfindahl-Hirschman Index would increase 52 points to 775. Based on the facts of record, the Board concludes that consummation of the proposal would not have a significant adverse effect on competition in this market.

The financial and managerial resources of National City and First Kentucky are consistent with approval. The Board notes that the transaction will be accomplished through an exchange of shares without any significant impact on National City's capital position.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of National City and First Kentucky under the Community Reinvestment Act ("CRA"), 12 U.S.C. § 2901 *et seq.*⁸ The Board has

received comments from the United Mine Workers of America, Washington, D.C. ("UMW"), alleging that the subsidiary banks of National City and First Kentucky have technically and substantively violated the CRA. Specifically, the UMW states that reports of lending prepared pursuant to the Home Mortgage Disclosure Act ("HMDA") for certain National City banks are inaccurate, that National City's banks are not extending mortgage loans in low- and moderate-income and minority neighborhoods in Cleveland, and that certain of National City and First Kentucky's banks are decreasing their community reinvestment activity.⁹ The UMW and National City have held private meetings in an attempt to resolve the issues raised by the protest, but have been unable to come to a resolution of their differences.

Initially, the Board notes that all the subsidiary banks of National City and First Kentucky have satisfactory CRA records. The Board also notes that National City has adopted a corporate Public Policy Statement which sets out its corporate and social responsibilities, including its obligation under the CRA to meet the credit needs of the communities served by its subsidiary banks, especially low- and moderate-income neighborhoods, minority businesses, and non-profit community groups. In furtherance of this policy, National City has in place an extensive program to ascertain the credit needs of the communities served by its subsidiary banks. Through its Neighborhood Banking Department, National City coordinates activities which help its subsidiary banks to ascertain the credit needs of their communities. These activities include meetings with community groups and formal reports completed by branch managers and other officers which detail information regarding the credit needs of the community. Information obtained from these activities is shared with a management level Public Policy Committee, which is in turn monitored by a Public Policy Committee of National City's board of directors.

National City also has established a community development corporation ("CDC") with the stated purposes of promoting the revitalization of low- and

meeting the credit needs of its entire community, including the low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution.

9. The UMW also alleges that National City and First Kentucky have inadequate financial and managerial resources. The UMW alleges that the acquisition will decrease the value of National City's stock, that National City has a large loan exposure to Third World countries, large interbank deposits, and excessive off-balance sheet transactions. The Board has examined these contentions in the context of its evaluation of the capital and overall financial condition of National City and the effect of the proposed acquisition on these factors. Based upon this review, the Board has concluded that the UMW's allegations do not support an adverse finding regarding National City's financial or managerial resources.

5. State banking data are as of December 31, 1987.

6. The Huntington, West Virginia; Ashland, Kentucky; and Ironton, Ohio, market is approximated by Lawrence County in Ohio, Boyd County and Carter County in Kentucky, Cabell County in West Virginia, Wayne County in West Virginia (except for the community of Fort Gay), and Greenup County in Kentucky (except for Fullerton Division and the northern fringe of Greenup Division).

7. Market data are as of June 30, 1986.

8. The CRA requires the Board, in its evaluation of applications under section 3 of the Act, to assess the record of an applicant in

moderate-income neighborhoods throughout the local communities served by National City's subsidiary banks, engaging in credit and asset management counseling of low- and moderate-income residents, and acting as a contact between various neighborhood groups, financial institutions, developers, and government institutions concerned with community planning and development. National City has indicated that it will continue to provide the necessary equity to support its CDC activities and will establish divisions of the CDC which will address the economic and housing development needs in the markets served by First Kentucky's banks. National City has stated that its CDC has not refused, and has no intention of refusing, to help with any proposed transaction due to a constraint of capital in the CDC.

National City has also made a number of commitments with regard to implementation of CRA-related services and programs at First Kentucky. National City will offer at First Kentucky banks a loan program designed to be responsive to the housing needs of low- and moderate-income individuals,¹⁰ make F.H.A. and V.A. loans available in the smaller Kentucky communities served by First Kentucky banks, and encourage First Kentucky banks to use S.B.A. and other government sponsored programs to promote lending to small businesses. National City has also committed to offer a checking account similar to "lifeline" accounts at First Kentucky banks. With regard to community outreach, all National City banks will identify an employee having full- or part-time responsibility for community outreach.¹¹ In addition, each First Kentucky bank will establish a Public Policy Committee of its board of directors, which will be responsible for

monitoring the CRA activities of each bank.¹² Finally, National City has indicated that it will attempt to work with loan customers who are having difficulty meeting payment schedules because of temporary reductions or disruptions of income.

The Board has carefully examined the UMW's allegation that National City Bank, Cleveland, Ohio, is not extending mortgage loans in Cleveland.¹³ The Board notes that its review of the relevant data indicates that there is less demand for mortgage loans in the city of Cleveland than in other areas of the Cleveland MSA, and that the majority of mortgage loans in Cleveland are made by mortgage bankers and savings institutions rather than commercial banks. The Board's review also indicates that National City is not making mortgage or home improvement loans in a way that is detrimental to low- and moderate-income neighborhoods or minority neighborhoods in the MSA.

The UMW further alleges that BancOhio National Bank's branch in Cadiz, Ohio, is not fulfilling its obligations under the CRA. National City indicates that this bank maintains contact with local community groups, corporations, small businesses, real estate brokers, and other groups in order to ascertain the credit needs of the community. Information from these contacts is then used to develop products to meet those needs. In addition, National City will introduce at BancOhio National Bank a loan program designed for low- and moderate-income individuals which is similar to its R.I.G.H.T. loan program.¹⁴

The UMW also questions the CRA performance of three subsidiary banks of First Kentucky: The American National Bank and Trust of Bowling Green, Bowling Green, Kentucky ("American National Bank"); Central Bank and Trust Company of Owensboro, Owensboro, Kentucky ("Central Bank"); and The Third National Bank of Ashland, Ashland, Kentucky ("Third National Bank"). American National Bank indicates that, because of its recent financial difficulties, it is concentrating on educational efforts, employee involvement in the community, and advertising of services rather than expansion of its loan portfolio. The bank's president is also active in a local

10. National City presently has such a program in place at its banks entitled Reinvest in Great Housing Today ("R.I.G.H.T."). Under the R.I.G.H.T. program, certain enhancements are offered on first mortgages of up to \$50,000 to persons seeking to finance the acquisition of single-family, owner-occupied homes in low- and moderate-income census tracts. While the specific composition of the loan programs at the First Kentucky banks may vary to reflect unique market conditions and requirements, all of the plans will include the following incentives to encourage individuals living in low- and moderate-income neighborhoods to apply for a first mortgage: reduced points, expanded debt ratios, a mortgage application fee refund, and consideration of various forms of income. To encourage use of these loan programs, each bank will promote their program through communications to the targeted population and to realtors in the bank's community.

11. This individual will: (1) coordinate activities and programs that provide a better understanding among low- and moderate-income individuals of the banking services available to them and how to access and use those products and services; (2) be responsible to assure that loan officers and other bank officials are trained regarding the bank's obligations under the terms of the CRA and fair lending responsibilities in general; and (3) be trained, expected to maintain a working knowledge of, and inform others of the capabilities of National City's CDC in order to encourage use of the CDC to address the economic development needs of the local community.

12. National City banks currently have such committees in place.

13. The UMW also alleges that National City Bank misreported its lending on HMDA forms. The Board notes that National City Bank has established written procedures and controls for the preparation of HMDA forms in order to prevent similar problems.

14. The Board also received comments from an individual alleging that BancOhio National Bank ("BancOhio") is not meeting the needs of American Indians in central Ohio. The individual indicated that the bank had refused to participate in a program in which the North American Indian Cultural Center, Inc. ("NAICC") was involved, but NAICC indicated that it receives federal money for the program and has never requested credit from BancOhio for the program.

organization which promotes community development, including small business development.

The record shows that Central Bank ascertains community credit needs through a periodic review of the geographic distribution of credit extensions and employee involvement in business and social service organizations. Central Bank also developed and completed a ten-week media campaign in 1987 regarding small business lending in order to heighten awareness of Central Bank's presence and solicit ideas for new products and services. Further, Central Bank participates in student loan and federal and state low-income housing loan programs.

The record shows that Third National Bank ascertains community credit needs through direct contact with community members through branch offices located in the community, as well as through participation in a contact with local associations. The record also shows that the bank is an active real estate lender.

The Board notes that although these First Kentucky banks appear to be performing adequately under the CRA, the banks could improve their performance in the area of ascertainment of credit needs. National City has directly addressed this concern with a commitment to establish, at all First Kentucky banks, Public Policy Committees of the bank's board of directors and implement the above described CRA and consumer related programs at these banks.

The Board has received favorable comments regarding the CRA performance of First Kentucky's subsidiary bank, Commerce National Bank ("Commerce National"), Lexington, Kentucky, from the Community Reinvestment Alliance of Lexington, Inc., Lexington, Kentucky ("Alliance"). Alliance states that Commerce National has supported the Lexington community, has worked with Alliance to improve its services, and has a strong lending record in low- and moderate-income communities. Alliance further recommends that the Board approve the applications.

Based on the foregoing and other facts of record, including National City's commitments, the Board has determined that convenience and needs considerations are consistent with approval.¹⁵

The Board received comments from a shareholder of First Kentucky alleging that National City's option to acquire 7.4 million shares of First Kentucky, in the

event the acquisition does not occur, constitutes an unsafe and unsound banking practice and violates the Act, the Board's regulations, and state law.¹⁶

The Board has reviewed the terms of the option as well as certain modifications made by National City and believes that, as modified, the option is in conformance with the control provisions of the Act, the Board's regulations, and the Board's Policy Statement on Nonvoting Equity Investments.¹⁷ The option entitles National City to acquire less than 25 percent of the voting shares of First Kentucky and is transferable only in a widespread distribution. With regard to the shareholder's remaining allegations, the record indicates that First Kentucky's directors engaged in negotiations with National City and another potential acquiror, considered offers from both National City and the other potential acquiror, and, after consultation with their financial advisor, determined that National City's offer was in the best interests of First Kentucky. Further, the Board's regulations specifically recognize the permissibility of a company's ownership of an option for shares of a bank holding company provided the option continues only for the time reasonably necessary to obtain regulatory approval for the acquisition.¹⁸ In these circumstances, the Board does not believe a short-term option conforming to the Board's regulations would constitute an unsafe or unsound banking practice for the holding company granting the option.

As indicated earlier, National City also has applied, pursuant to section 4(c)(8), to acquire the nonbanking subsidiaries of First Kentucky. National City competes with First Kentucky in merchant card processing activities. The market for merchant card processing is national, and there are numerous competitors. Accordingly, the Board concludes that this proposal will not have any significant adverse effect upon competition for nonbanking services in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of

15. The UMW has also requested that the Board order a public meeting. Under the Board's rules, the Board may hold a public 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. § 262.25(d). In this case, the UMW and National City have had numerous private meetings for this purpose. In light of all the facts of record, the Board has determined that a public meeting would serve no useful purpose in this case. Accordingly, the request for a public meeting is denied.

16. Protestant alleges that the option is unsafe and unsound because it is unduly coercive to both First Kentucky and its shareholders, and prevents First Kentucky from considering or accepting other offers. Protestant further alleges that the option represents the acquisition by National City of control over First Kentucky without the prior approval of the Board under the BHC Act and the Board's regulations. Finally, Protestant alleges that the directors of First Kentucky violated their fiduciary duty to shareholders, and hence state law, because they did not take sufficient time to consider and negotiate the best offer for First Kentucky.

17. 12 C.F.R. § 225.143.

18. 12 C.F.R. § 225.31(d)(ii).

public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire First Kentucky's nonbanking subsidiaries and activities.

The Board also has considered the notice of National City's proposed acquisition of control of First Kentucky National Trading Company. Based on the facts of record, the Board has determined that disapproval of the proposed investment is not warranted.

Based on the foregoing and other facts of record, and in reliance on all of the commitments made by National City in this case, the Board has determined that the applications should be, and hereby are, approved, subject to National City's obtaining the approval of the Kentucky Commissioner of Banking and Securities, and the Indiana Department of Financial Institutions. The acquisition of First Kentucky 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. The determinations as to National City's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

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

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

WILLIAM W. WILES
Secretary of the Board

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By the Secretary of the Board

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

Applicant	Bank(s)	Effective date
First Interstate Bank of California, San Francisco, California	Bank of Contra Costa, Walnut Creek, California	June 17, 1988

Legal Developments continued on the next page.

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	Bank(s)	Reserve Bank	Effective date
Affiliated Banc Corporation, Holyoke, Massachusetts	Vanguard Savings Bank, Holyoke, Massachusetts	Boston	June 2, 1988
BancSecurity Corporation, Marshalltown, Iowa	Kellogg-Sully Bank & Trust, Kellogg, Iowa	Chicago	June 9, 1988
Bank Shares Incorporated, Minneapolis, Minnesota	Lakeville Financial Services, Inc., Lakeville, Minnesota	Minneapolis	June 15, 1988
Burkburnett Bancshares, Inc., Burkburnett, Texas	The Burkburnett Bank, Burkburnett, Texas	Dallas	June 9, 1988
Calhoun Bankshares, Inc., Grantsville, West Virginia	Calhoun County Bank, Grantsville, West Virginia	Richmond	June 14, 1988
Casey County Bancorp, Inc., Liberty, Kentucky	The Casey County Bank, Inc., Liberty, Kentucky	St. Louis	June 15, 1988
Central Bancorp, Inc., Garland, Texas	Central Bank, Garland, Texas	Dallas	June 17, 1988
Central Bank Shares, Inc., Orlando, Florida	Bank of Central Florida/Seminole County, Sanford, Florida	Atlanta	June 1, 1988
Citizens National Bank Corporation, Tell City, Indiana	The Citizens National Bank of Tell City, Tell City, Indiana	St. Louis	June 3, 1988
City Holding Company, Charleston, West Virginia	First State Bank & Trust, Rainelle, West Virginia	Richmond	June 2, 1988
Community Bankers, Inc., Granbury, Texas	Community Bank, Rockwall, Texas	Dallas	May 26, 1988
Eastern Wisconsin Bancshares, Inc., Howards Grove, Wisconsin	State Bank of Howards Grove, Howards Grove, Wisconsin	Chicago	May 27, 1988
First Express of Nebraska, Inc., Lincoln, Nebraska	Gering State Bank, Gering, Nebraska	Kansas City	June 17, 1988
First Financial Bancorp, Monroe, Ohio	NB Banc Corp, Van Wert, Ohio Van Wert National Bank, Van Wert, Ohio	Cleveland	June 14, 1988
First Financial Corporation of America, Salem, Missouri	The First National Bank of Salem, Salem, Missouri	St. Louis	May 25, 1988
First Jacksboro Bancshares of Delaware, Inc., Wilmington, Delaware	The First National Bank of Jacksboro, Jacksboro, Texas	Dallas	June 10, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Junction City Bancshares, Inc., Junction City, Kansas	Junction City First National Company, Junction City, Kansas	Kansas City	June 6, 1988
First Miami Bancorp, Inc., South Miami, Florida	The First National Bank of South Miami, South Miami, Florida	Atlanta	June 17, 1988
First Michigan Bank Corporation, Zeeland, Michigan	CSB Financial Corporation, Greenville, Michigan	Chicago	June 16, 1988
First Peoria Corp., Peoria, Illinois	Farmers State Bank of Benson, Benson, Illinois	Chicago	June 17, 1988
First Potomac Bancorp, Inc., McLean, Virginia	Sailors & Merchants Bank and Trust, Vienna, Virginia	Richmond	June 2, 1988
First United Bancorporation, Inc., Aurora, Colorado	Security Bank of Colorado, Aurora, Colorado	Kansas City	June 3, 1988
F & M Bancorporation, Inc., Kaukauna, Wisconsin	PTD Bancorp, Inc., Potosi, Wisconsin	Chicago	June 17, 1988
FNB Financial Corporation, Knoxville, Tennessee	First National Bank of Knoxville, Knoxville, Tennessee	Atlanta	May 27, 1988
Hancock Bancorp, Inc., Hawesville, Kentucky	Breckinridge Bank, Cloverport, Kentucky	St. Louis	June 20, 1988
Home Port Bancorp, Inc., Nantucket, Massachusetts	Nantucket Savings Bank, Nantucket, Massachusetts	Boston	May 27, 1988
Investors Bancorporation, Inc., Hudson, Wisconsin	Roberts Bancorporation, Roberts, Wisconsin State Bank of Roberts, Roberts, Wisconsin	Minneapolis	May 27, 1988
Kansas Bank Corporation, Liberal, Kansas	American National Bancshares of Westlink, Inc., Wichita, Kansas	Kansas City	June 10, 1988
Lafayette Bancorporation, Lafayette, Indiana	Banc of Reynolds, Reynolds, Indiana Bank of Reynolds, Reynolds, Indiana	Chicago	May 31, 1988
Lewisburg Bancshares Corporation, Lewisburg, Kentucky	Lewisburg Banking Company, Lewisburg, Kentucky	St. Louis	June 6, 1988
Liberty National Bancorp, Inc., Louisville, Kentucky	Bank of Jessamine, Inc., Nicholasville, Kentucky	St. Louis	June 10, 1988
Middlefield Banc Corp., Middlefield, Ohio	The Middlefield Banking Company, Middlefield, Ohio	Cleveland	June 8, 1988
Mid-Wisconsin Financial Services, Inc., Medford, Wisconsin	Security State Bank of Colby, Colby, Wisconsin	Minneapolis	June 21, 1988
NCNB Corporation, Charlotte, North Carolina	USBancorp, Inc., St. Petersburg, Florida	Richmond	May 31, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
NESB Corp., New London, Connecticut	OmniBank of Connecticut, Inc., Madison, Connecticut	Boston	May 27, 1988
North Fork Bancorporation, Inc., Mattituck, New York	Southold Savings Bank, Southold, New York	New York	June 10, 1988
Phelps County Bank Employee Stock Ownership Plan, Rolla, Missouri	Phelps County Bancshares, Inc., Rolla, Missouri	St. Louis	June 3, 1988
Pikeville National Corporation, Pikeville, Kentucky	The Exchange Bank of Kentucky, Mount Sterling, Kentucky	Cleveland	June 8, 1988
Pikeville National Corporation, Pikeville, Kentucky	Whitley-Williamsburg Financial Corporation, Williamsburg, Kentucky	Cleveland	June 17, 1988
Pro Group Inc., Bradford, Pennsylvania	Producers Bank and Trust Co., Bradford, Pennsylvania	Philadelphia	June 3, 1988
Seaway Financial Corporation, St. Clair, Michigan	The Commercial and Savings Bank of St. Clair County, St. Clair, Michigan	Chicago	June 14, 1988
Southside Bancshares Corp., St. Louis, Missouri	The Algonac Savings Bank, Algonac, Michigan	St. Louis	June 17, 1988
SouthTrust Corporation, Birmingham, Alabama	Bank of Chesterfield, Chesterfield, Missouri	St. Louis	June 17, 1988
Spring Rivers Bancshares, Inc., Imboden, Arkansas	Latta Bank & Trust Co., Latta, South Carolina	Atlanta	May 27, 1988
United National Bancorp, Branchburg, New Jersey	Bank of Imboden, Imboden, Arkansas	St. Louis	June 8, 1988
Upbancorp, Inc., Chicago, Illinois	Newco National Bank, Plainfield, New Jersey	New York	June 10, 1988
U. S. Bancorp, Portland, Oregon	The First National Bank of Blairstown, Blairstown, New Jersey	New York	June 10, 1988
	United National Bank, Plainfield, New Jersey	New York	June 10, 1988
	First West Bank, Tempe, Arizona	Chicago	May 27, 1988
	Mt. Baker Bank, A Savings Bank, Bellingham, Washington	San Francisco	May 31, 1988

Section 4

Applicant	Nonbanking Company/ Activity	Reserve Bank	Effective date
First National Holding Company, Inc., Fullerton, Nebraska	E. Gdowski Insurance Agency, Inc., Fullerton, Nebraska engage in general insurance agency activities	Kansas City	June 14, 1988
The Hongkong and Shanghai Banking Corporation, Hong Kong Kellett, N.V., Curacao, Netherlands Antilles HSBC Holding B.V., Amsterdam, the Netherlands Marine Midland Banks, Inc., Buffalo, New York	engage <i>de novo</i> through CM&M Futures, Inc. in futures commission merchant activities	New York	June 15, 1988
NBD Bancorp, Inc., Detroit, Michigan Otto Bremer Foundation, St. Paul, Minnesota	Trust Company of Naples, Naples, Florida	Chicago	June 20, 1988
Bremer Financial Corporation, St. Paul, Minnesota	First American Bank and Trust, Willmar, Minnesota	Minneapolis	June 15, 1988

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

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

Applicant	Bank(s)	Reserve Bank	Effective date
Citizens Bank and Trust Company, Baytown, Texas	Lone Star Bank, Baytown, Texas	Dallas	May 26, 1988
Citizens Bank, Smithville, Tennessee	Bank of Ardmore, Ardmore, Tennessee	Atlanta	June 6, 1988
Columbian Corporation, Topeka, Kansas	Topeka Bank Shares, Inc., Topeka, Kansas Columbian Financial Corporation, Topeka, Kansas	Kansas City	June 22, 1988
Fayette County Bank, St. Elmo, Illinois	St. Elmo Bank, St. Elmo, Illinois	St. Louis	June 20, 1988
Interstate Bank North, Houston, Texas	First National Bank of Kingwood, Kingwood, Texas	Dallas	May 26, 1988

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

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

- Credit Union National Association, Inc., et al., v. Board of Governors*, No. 88-1295 (D.D.C. May 13, 1988).
- Bonilla v. Board of Governors*, No. 88-1464 (7th Cir., filed March 11, 1988).
- Cohen v. Board of Governors*, No. 88-1061 (D.N.J., filed March 7, 1988).
- Stoddard v. Board of Governors*, No. 88-1148 (D.C. Cir., filed Feb. 25, 1988).
- Securities Industry Association v. Board of Governors*, Nos. 87-4161, 88-4063 (2d Cir., filed Dec. 15, 1987, May 3, 1988).
- Independent Insurance Agents of America, Inc. v. Board of Governors*, No. 87-1686 (D.C. Cir., filed Nov. 19, 1987).
- National Association of Casualty and Surety Agents, et al., v. Board of Governors*, Nos. 87-1644, 87-1801, 88-1001, 88-1206, 88-1245, 88-1270 (D.C. Cir., filed Nov. 4, Dec. 21, 1987, Jan. 4, March 18, March 30, April 7, 1988).
- Teichgraeber v. Board of Governors*, No. 87-2505-0 (D. Kan., filed Oct. 16, 1987).
- Securities Industry Association v. Board of Governors*, No. 87-4135 (2d Cir., filed Oct. 8, 1987).
- Securities Industry Association v. Board of Governors*, No. 87-4115 (2d Cir., filed Sept. 9, 1987).
- Barrett v. Volcker*, No. 87-2280 (D.D.C., filed Aug. 17, 1987).
- Northeast Bancorp v. Board of Governors*, No. 87-1365 (D.C. Cir., filed July 31, 1987).
- National Association of Casualty & Insurance Agents v. Board of Governors*, Nos. 87-1354, 87-1355 (D.C. Cir., filed July 29, 1987).
- The Chase Manhattan Corporation v. Board of Governors*, No. 87-1333 (D.C. Cir., filed July 20, 1987).
- Lewis v. Board of Governors*, Nos. 87-3455, 87-3545 (11th Cir., filed June 25, Aug. 3, 1987).
- Securities Industry Association v. Board of Governors, et al.*, No. 87-1169 (D.C. Cir., filed April 17, 1987).
- Jenkins v. Board of Governors*, No. 86-1419 (D.C. Cir., filed July 18, 1986).
- CBC, Inc. v. Board of Governors*, No. 86-1001 (10th Cir., filed Jan. 2, 1986).

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent) ¹								
	1987			1988	1988				
	Q2	Q3	Q4	Q1 ^r	Jan.	Feb.	Mar. ^r	Apr. ^r	May
<i>Reserves of depository institutions²</i>									
1 Total	6.5 ^r	-9 ^r	2.5 ^r	3.5	15.0	2.3	3.8	12.3	-2
2 Required	6.8 ^r	.3 ^r	1.4 ^r	2.9	9.8	5.7	8.0	13.9	-3.6
3 Nonborrowed	3.9 ^r	.3 ^r	2.4 ^r	1.5	8.9	16.5	-23.7	-13.0	8.5
4 Monetary base ³	7.0 ^r	5.1	7.8 ^r	8.3	13.0	6.0	5.9	11.4	5.1
<i>Concepts of money, liquid assets, and debt⁴</i>									
5 M1	6.6	.8	3.9	3.9	12.9	1.1	5.5	11.2	-2
6 M2	2.7	2.8	3.9	6.7	9.9	8.6	8.8	10.0	4.9
7 M3	4.6	4.5	5.4	6.9	8.3	10.5	7.8	7.2	4.7
8 L	4.0	4.3	5.8	6.8	10.4	8.9	7.5	12.5	n.a.
9 Debt	8.6 ^r	7.9 ^r	10.1 ^r	8.4	7.0	8.0	8.5	8.4	n.a.
<i>Nontransaction components</i>									
10 In M2 ⁵	1.3	3.6 ^r	3.9 ^r	7.7	8.8	11.2	9.9	9.6	6.6
11 In M3 only ⁶	12.3 ^r	11.0 ^r	11.3 ^r	7.5	2.4	17.6	4.2	-3.4	3.7
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings	22.4	10.1	.7	6.3	5.4	13.4	14.6	5.9	11.7
13 Small-denomination time ⁸	-2.7	7.4	14.8	13.7	10.6	17.6	11.6	15.1	6.6
14 Large-denomination time ^{9,10}	17.1	6.8	10.5	3.2	-12.6	17.6	5.5	-3.7	10.7
<i>Thrift institutions</i>									
15 Savings	19.2	7.0	-3.8	-2.4	-3.6	-5	7.1	10.1	3.5
16 Small-denomination time	1.2	9.3	16.0	21.3	18.4	25.0	18.0	13.6	10.2
17 Large-denomination time ⁹	-5.1	9.9	22.2	15.7	11.2	16.2	1.5	15.3	5.7
<i>Debt components⁴</i>									
18 Federal	8.9 ^r	5.8 ^r	7.6 ^r	9.3	5.3	11.2	15.2	7.1	n.a.
19 Nonfederal	8.5 ^r	8.5 ^r	10.8 ^r	8.2	7.6	7.1	6.5	8.8	n.a.
20 Total loans and securities at commercial banks ¹¹	8.2	6.2	5.5	5.1	6.1	9.3	7.9	11.4	13.0

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

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

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

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

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

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

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

institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government.

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1988			1988						
	Mar.	Apr.	May	Apr. 13	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit	239,867	248,228	249,800	247,367	247,821	247,343	256,213	253,664	251,276	244,363
2 U.S. government securities ¹	215,545	221,348	223,732	220,510	221,263	221,778	228,105	226,254	225,250	219,342
3 Bought outright	215,545	220,204	222,187	220,510	220,470	221,497	223,044	223,466	223,123	219,342
4 Held under repurchase agreements	0	1,144	1,545	0	793	281	5,061	2,788	2,127	0
5 Federal agency obligations	7,401	7,665	7,777	7,382	7,485	7,341	9,079	8,313	7,776	7,268
6 Bought outright	7,401	7,347	7,272	7,382	7,365	7,279	7,279	7,279	7,268	7,268
7 Held under repurchase agreements	0	318	505	0	120	62	1,800	1,034	508	0
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	1,690	3,081	2,592	3,565	3,672	2,034	2,414	2,080	2,270	2,911
10 Float	622	694	649	573	-87	567	677	823	767	724
11 Other Federal Reserve assets	14,609	15,440	15,050	15,337	15,487	15,622	15,938	16,194	15,213	14,118
12 Gold stock ²	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	18,315	18,366	18,427	18,355	18,369	18,383	18,397	18,411	18,425	18,439
ABSORBING RESERVE FUNDS										
15 Currency in circulation	225,434	228,362	230,482	228,897	228,766	228,031	228,667	230,072	230,569	230,479
16 Treasury cash holdings ³	468	484	475	488	487	483	479	481	479	470
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	2,894	5,047	7,276	3,456	3,662	4,383	14,094	13,152	5,996	3,176
18 Foreign	238	240	259	245	261	236	222	279	244	254
19 Service-related balances and adjustments	1,909	2,000	1,922	1,922	2,311	1,935	1,872	1,946	1,897	1,980
20 Other	408	364	360	323	366	402	363	308	322	339
21 Other Federal Reserve liabilities and capital	7,153	7,328	7,302	7,271	7,354	7,307	7,356	7,233	7,443	7,302
22 Reserve balances with Federal Reserve Banks ³	35,758	38,850	36,231	39,201	39,065	39,030	37,637	34,686	38,832	34,885
End-of-month figures				Wednesday figures						
1988				1988						
	Mar.	Apr.	May	Apr. 13	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25
SUPPLYING RESERVE FUNDS										
23 Reserve Bank credit	242,542	260,242	248,274	247,638	253,098	251,090	247,935	255,598	244,790	240,806
24 U.S. government securities ¹	217,496	230,971	223,192	220,408	225,524	224,915	221,829	227,935	218,978	215,217
25 Bought outright	217,496	223,363	223,192	220,408	219,974	222,947	221,829	223,071	218,978	215,217
26 Held under repurchase agreements	0	7,608	0	0	5,550	1,968	0	4,864	0	0
27 Federal agency obligations	7,399	10,074	7,268	7,379	8,122	7,715	7,279	8,702	7,268	7,268
28 Bought outright	7,399	7,279	7,268	7,379	7,279	7,279	7,279	7,279	7,268	7,268
29 Held under repurchase agreements	0	2,795	0	0	843	436	0	1,423	0	0
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,311	2,590	3,304	3,838	3,602	2,276	2,214	1,942	2,905	2,834
32 Float	298	371	122	427	208	239	728	782	1,203	709
33 Other Federal Reserve assets	15,038	16,236	14,388	15,586	15,642	15,945	15,885	16,237	14,436	14,778
34 Gold stock ²	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	18,339	18,395	18,451	18,367	18,381	18,395	18,409	18,423	18,437	18,451
ABSORBING RESERVE FUNDS										
37 Currency in circulation	227,099	228,308	232,758	229,243	228,556	228,258	229,388	230,567	230,666	231,090
38 Treasury cash holdings ³	479	479	459	488	484	477	482	481	470	467
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	2,403	16,186	2,871	3,900	5,319	11,343	9,682	10,639	2,610	4,382
40 Foreign	534	215	298	239	204	236	233	262	260	227
41 Service-related balances and adjustments	1,671	1,660	1,660	1,672	1,675	1,679	1,680	1,674	1,674	1,660
42 Other	436	360	427	343	398	398	333	304	320	565
43 Other Federal Reserve liabilities and capital	7,234	7,450	7,235	7,002	7,401	7,188	6,940	7,173	7,120	7,206
44 Reserve balances with Federal Reserve Banks ³	37,106	40,060	37,098	39,199	43,523	35,987	33,687	39,002	36,188	29,741

1. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes any securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold

stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.

3. Excludes required clearing balances and adjustments to compensate for float.

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

1.12 RESERVES AND BORROWINGS Depository Institutions¹

Millions of dollars

Reserve classification	Monthly averages ⁹									
	1985	1986	1987	1987			1988			
	Dec.	Dec.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Reserve balances with Reserve Banks ²	27,620	37,360	37,673	37,249	37,453	37,673	37,485	34,211	36,027	38,429
2 Total vault cash ³	22,953	24,079	26,155	25,587	25,431	26,155	26,919	28,119	25,926	25,200
3 Vault ⁴	20,522	22,199	24,449	23,857	23,752	24,449	25,155	25,836	24,049	23,636
4 Surplus ⁵	2,431	1,879	1,706	1,730	1,679	1,706	1,764	2,283	1,877	1,564
5 Total reserves ⁶	48,142	59,560	62,123	61,106	61,205	62,123	62,640	60,047	60,076	62,064
6 Required reserves	47,085	58,191	61,094	59,977	60,282	61,094	61,345	58,914	59,147	61,205
7 Excess reserve balances at Reserve Banks	1,058	1,369	1,029	1,129	923	1,029	1,295	1,133	929	859
8 Total borrowings at Reserve Banks	1,318	827	777	943	625	777	1,082	396	1,752	2,993
9 Seasonal borrowings at Reserve Banks	56	38	93	189	126	93	59	75	119	146
10 Extended credit at Reserve Banks	499	303	483	449	394	483	372	205	1,478	2,624
	Biweekly averages of daily figures for weeks ending									
	1988									
	Feb. 10	Feb. 24	Mar. 9	Mar. 23	Apr. 6	Apr. 20	May 4	May 18	June 1	June 15
11 Reserve balances with Reserve Banks ²	33,681	34,102	35,575	35,761	37,003	39,123	38,313	36,737 ^f	35,707	38,658
12 Total vault cash ³	29,417	27,954	25,987	26,224	25,336	25,205	25,112	25,726	26,265	25,118
13 Vault ⁴	26,967	25,685	23,998	24,332	23,610	23,709	23,549	24,122	24,418	23,605
14 Surplus ⁵	2,450	2,270	1,989	1,892	1,726	1,497	1,563	1,604	1,847	1,513
15 Total reserves ⁶	60,648	59,787	59,573	60,093	60,613	62,831	61,862	60,859 ^f	60,125	62,263
16 Required reserves	59,366	58,700	58,607	59,182	59,696	62,145	60,796	59,959 ^f	58,971	61,566
17 Excess reserve balances at Reserve Banks	1,282	1,087	966	911	917	686	1,067	901 ^f	1,154	697
18 Total borrowings at Reserve Banks	287	425	537	1,924	2,817	3,619	2,224	2,175	3,120	3,465
19 Seasonal borrowings at Reserve Banks	55	77	111	123	122	124	191	241	269	287
20 Extended credit at Reserve Banks ⁸	144	232	255	1,685	2,494	3,278	1,787	1,798	2,538	2,986

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.

3. 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. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

5. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

6. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and

adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

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. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

A6 Domestic Financial Statistics □ August 1988

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks¹

Averages of daily figures, in millions of dollars

Maturity and source	1987 week ending Monday								
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<i>Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds</i>									
<i>From commercial banks in the United States</i>									
1 For one day or under continuing contract	75,965	79,120	76,821	70,725	70,174	75,638	75,774	70,856	67,536
2 For all other maturities	9,781	10,341	10,353	10,190	11,547	9,694	9,608	8,953	9,409
<i>From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies</i>									
3 For one day or under continuing contract	24,574	25,943	26,635	26,265	24,679	29,930	27,276	24,725	22,860
4 For all other maturities	8,510	8,645	8,238	7,762	8,848	7,160	7,468	6,968	7,191
<i>Repurchase agreements on U.S. government and federal agency securities in immediately available funds</i>									
<i>Brokers and nonbank dealers in securities</i>									
5 For one day or under continuing contract	15,544	13,351	13,080	13,972	13,136	13,388	14,052	14,741	12,170
6 For all other maturities	12,306	12,424	13,080	12,622	13,982	13,240	13,274	12,119	12,603
<i>All other customers</i>									
7 For one day or under continuing contract	28,666	28,274	27,616	27,840	24,071	27,077	27,093	24,887	24,512
8 For all other maturities	9,710	10,277	10,209	9,662	13,855	9,972	9,942	9,886	12,018
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	35,913	33,803	34,054	29,895	32,952	31,276	30,472	31,147	30,352
10 To all other specified customers ²	14,502	14,362	14,889	12,211	11,190	11,795	11,027	11,062	10,326

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

Federal Reserve Bank	Adjustment credit and Seasonal credit ¹			Extended credit ²						
	On 6/24/88	Effective date	Previous rate	First 30 days of borrowing			After 30 days of borrowing ³			
				On 6/24/88	Effective date	Previous rate	On 6/24/88	Effective date	Previous rate	Effective date
Boston	↑	9/9/87	5½	6	9/9/87	5½	7.90	6/16/88	7.80	6/2/88
New York		9/4/87			9/4/87			6/16/88		6/2/88
Philadelphia		9/4/87			9/4/87			6/16/88		6/2/88
Cleveland		9/4/87			9/4/87			6/16/88		6/2/88
Richmond		9/5/87			9/5/87			6/16/88		6/2/88
Atlanta		9/4/87			9/4/87			6/16/88		6/2/88
Chicago	↓	9/4/87	5½	6	9/4/87	5½	7.90	6/16/88	7.80	6/2/88
St. Louis		9/9/87			9/9/87			6/16/88		6/2/88
Minneapolis		9/8/87			9/8/87			6/16/88		6/2/88
Kansas City		9/4/87			9/4/87			6/16/88		6/2/88
Dallas		9/11/87			9/11/87			6/16/88		6/2/88
San Francisco		9/9/87			9/9/87			6/16/88		6/2/88

Range of rates for adjustment credit in recent years⁴

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1980—July 28	10-11	10	1984—Apr. 9	8½-9	9
1978—Jan. 9	6-6½	6½	29	10	10	13	9	9
20	6½	6½	Sept. 26	11	11	Nov. 21	8½-9	8½
May 11	6½-7	7	Nov. 17	12	12	26	8½	8½
12	7	7	Dec. 5	12-13	13	Dec. 24	8	8
July 3	7-7¼	7¼	1981—May 5	13-14	14	1985—May 20	7½-8	7½
10	7¼	7¼	8	14	14	24	7½	7½
Aug. 21	7¾	7¾	Nov. 2	13-14	13	1986—Mar. 7	7-7½	7
Sept. 22	8	8	6	13	13	10	7	7
Oct. 16	8-8½	8½	Dec. 4	12	12	Apr. 10	6½-7	6½
20	8½	8½	1982—July 20	11½-12	11½	21	6	6
Nov. 1	8½-9½	9½	23	11½	11½	July 11	5½-6	5½
3	9½	9½	Aug. 2	11-11½	11	Aug. 12	5½	5½
1979—July 20	10	10	3	11	11	22	5½	5½
Aug. 17	10-10½	10½	16	10½	10½	1987—Sept. 4	5½-6	6
20	10½	10½	27	10-10½	10	11	6	6
Sept. 19	10½-11	11	30	10	10	In effect June 24, 1988	6	6
21	11	11	Oct. 12	9½-10	9½			
Oct. 8	11-12	12	13	9½	9½			
10	12	12	Nov. 22	9-9½	9			
1980—Feb. 15	12-13	13	26	9	9			
19	13	13	Dec. 14	8½-9	9			
May 29	12-13	13	15	8½-9	8½			
30	12	12	17	8½	8½			
June 13	11-12	11						
16	11	11						

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

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

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

3. For extended-credit loans outstanding more than 30 days, a flexible rate

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

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS¹

Percent of deposits

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

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

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

other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS¹

Millions of dollars

Type of transaction	1985	1986	1987	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
U.S. TREASURY SECURITIES										
<i>Outright transactions (excluding matched transactions)</i>										
Treasury bills										
1 Gross purchases	22,214	22,602	18,983	1,095	3,388	150	0	346	560	423
2 Gross sales	4,118	2,502	6,050	300	0	0	49	538	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,500	1,000	9,029	0	0	0	600	1,600	0	0
Others within 1 year										
5 Gross purchases	1,349	190	3,658	300	670	479	0	0	0	1,092
6 Gross sales	0	0	300	0	0	0	0	0	0	0
7 Maturity shift	19,763	18,673	21,502	816	2,247	1,400	950	1,939	2,051	868
8 Exchange	-17,717	-20,179	-20,388	-1,178	-3,728	-1,742	-754	-2,868	-2,089	1,688
9 Redemptions	0	0	70	0	70	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,185	893	10,231	0	50	2,589	0	0	0	3,661
11 Gross sales	0	0	452	0	0	0	0	800	0	0
12 Maturity shift	-17,459	-17,058	-17,974	-761	-1,900	-1,400	-840	-952	-2,051	-823
13 Exchange	13,853	16,984	18,938	1,178	3,278	1,742	749	2,643	2,089	1,434
5 to 10 years										
14 Gross purchases	458	236	2,441	0	0	596	0	0	0	1,017
15 Gross sales	100	0	0	0	0	0	0	175	0	0
16 Maturity shift	-1,857	-1,620	-3,529	-55	-347	0	-110	-987	0	-45
17 Exchange	2,184	2,050	950	0	300	0	5	150	0	254
Over 10 years										
18 Gross purchases	293	158	1,858	0	0	445	0	0	0	966
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	-447	0	0	0	0	0	0	0	0	0
21 Exchange	1,679	1,150	500	0	150	0	0	75	0	0
All maturities										
22 Gross purchases	26,499	24,078	37,171	1,395	4,108	4,259	0	346	560	7,160
23 Gross sales	4,218	2,502	6,802	300	0	0	49	1,513	0	0
24 Redemptions	3,500	1,000	9,099	0	70	0	600	1,600	0	0
<i>Matched transactions</i>										
25 Gross sales	866,175	927,997	950,923	77,497	85,288	104,833	78,358	97,892	104,527	86,900
26 Gross purchases	865,968	927,247	950,935	73,779	85,494	105,917	78,513	99,139	104,572	85,608
<i>Repurchase agreements²</i>										
27 Gross purchases	134,253	170,431	314,620	65,675	15,853	23,512	10,591	0	0	18,696
28 Gross sales	132,351	160,268	324,666	57,380	18,751	25,264	14,237	0	0	11,088
29 Net change in U.S. government securities	20,477	29,989	11,235	5,673	1,346	3,591	-4,140	-1,520	605	13,476
FEDERAL AGENCY OBLIGATIONS										
<i>Outright transactions</i>										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	162	398	276	56	1	13	131	21	3	120
<i>Repurchase agreements²</i>										
33 Gross purchases	22,183	31,142	80,353	18,523	6,786	9,718	4,042	0	0	4,243
34 Gross sales	20,877	30,522	81,351	15,607	7,425	10,679	5,357	0	0	1,447
35 Net change in federal agency obligations	1,144	222	-1,274	2,860	-640	-975	-1,446	-21	-3	2,676
36 Total net change in System Open Market Account	21,621	30,211	9,961	8,533	706	2,617	-5,586	-1,541	602	16,151

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

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

A10 Domestic Financial Statistics □ August 1988

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements¹

Millions of dollars

Account	Wednesday					End of month		
	1988					1988		
	Apr. 27	May 4	May 11	May 18	May 25	Mar.	Apr.	May
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	451	440	439	441	424	480	450	402
Loans								
4 To depository institutions	2,276	2,214	1,942	2,905	2,834	2,311	2,590	3,304
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,279	7,279	7,279	7,268	7,268	7,399	7,279	7,268
8 Held under repurchase agreements	436	0	1,423	0	0	0	2,795	0
U.S. Treasury securities								
Bought outright								
9 Bills	105,970	104,852	106,094	102,001	98,240	107,256	106,386	106,215
10 Notes	87,684	87,684	87,684	87,484	87,484	81,923	87,684	87,484
11 Bonds	29,293	29,293	29,293	29,493	29,493	28,317	29,293	29,493
12 Total bought outright ²	222,947	221,829	223,071	218,978	215,217	217,496	223,363	223,192
13 Held under repurchase agreements	1,968	0	4,864	0	0	0	7,608	0
14 Total U.S. Treasury securities	224,915	221,829	227,935	218,978	215,217	217,496	230,971	223,192
15 Total loans and securities	234,906	231,322	238,579	229,151	225,319	227,206	243,635	233,764
16 Items in process of collection	6,813	7,654	6,658	7,221	6,701	6,267	7,577	5,354
17 Bank premises	717	720	719	723	721	716	719	723
Other assets								
18 Denominated in foreign currencies ³	6,447	6,447	6,449	6,462	6,466	6,652	6,446	6,349
19 All other ⁴	8,781	8,718	9,069	7,251	7,591	7,670	9,071	7,316
20 Total assets	274,196	271,382	277,994	267,330	263,303	265,072	283,979	269,989
LIABILITIES								
21 Federal Reserve notes	210,791	211,901	213,064	213,140	213,530	209,719	210,842	215,168
Deposits								
22 To depository institutions	37,666	35,367	40,676	37,862	31,401	38,777	41,720	38,758
23 U.S. Treasury—General account	11,343	9,682	10,639	2,610	4,382	2,403	16,186	2,871
24 Foreign—Official accounts	236	233	262	260	227	534	215	298
25 Other	398	333	304	320	565	436	360	427
26 Total deposits	49,643	45,615	51,881	41,052	36,575	42,150	58,481	42,354
27 Deferred credit items	6,574	6,926	5,876	6,018	5,992	5,969	7,206	5,232
28 Other liabilities and accrued dividends	2,671	2,470	2,633	2,590	2,669	2,607	2,861	2,539
29 Total liabilities	269,679	266,912	273,454	262,800	258,766	260,445	279,390	265,293
CAPITAL ACCOUNTS								
30 Capital paid in	2,096	2,096	2,098	2,100	2,102	2,095	2,096	2,101
31 Surplus	2,047	2,047	2,047	2,047	2,047	2,047	2,047	2,047
32 Other capital accounts	374	327	395	383	388	485	446	548
33 Total liabilities and capital accounts	274,196	271,382	277,994	267,330	263,303	265,072	283,979	269,989
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	228,833	228,833	229,897	231,623	230,348	226,340	229,054	230,917
Federal Reserve note statement								
35 Federal Reserve notes outstanding issued to bank	256,762	257,159	257,855	258,122	258,648	255,201	256,806	258,661
36 Less: Held by bank	45,971	45,258	44,791	44,982	45,118	45,482	45,964	43,493
37 Federal Reserve notes, net	210,791	211,901	213,064	213,140	213,530	209,719	210,842	215,168
<i>Collateral held against notes net:</i>								
38 Gold certificate account	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	194,710	195,820	196,983	197,059	197,449	193,638	194,761	199,087
42 Total collateral	210,791	211,901	213,064	213,140	213,530	209,719	210,842	215,168

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

2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.

3. Valued monthly at market exchange rates.

4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.

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

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1988					1988		
	Apr. 27	May 4	May 11	May 18	May 25	Mar. 31	Apr. 29	May 31
1 Loans—Total	2,276	2,214	1,942	2,905	2,834	2,311	2,590	3,282
2 Within 15 days	2,252	2,102	1,812	2,884	2,788	2,271	2,523	3,185
3 16 days to 90 days	24	112	130	21	46	40	67	97
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	224,915	221,829	227,935	218,978	215,217	217,496	230,971	223,192
10 Within 15 days	12,283	14,328	19,566	5,805	7,304	7,362	15,082	7,372
11 16 days to 90 days	52,676	47,511	50,949	51,096	45,986	51,566	55,856	53,232
12 91 days to 1 year	66,873	66,230	63,659	66,400	66,250	71,273	66,950	67,115
13 Over 1 year to 5 years	51,196	51,873	51,873	53,734	53,734	47,600	51,196	53,530
14 Over 5 years to 10 years	15,422	15,422	15,422	15,435	15,435	14,196	15,422	15,435
15 Over 10 years	26,465	26,465	26,466	26,508	26,508	25,499	26,465	26,508
16 Federal agency obligations—Total	7,715	7,279	8,702	7,268	7,268	7,399	10,074	7,268
17 Within 15 days	577	11	1,482	268	268	385	2,936	246
18 16 days to 90 days	659	783	736	576	576	592	659	661
19 91 days to 1 year	1,837	1,843	1,843	1,782	1,818	1,634	1,837	1,728
20 Over 1 year to 5 years	3,292	3,292	3,291	3,292	3,282	3,381	3,292	3,309
21 Over 5 years to 10 years	1,161	1,161	1,161	1,161	1,135	1,217	1,161	1,135
22 Over 10 years	189	189	189	189	189	190	189	189

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

A12 Domestic Financial Statistics □ August 1988

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE¹

Billions of dollars, averages of daily figures

Item	1984 Dec. ²	1985 Dec. ²	1986 Dec. ²	1987 Dec. ²	1987 ³			1988 ³				
					Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Seasonally adjusted												
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS⁴												
1 Total reserves ³	40.96	47.26	57.46	58.72	59.47	59.05	58.72	59.46	59.57	59.76	60.37	60.36
2 Nonborrowed reserves	37.77	45.94	56.63	57.94	58.52	58.43	57.94	58.38	59.18	58.01	57.38	57.79
3 Nonborrowed reserves plus extended credit ⁴	40.38	46.44	56.93	58.43	58.97	58.82	58.43	58.75	59.38	59.49	60.00	59.89
4 Required reserves	40.11	46.20	56.09	57.69	58.34	58.13	57.69	58.16	58.44	58.83	59.51	59.34
5 Monetary base ⁵	200.45	218.26	240.80	257.93	255.30	256.94	257.93	260.72	262.02	263.32	265.81	266.93
Not seasonally adjusted												
6 Total reserves ³	41.84	48.27	58.70	60.02	59.07	59.14	60.02	61.20	58.66	58.85	60.95	59.45
7 Nonborrowed reserves	38.65	46.95	57.87	59.25	58.13	58.51	59.25	60.12	58.27	57.10	57.95	56.88
8 Nonborrowed reserves plus extended credit ⁴	41.26	47.45	58.18	59.73	58.58	58.91	59.73	60.49	58.47	58.58	60.58	58.98
9 Required reserves	40.99	47.21	57.33	58.99	57.94	58.21	58.99	59.90	57.53	57.92	60.09	58.43
10 Monetary base ⁵	203.39	221.49	244.55	262.05	254.12	257.65	262.05	262.01	259.01	260.77	265.01	265.74
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS⁶												
11 Total reserves ³	40.70	48.14	59.56	62.12	61.11	61.20	62.12	62.64	60.05	60.08	62.06	60.68
12 Nonborrowed reserves	37.51	46.82	58.73	61.35	60.16	60.58	61.35	61.56	59.65	58.32	59.07	58.10
13 Nonborrowed reserves plus extended credit ⁴	40.09	47.41	59.04	61.86	61.22	60.79	61.86	62.12	59.82	59.58	61.89	60.08
14 Required reserves	39.84	47.08	58.19	61.09	59.98	60.28	61.09	61.34	58.91	59.15	61.21	59.65
15 Monetary base ⁵	204.18	223.53	247.71	266.16	258.08	261.67	266.16	265.79	262.60	263.98	268.13	268.91

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

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

4. 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.

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES¹

Billions of dollars, averages of daily figures

Item ²	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988			
					Feb.	Mar.	Apr. ⁷	May
Seasonally adjusted								
1 M1	551.9	620.1	725.4	750.8	759.6	763.1	770.2	770.1
2 M2	2,363.6	2,562.6	2,807.8	2,901.1 ⁷	2,946.0 ⁷	2,967.5 ⁷	2,991.9	3,003.7
3 M3	2,978.3	3,196.4	3,490.4 ⁷	3,661.1 ⁷	3,719.5 ⁷	3,744.5 ⁷	3,766.7	3,780.0
4 L	3,519.4	3,825.9	4,133.8 ⁷	4,325.4	4,396.1 ⁷	4,424.5 ⁷	4,467.3	n.a.
5 Debt	5,932.6	6,749.4	7,607.6 ⁷	8,305.1 ⁷	8,409.8 ⁷	8,469.5 ⁷	8,528.7	n.a.
M1 components								
6 Currency ³	156.1	167.7	180.4	196.5	199.3	200.9	202.5	203.6
7 Travelers checks ⁴	5.2	5.9	6.5	7.1	7.3	7.3	7.3	7.4
8 Demand deposits ⁵	244.1	267.2	303.3	288.0	287.8	287.9	290.1	287.3
9 Other checkable deposits ⁶	146.4	179.2	235.2	259.3	265.2	267.1	270.3	271.9
Nontransactions components								
10 In M2 ⁷	1,811.7	1,942.5	2,082.4	2,150.3 ⁷	2,186.4 ⁷	2,204.4 ⁷	2,221.7	2,233.5
11 In M3 only ⁸	614.7	633.8	682.6 ⁷	760.0 ⁷	773.5 ⁷	777.0 ⁷	774.8	776.4
Savings deposits ⁹								
12 Commercial Banks	122.6	124.8	155.5	178.2	181.0	183.2	184.1	185.9
13 Thrift institutions	162.9	176.6	215.2	236.0	235.2	236.6	238.6	239.3
Small denomination time deposits ¹⁰								
14 Commercial Banks	386.3	383.3	364.6	384.6	393.7	397.5	402.5	404.7
15 Thrift institutions	497.0	496.2	488.6	528.5	547.8	556.0	562.3	567.1
Money market mutual funds								
16 General purpose and broker-dealer	167.5	176.5	208.0	221.1	231.0 ⁷	234.9 ⁷	236.1	232.7
17 Institution-only	62.7	64.5	84.4	89.6	98.7	97.4	91.9	90.0
Large denomination time deposits ¹¹								
18 Commercial Banks ¹²	270.2	284.9	288.9	323.5	324.8	326.3 ⁷	325.4	328.4
19 Thrift institutions	146.8	151.6	150.3	161.2	164.9	165.1	167.2	168.1
Debt components								
20 Federal debt	1,365.3	1,584.3	1,804.5	1,954.7 ⁷	1,981.5 ⁷	2,006.6 ⁷	2,018.5	n.a.
21 Nonfederal debt	4,567.3	5,165.1	5,803.2 ⁷	6,350.4 ⁷	6,428.2 ⁷	6,462.9 ⁷	6,510.2	n.a.
Not seasonally adjusted								
22 M1	564.5	633.5	740.6	765.9	745.1	752.3	778.4	763.7
23 M2	2,373.2	2,573.9	2,821.5	2,914.8 ⁷	2,933.4	2,958.9 ⁷	2,999.5	2,989.8
24 M3	2,991.4	3,211.0	3,507.2 ⁷	3,677.7 ⁷	3,708.0 ⁷	3,737.7 ⁷	3,771.5	3,767.6
25 L	3,532.7	3,841.4	4,151.9 ⁷	4,343.4 ⁷	4,391.8 ⁷	4,423.1 ⁷	4,467.7	n.a.
26 Debt	5,927.1	6,740.6	7,593.3 ⁷	8,288.9 ⁷	8,375.3 ⁷	8,437.6 ⁷	8,499.0	n.a.
M1 components								
27 Currency ³	158.5	170.2	183.0	199.4	197.2	199.2	201.6	203.6
28 Travelers checks ⁴	4.9	5.5	6.0	6.5	6.8	6.9	6.9	7.1
29 Demand deposits ⁵	253.0	276.9	314.4	298.5	279.1	279.9	291.9	282.8
30 Other checkable deposits ⁶	148.2	180.9	237.3	261.6	262.0	266.3	278.0	270.2
Nontransactions components								
31 M2 ⁷	1,808.7	1,940.3	2,080.8	2,148.9 ⁷	2,188.3	2,206.6 ⁷	2,221.1	2,226.1
32 M3 only ⁸	618.2	637.1	685.7 ⁷	762.9 ⁷	774.6 ⁷	778.7 ⁷	772.0	777.7
Money market deposit accounts								
33 Commercial Banks	267.4	332.8	379.6	358.2	359.1	360.8	360.1	356.9
34 Thrift institutions	149.4	180.8	192.9	167.0	163.5	163.8	163.0	162.6
Savings deposits ⁹								
35 Commercial Banks	121.5	123.7	154.2	176.7	179.4	182.5	185.0	187.1
36 Thrift institutions	161.5	174.8	212.9	233.3	232.8	236.1	239.5	241.4
Small denomination time deposits ¹⁰								
37 Commercial Banks	386.9	384.0	365.3	385.2	394.1	397.2	399.6	401.4
38 Thrift institutions	498.2	497.5	489.7	529.3	550.4	556.6	560.9	562.6
Money market mutual funds								
39 General purpose and broker-dealer	167.5	176.5	208.0	221.1	231.0 ⁷	234.9 ⁷	236.1	232.7
40 Institution-only	62.7	64.5	84.4	89.6	98.7	97.4	91.9	90.0
Large denomination time deposits ¹¹								
41 Commercial Banks ¹²	270.9	285.4	289.1	323.6	325.1	328.4 ⁷	325.3	329.1
42 Thrift institutions	146.8	151.9	150.7	161.8	166.0	165.3	165.6	167.1
Debt components								
43 Federal debt	1,364.7	1,583.7	1,803.9 ⁷	1,954.1 ⁷	1,974.6 ⁷	1,993.2 ⁷	2,001.6	n.a.
44 Nonfederal debt	4,562.4	5,156.9	5,789.4 ⁷	6,334.7 ⁷	6,400.7 ⁷	6,444.4 ⁷	6,497.4	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 Banking Sections, Division of Research and Statistics, 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 (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions.

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

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

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

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

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 non-bank 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, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Savings deposits exclude MMDAs.

10. 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.

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

12. 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 TURNOVER¹

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

Bank group, or type of customer	1985 ²	1986 ²	1987 ²	1987			1988		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
DEBITS TO									
Seasonally adjusted									
Demand deposits ³									
1 All insured banks	156,091.6	188,345.8	217,115.9	234,398.3	219,386.1	203,290.6	213,270.8	221,057.3	218,986.7
2 Major New York City banks	70,585.8	91,397.3	104,496.3	110,833.6	103,693.6	92,640.1	98,733.8	104,568.3	101,161.0
3 Other banks	85,505.9	96,948.8	112,619.6	123,564.6	115,692.5	110,650.5	114,537.0	116,489.0	117,825.7
4 ATS-NOW accounts ⁴	1,823.5	2,182.5	2,402.7	2,591.3	2,536.1	2,525.7	2,352.7	2,730.3	2,856.8
5 Savings deposits ⁵	384.9	403.5	526.5	582.4	570.8	556.0	534.9	596.0	640.7
DEPOSIT TURNOVER									
Demand deposits ³									
6 All insured banks	500.3	556.5	612.1	654.9	619.0	590.4	602.5	628.2	628.8
7 Major New York City banks	2,196.9	2,498.2	2,670.6	2,744.7	2,620.2	2,608.1	2,600.3	2,844.8	2,811.0
8 Other banks	305.7	321.2	357.0	389.1	367.4	358.3	362.5	369.7	377.3
9 ATS-NOW accounts ⁴	15.8	15.6	13.8	14.4	14.2	14.2	13.0	14.9	15.5
10 Savings deposits ⁵	3.2	3.0	3.1	3.3	3.3	3.2	3.0	3.3	3.5
DEBITS TO									
Not seasonally adjusted									
Demand deposits ³									
11 All insured banks	156,052.3	188,506.4	217,124.8	233,999.8	202,230.1	222,338.9	210,029.1	208,899.2	233,286.6
12 Major New York City banks	70,559.2	91,500.0	104,518.6	111,398.9	96,035.9	102,548.7	40.3	36.8	109,557.8
13 Other banks	85,493.1	97,006.6	112,606.1	122,600.8	106,194.2	119,790.3	112,189.0	110,792.7	123,728.8
14 ATS-NOW accounts ⁴	1,826.4	2,184.6	2,404.8	2,577.7	2,375.8	2,645.3	2,565.2	2,468.6	2,825.0
15 MMDA ⁶	1,223.9	1,609.4	1,954.2	2,247.8	1,959.8	2,276.4	2,305.6	2,102.8	2,337.5
16 Savings deposits ⁵	385.3	404.1	526.8	604.3	519.9	568.9	552.5	526.3	616.5
DEPOSIT TURNOVER									
Demand deposits ³									
17 All insured banks	499.9	556.7	612.3	657.8	565.6	615.0	578.7	610.5	684.3
18 Major New York City banks	2,196.3	2,499.1	2,674.9	2,824.8	2,467.8	2,661.4	2,430.3	2,664.6	3,005.7
19 Other banks	305.6	321.2	356.9	387.6	333.3	370.9	347.7	362.8	406.4
20 ATS-NOW accounts ⁴	15.8	15.6	13.8	14.6	13.3	14.6	13.9	13.5	15.3
21 MMDA ⁶	4.0	4.5	5.3	6.3	5.5	6.4	6.5	5.9	6.5
22 Savings deposits ⁵	3.2	3.0	3.1	3.5	3.0	3.2	3.1	3.0	3.4

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

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

2. Annual averages of monthly figures.

3. Represents accounts of individuals, partnerships, and corporations and

of states and political subdivisions.

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

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

6. Money market deposit accounts.

A16 Domestic Financial Statistics □ August 1988

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars; averages of Wednesday figures

Category	1987							1988				
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan. ^r	Feb. ^r	Mar. ^r	Apr. ^r	May
Seasonally adjusted												
1 Total loans and securities ²	2,176.7	2,181.3	2,199.0	2,214.7	2,227.6	2,232.1	2,230.6	2,242.4	2,259.8	2,274.8	2,297.7	2,322.5
2 U.S. government securities	321.3	322.9	328.5	331.3	331.7	331.1	333.2	334.6	334.9	338.9	343.0	346.0
3 Other securities	195.9	194.3	193.7	193.7	194.2	196.2	196.0	193.9	195.6	197.5	198.2	197.6
4 Total loans and leases ²	1,659.6	1,664.1	1,676.8	1,689.8	1,701.7	1,704.8	1,701.4	1,714.0	1,729.2	1,738.4	1,756.4	1,778.9
5 Commercial and industrial	554.4	553.6	554.0	559.0	562.8	563.1	565.5	568.3	571.1	569.3	578.8	587.4
6 Bankers acceptances held ³	4.6	4.5	5.3	5.4	5.5	4.6	4.3	4.5	4.5	4.8	4.7	4.5
7 Other commercial and industrial	549.8	549.1	548.7	553.6	557.3	558.5	561.2	563.9	566.6	564.5	574.1	582.9
8 U.S. addressees ⁴	541.4 ^r	540.8	540.6 ^r	545.7 ^r	549.4 ^r	551.0 ^r	553.1 ^r	554.8	557.6	556.1	565.8	575.8
9 Non-U.S. addressees ⁴	8.4	8.3 ^r	8.1 ^r	7.9 ^r	7.9 ^r	7.5 ^r	8.2	9.0	8.9	8.4	8.3	7.1
10 Real estate	542.6	549.6	556.8	561.7	569.4	576.2	582.3	587.5	593.0	598.2	604.4	612.5
11 Individual	318.9	319.7	321.5	322.8	324.1	325.0	325.9	327.9	330.8	334.6	337.6	339.2
12 Security	44.0	43.9	45.4	46.1	47.1	39.3	33.4	36.3	41.3	39.8	38.1	38.8
13 Nonbank financial institutions	34.5	32.5	31.5	31.4	31.7	31.9	31.9	32.1	32.7	32.1	31.2	31.8
14 Agricultural	30.0	29.8	29.7	29.6	29.6	29.3	29.2	29.4	29.5	29.5	29.5	29.4
15 State and political subdivisions	56.1	55.5	54.7	54.6	54.1	53.4	51.2	52.3	52.3	52.1	51.9	51.6
16 Foreign banks	9.6	9.0	9.1	9.2	9.6	8.8	8.2	7.8	8.1	8.1	8.5	8.2
17 Foreign official institutions	5.9	5.7	5.7	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3
18 Lease financing receivables	23.9	23.9	24.0	24.1	24.3	24.5	24.8	24.8	24.7	24.8	25.0	25.3
19 All other loans	39.8	40.7	44.3	45.5	43.2	47.6	43.3	41.6	40.9	44.6	46.1	49.4
Not seasonally adjusted												
20 Total loans and securities ²	2,173.7	2,172.8	2,188.8	2,211.6	2,222.4	2,231.3	2,247.0	2,255.0	2,264.5	2,275.0	2,298.8	2,319.1
21 U.S. government securities	318.4	322.1	328.3	331.3	329.3	331.0	333.1	336.1	340.0	340.8	342.6	344.3
22 Other securities	195.3	193.0	193.6	193.8	193.3	195.6	196.6	196.5	196.3	197.1	197.8	197.6
23 Total loans and leases ²	1,660.0	1,657.7	1,666.9	1,686.6	1,699.8	1,704.7	1,717.3	1,722.4	1,728.2	1,737.2	1,758.5	1,777.1
24 Commercial and industrial	555.9	551.3	549.5	555.7	558.7	562.0	569.6	568.0	570.3	574.5	582.8	589.8
25 Bankers acceptances held ³	4.7	4.6	5.3	5.5	5.4	4.6	4.4	4.3	4.4	4.8	4.7	4.5
26 Other commercial and industrial	551.2	546.7	544.2	550.2	553.3	557.4	565.2	563.7	565.9	569.7	578.1	585.3
27 U.S. addressees ⁴	542.7	538.2 ^r	536.0 ^r	542.1	545.3 ^r	549.3 ^r	557.1 ^r	555.5	557.4	561.5	570.0	577.9
28 Non-U.S. addressees ⁴	8.4 ^r	8.6	8.3	8.1 ^r	8.1	8.1 ^r	8.1 ^r	8.2	8.5	8.1	8.1	7.3
29 Real estate	542.4	549.7	556.8	562.4	570.0	576.8	583.2	587.8	592.3	597.4	603.4	612.0
30 Individual	316.9	318.4	321.5	324.3	325.7	326.7	330.2	331.3	330.2	331.5	334.5	336.3
31 Security	45.4	43.3	43.3	44.8	45.6	39.4	35.1	37.1	39.7	39.3	39.8	39.3
32 Nonbank financial institutions	34.6	32.3	31.4	31.8	31.7	32.3	33.2	32.4	31.6	31.1	31.1	31.5
33 Agricultural	30.3	30.5	30.6	30.7	30.4	29.6	29.0	28.6	28.5	28.5	28.7	29.1
34 State and political subdivisions	55.7	54.7	54.1	53.8	53.2	52.3	51.2	54.1	53.6	53.0	52.4	51.6
35 Foreign banks	9.5	9.0	8.9	9.5	9.8	8.8	8.6	8.4	8.0	8.0	8.1	7.9
36 Foreign official institutions	5.9	5.7	5.7	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3
37 Lease financing receivables	24.0	23.9	23.9	24.0	23.9	24.2	24.8	25.0	24.9	25.0	25.2	25.4
38 All other loans	39.5	38.9	41.0	43.9	44.8	46.8	46.8	44.1	43.8	43.8	47.1	48.8

1. These data also appear in the Board's G.7 (407) release. For address, see inside front cover.

2. Excludes loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Monthly averages, billions of dollars

Source	1987							1988				
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Total nondeposit funds												
1 Seasonally adjusted ²	167.2	160.4	166.8	177.3'	176.3	173.8	177.3'	178.0'	175.4'	172.8'	179.9'	190.5
2 Not seasonally adjusted	164.1	156.8	166.9	177.7'	176.3'	176.1	178.2'	178.3'	178.0'	173.7'	179.1'	190.3
Federal funds, RPs, and other borrowings from nonbanks ³												
3 Seasonally adjusted	168.4	167.3	167.1	165.0'	164.7	165.9	162.2'	169.8'	173.6'	177.4'	179.5'	181.6
4 Not seasonally adjusted	165.3	163.6	167.2	165.4'	164.8	168.3'	163.1'	170.1'	176.1'	178.2'	178.7'	181.4
5 Net balances due to foreign-related institutions, not seasonally adjusted	-1.2	-6.9	-3	12.3	11.6	7.9	15.1	8.2	1.8	-4.5	.3	8.9
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted ⁴	-15.5	-22.2	-17.7	-11.8	-14.7	-17.1	-14.1	-17.4	-21.5	-26.7	-23.8'	-17.3
7 Gross due from balances	67.1	66.4	64.5	63.8	67.7	70.4	69.6	72.1	74.1	78.0	74.5	70.5
8 Gross due to balances	51.5	44.2	46.8	52.0	53.0	53.3	55.5	54.7	52.7	51.3	50.7'	53.2
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted ⁵	14.3	15.4	17.4	24.1	26.3	24.9	29.2	25.6	23.3	22.1	24.2	26.2
10 Gross due from balances	77.4	77.4	77.7	77.3	79.7	83.2	79.8	85.2	87.3	88.6	88.3	89.8
11 Gross due to balances	91.8	92.8	95.0	101.4	106.0	108.2	109.0	110.9	110.6	110.7	112.4	116.0
Security RP borrowings												
12 Seasonally adjusted ⁶	101.9	103.0	105.2	107.4'	107.6	107.0'	106.5'	108.9'	107.7'	108.2'	112.0'	114.9
13 Not seasonally adjusted	98.8	99.4	105.3	107.8'	107.6'	109.3	107.4'	109.3'	110.3'	109.1'	111.2'	114.7
U.S. Treasury demand balances												
14 Seasonally adjusted	26.9	24.4	28.5	24.9	34.2	35.7	26.1	18.6	22.6	24.9	21.8	24.7
15 Not seasonally adjusted	25.5	26.6	21.6	25.5	30.7	25.8	22.4	24.9	28.2	22.3	21.7	30.4
Time deposits, \$100,000 or more ⁸												
16 Seasonally adjusted	372.1	372.5	372.3	373.0	380.5	387.0	389.2	389.1	394.4	396.1	394.1	396.5
17 Not seasonally adjusted	371.4	370.0	371.8	373.2	380.4	387.0	389.3	390.1	394.7	398.2	394.0	397.2

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

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

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

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking

business. This includes borrowings from Federal Reserve Banks and from foreignbanks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

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

5. Averages of daily data.

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

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

8. Averages of Wednesday figures.

A18 Domestic Financial Statistics □ August 1988

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series¹
Billions of dollars

Account	1987						1988				
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.′	Feb.′	Mar.′	Apr.	May
ALL COMMERCIAL BANKING INSTITUTIONS²											
1 Loans and securities	2,331.6	2,348.8	2,374.8	2,402.4	2,389.9	2,430.5	2,416.5	2,424.1	2,444.6	2,462.9′	2,469.0
2 Investment securities	497.1	501.1	501.7	503.8	508.0	514.4	516.0	515.4	518.3	520.3	522.5
3 U.S. government securities	309.4	313.7	313.8	316.0	317.3	321.4	323.7	323.6	324.6	328.1′	330.0
4 Other	187.7	187.4	187.9	187.9	190.7	193.1	192.2	191.8	193.7	192.1′	192.6
5 Trading account assets	20.4	19.5	19.5	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3
6 Total loans	1,814.1	1,828.2	1,853.6	1,878.9	1,861.6	1,899.2	1,882.3	1,886.9	1,906.0	1,923.0′	1,926.2
7 Interbank loans	156.5	160.8	157.4	172.9	162.0	172.1	160.9	162.8	161.0	161.6	154.0
8 Loans excluding interbank	1,657.6	1,667.5	1,696.2	1,706.1	1,699.7	1,727.2	1,721.4	1,724.1	1,745.0	1,761.5′	1,772.1
9 Commercial and industrial	548.1	548.2	549.7	559.7	561.1	576.4	565.4	570.4	576.9	584.1′	588.7
10 Real estate	552.9	558.2	564.1	571.7	577.4	586.3	589.3	592.7	600.0	605.9′	613.9
11 Individual	319.4	322.1	325.3	326.7	326.9	332.4	330.8	330.4	332.7	335.9′	336.3
12 All other	237.2	239.0	246.0	248.0	234.3	232.1	235.8	230.6	235.4	235.6′	233.2
13 Total cash assets	208.4	210.7	223.8	223.5	215.2	232.5	209.7	203.3	207.9	210.8′	197.0
14 Reserves with Federal Reserve Banks	32.5	37.3	32.9	38.3	33.8	36.2	33.3	32.8	32.1	32.2	26.0
15 Cash in vault	24.5	24.7	24.5	25.0	24.0	28.5	25.8	25.1	24.8	25.4	25.4
16 Cash items in process of collection	69.0	65.9	81.6	79.0	76.1	79.9	70.7	66.8	74.1	76.4	71.6
17 Demand balances at U.S. depository institutions	31.0	30.8	32.7	32.3	32.9	36.6	31.3	30.0	31.6	30.6	29.5
18 Other cash assets	51.5	52.1	52.1	48.9	48.4	51.4	48.6	48.5	45.3	46.2′	44.6
19 Other assets	182.5	184.5	193.6	186.3	187.5	184.0	177.7	178.1	189.0	185.2′	182.0
20 Total assets/total liabilities and capital	2,722.6	2,744.0	2,792.2	2,812.2	2,792.6	2,847.1	2,803.9	2,805.5	2,841.5	2,859.0′	2,848.0
21 Deposits	1,928.8	1,930.4	1,972.4	1,971.2	1,974.1	2,009.1	1,969.0	1,975.0	2,004.1	2,007.2	2,004.6
22 Transaction deposits	573.3	574.1	612.4	598.1	592.0	623.3	576.2	567.5	587.6	595.0	578.1
23 Savings deposits	538.7	537.9	535.3	531.7	531.1	528.0	531.7	535.6	539.7	536.0′	542.0
24 Time deposits	814.8	818.4	824.7	841.4	851.0	857.9	861.1	871.8	876.8	876.2′	884.4
25 Borrowings	414.6	426.4	416.3	435.7	420.1	426.2	446.1	444.2	446.3	456.3′	448.7
26 Other liabilities	202.5	209.6	224.7	225.5	218.9	231.5	208.1	205.3	211.1	214.1′	211.8
27 Residual (assets less liabilities)	176.7	177.6	178.8	179.8	179.5	180.4	180.7	181.0	180.0	181.4	182.9
MEMO											
28 U.S. government securities (including trading account)	323.8	326.8	327.7	329.9	331.7	332.4	337.7	340.8	340.1	342.8	345.7
29 Other securities (including trading account)	193.8	193.8	193.5	193.5	196.6	198.9	196.5	196.5	198.5	197.1	197.2
DOMESTICALLY CHARTERED COMMERCIAL BANKS³											
30 Loans and securities	2,162.8	2,179.6	2,195.4	2,218.6	2,213.8	2,238.5	2,232.9	2,237.8	2,255.8	2,272.0	2,277.3
31 Investment securities	472.1	476.2	475.9	478.7	482.6	488.3	488.0	487.6	490.4	493.8	495.2
32 U.S. Treasury securities	299.4	303.5	302.9	305.7	306.4	311.0	312.1	312.2	313.1	316.8	317.7
33 Other	172.7	172.6	173.0	173.0	176.3	177.3	175.9	175.4	177.2	177.0	177.6
34 Trading account assets	20.4	19.5	19.5	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3
35 Total loans	1,670.3	1,684.0	1,700.0	1,720.3	1,711.0	1,733.3	1,726.6	1,728.3	1,745.1	1,758.6	1,761.8
36 Interbank loans	122.0	128.6	125.0	133.3	130.5	135.3	131.4	133.4	132.2	129.0	125.5
37 Loans excluding interbank	1,548.3	1,555.4	1,575.0	1,587.0	1,580.4	1,598.0	1,595.2	1,595.0	1,612.9	1,629.7′	1,636.3
38 Commercial and industrial	465.2	464.4	470.2	470.6	472.0	479.4	472.7	475.6	480.7	487.2	488.8
39 Real estate	543.5	548.4	554.0	561.9	567.3	575.0	577.9	580.3	587.3	593.0′	600.5
40 Individual	319.1	321.8	325.0	326.4	326.6	332.1	330.5	330.1	332.4	335.6′	336.0
41 All other	220.4	220.8	225.8	228.1	214.6	211.6	214.1	209.0	212.5	213.9	211.0
42 Total cash assets	191.6	192.7	204.8	207.8	199.3	214.9	192.1	184.4	191.7	194.3	180.8
43 Reserves with Federal Reserve Banks	31.3	36.2	30.9	36.5	31.5	35.1	31.7	30.5	30.1	30.8	23.6
44 Cash in vault	24.4	24.6	24.4	24.9	24.0	28.4	25.7	25.1	24.7	25.4	25.4
45 Cash items in process of collection	68.5	65.4	81.0	78.4	75.7	79.5	70.2	66.3	73.6	75.9	71.1
46 Demand balances at U.S. depository institutions	29.3	29.2	30.8	30.6	31.4	34.7	29.7	28.4	30.0	29.0	27.8
47 Other cash assets	38.0	37.2	37.7	37.3	36.7	37.3	34.8	34.0	33.4	33.3	32.9
48 Other assets	120.5	119.9	134.2	130.0	127.2	118.9	121.4	126.8	125.1′	121.7	121.7
49 Total assets/liabilities and capital	2,474.9	2,492.2	2,534.5	2,556.4	2,536.8	2,580.7	2,543.9	2,543.6	2,574.3	2,591.5′	2,579.7
50 Deposits	1,868.3	1,868.8	1,910.3	1,909.1	1,912.4	1,944.6	1,906.9	1,912.2	1,940.1	1,943.7	1,940.6
51 Transaction deposits	567.4	566.0	603.9	589.5	583.7	614.9	567.9	559.6	579.2	586.4	569.8
52 Savings deposits	536.6	535.7	533.2	529.5	528.8	525.7	529.4	533.2	537.3	533.6	539.6
53 Time deposits	764.3	767.1	773.3	790.1	799.9	804.1	809.6	819.4	823.6	823.7	831.2
54 Borrowings	318.9	333.0	324.7	345.7	323.2	331.9	347.0	344.8	343.4	351.0	344.2
55 Other liabilities	114.2	116.0	123.8	125.0	124.8	127.0	112.5	108.8	114.0	115.2	115.2
56 Residual (assets less liabilities)	173.5	174.4	175.6	176.6	176.3	177.2	177.5	177.8	176.8	178.2′	179.7

1. Data for 1988 have been revised because of changes made in data for foreign-related institutions. 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 BANKS¹

Millions of dollars, Wednesday figures

Account	1988								
	Mar. 30 ²	Apr. 6 ²	Apr. 13 ²	Apr. 20 ²	Apr. 27 ²	May 4	May 11	May 18	May 25
1 Cash and balances due from depository institutions	101,551	104,277	104,435	106,098	101,849	109,022	103,976	101,901	91,701
2 Total loans, leases, and securities, net	1,100,543	1,114,441	1,104,072	1,121,638	1,111,817	1,130,200	1,112,048	1,116,620	1,113,781
3 U.S. Treasury and government agency	129,797	131,507	131,378	132,775	130,061	131,157	131,460	131,812	132,774
4 Trading account	15,539	16,260	16,296	16,966	14,609	15,299	16,042	16,321	15,668
5 Investment account	114,258	115,246	115,082	115,808	115,452	115,858	115,419	115,492	117,106
6 Mortgage-backed securities ²	40,863	40,820	40,815	40,642	41,324	41,354	41,429	40,877	41,418
7 All other maturing in									
8 One year or less	17,201	17,961	17,634	17,969	17,286	17,729	16,988	16,928	17,423
9 Over one through five years	46,428	46,795	46,860	47,452	46,807	46,794	47,051	47,444	47,699
10 Over five years	9,766	9,670	9,773	9,745	10,034	9,982	9,950	10,242	10,566
11 Other securities	72,732	72,324	72,514	72,148	72,072	72,824	72,682	72,743	72,689
12 Trading account	1,717	1,309	1,412	1,636	1,691	2,015	1,910	1,587	1,633
13 Investment account	71,014	71,015	71,102	70,511	70,381	70,809	70,772	71,155	71,056
14 States and political subdivisions, by maturity	49,399	49,101	49,094	49,021	49,002	48,851	48,830	48,782	48,742
15 One year or less	5,981	5,932	5,923	5,930	5,906	5,915	5,924	5,905	5,870
16 Over one year	43,418	43,169	43,171	43,091	43,096	42,936	42,906	42,877	42,873
17 Other bonds, corporate stocks, and securities	21,616	21,914	22,007	21,491	21,379	21,958	21,942	22,374	22,313
18 Other trading account assets	3,057	3,398	3,145	3,319	3,261	3,488	3,290	2,812	2,966
19 Federal funds sold ³	68,683	74,212	67,172	78,699	72,713	82,685	66,041	69,834	68,105
20 To commercial banks	41,875	48,366	39,466	50,298	44,020	48,025	37,539	42,445	41,386
21 To nonbank brokers and dealers in securities	18,163	17,190	18,988	19,675	20,206	23,290	19,143	18,999	17,410
22 To others	8,645	8,656	8,719	8,726	8,487	11,370	9,358	8,390	9,309
23 Other loans and leases, gross	867,679	874,656	871,485	876,322	875,334	881,412	879,984	880,879	878,705
24 Other loans, gross	846,645	853,574	850,387	855,150	854,121	860,133	858,699	859,624	857,252
25 Commercial and industrial	293,332	298,561	296,927	298,181	297,997	301,894	300,833	299,979	298,719
26 Bankers acceptances and commercial paper	2,447	2,435	2,357	2,322	2,291	2,298	2,121	2,105	2,088
27 All other	290,885	296,126	294,570	295,859	295,706	299,956	298,712	297,873	296,631
28 U.S. addressees	288,257	293,455	291,864	293,173	293,032	296,952	296,123	295,348	294,100
29 Non-U.S. addressees	2,628	2,671	2,706	2,686	2,674	2,644	2,589	2,526	2,532
30 Real estate loans	271,349	271,002	271,978	272,680	273,660	274,266	275,084	276,130	277,244
31 Revolving, home equity	18,222	18,314	18,432	18,692	18,870	19,046	19,160	19,272	19,365
32 All other	253,127	252,688	253,546	253,988	254,790	255,220	255,924	256,858	257,879
33 To individuals for personal expenditures	160,634	160,812	161,331	162,078	162,345	162,232	162,166	161,792	161,963
34 To depository and financial institutions	48,415	50,712	49,310	49,494	48,851	49,552	49,500	49,246	48,932
35 Commercial banks in the United States	22,633	23,744	23,235	23,348	22,692	23,060	22,990	23,297	22,811
36 Banks in foreign countries	3,509	4,490	3,592	3,832	4,128	3,876	3,975	3,600	3,771
37 Nonbank depository and other financial institutions	22,274	22,478	22,484	22,314	22,031	22,616	22,534	22,350	22,350
38 For purchasing and carrying securities	14,215	13,491	12,741	13,415	13,080	12,218	11,879	13,198	11,704
39 To finance agricultural production	5,420	5,464	5,553	5,538	5,541	5,575	5,620	5,634	5,666
40 To states and political subdivisions	31,821	31,725	31,636	31,632	31,440	31,303	31,128	31,112	30,993
41 To foreign governments and official institutions	2,189	2,247	2,138	2,238	2,157	2,166	2,175	2,154	2,068
42 All other	19,270	19,561	18,772	19,893	19,050	20,928	20,314	20,379	19,961
43 Lease financing receivables	21,034	21,082	21,098	21,173	21,214	21,279	21,285	21,256	21,453
44 Less: Unearned income	4,816	4,770	4,805	4,825	4,846	4,834	4,856	4,909	4,919
45 Loan and lease reserve ⁴	36,588	36,887	36,816	36,801	36,779	36,532	36,553	36,552	36,539
46 Other loans and leases, net	826,276	833,000	829,863	834,697	833,709	840,046	838,575	839,418	837,247
47 All other assets	125,319	128,467	127,245	129,020	126,401	128,413	127,693	128,287	122,326
68 Total assets	1,327,413	1,347,185	1,335,753	1,356,756	1,340,068	1,367,634	1,343,717	1,346,808	1,327,807
48 Demand deposits	223,226	229,555	228,349	232,101	225,052	238,177	222,603	224,955	215,417
49 Individuals, partnerships, and corporations	175,045	181,381	183,738	181,033	176,870	183,837	176,612	176,441	170,851
50 States and political subdivisions	5,882	5,743	5,848	6,582	6,317	7,836	5,621	5,889	5,629
51 U.S. government	3,069	2,630	1,991	6,195	4,010	5,277	2,853	4,142	2,121
52 Depository institutions in the United States	21,954	22,663	21,402	21,703	21,591	24,983	20,988	22,970	21,035
53 Banks in foreign countries	5,991	6,758	5,551	6,481	6,362	6,425	6,813	6,036	5,928
54 Foreign governments and official institutions	943	1,035	1,021	818	754	842	710	854	673
55 Certified and officers' checks	10,342	9,344	8,797	9,289	9,149	9,976	9,006	8,624	9,129
56 Transaction balances other than demand deposits	70,778	74,934	75,453	76,469	72,034	72,688	71,172	71,047	70,779
57 Nontransaction balances	591,104	593,193	592,592	589,534	589,619	592,396	592,852	594,807	595,070
58 Individuals, partnerships, and corporations	550,976	553,701	553,288	550,211	549,873	552,525	552,361	553,824	553,904
59 States and political subdivisions	29,329	28,971	28,676	28,622	29,066	29,080	29,799	30,278	30,458
60 U.S. government	9,933	942	942	959	964	962	960	1,050	1,059
61 Depository institutions in the United States	9,099	8,817	8,942	8,912	8,890	9,032	8,940	8,923	8,842
62 Foreign governments, official institutions, and banks	767	762	744	830	824	796	772	732	716
63 Liabilities for borrowed money	273,862	280,595	273,503	290,364	278,817	295,046	286,616	283,924	274,337
64 Borrowings from Federal Reserve Banks	1,900	4,055	3,640	3,192	1,900	1,825	1,550	2,502	2,400
65 Treasury tax-and-loan notes	16,778	4,249	4,678	23,522	24,913	25,331	26,124	20,105	17,846
66 All other liabilities for borrowed money ⁵	255,183	272,291	265,185	263,650	252,004	267,890	258,942	261,317	254,091
67 Other liabilities and subordinated notes and debentures	83,463	82,964	79,563	82,176	88,583	82,484	83,109	84,773	85,751
68 Total liabilities	1,242,432	1,261,240	1,249,460	1,270,644	1,254,105	1,280,790	1,256,332	1,259,506	1,240,854
69 Residual (total assets minus total liabilities) ⁶	84,982	85,944	86,293	86,112	85,962	86,844	87,385	87,303	86,953
MEMO									
70 Total loans and leases (gross) and investments adjusted ⁷	1,077,439	1,083,988	1,082,994	1,089,617	1,086,730	1,100,481	1,092,927	1,092,340	1,091,042
71 Total loans and leases (gross) adjusted ⁷	871,854	876,759	875,957	881,375	881,335	893,012	885,495	884,972	882,613
72 Time deposits in amounts of \$100,000 or more	181,514	180,282	178,819	178,850	179,996	181,478	181,834	182,076	182,315
73 U.S. Treasury securities maturing in one year or less	17,495	18,108	17,277	18,126	16,405	16,865	16,924	16,004	17,062
74 Loans sold outright to affiliates—total ⁸	1,588	1,556	1,556	1,450	1,538	1,494	1,502	1,525	1,534
75 Commercial and industrial	1,100	1,094	1,095	990	1,069	1,026	1,034	1,064	1,088
76 Other	488	462	461	460	469	468	468	460	447
77 Nontransaction savings deposits (including MMDAs)	251,026	253,952	254,201	250,731	249,500	250,664	250,551	252,228	252,015

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than \$2 billion of assets and adding some new reporters with assets greater than \$3 billion.
 2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
 3. Includes securities purchased under agreements to resell.
 4. Includes allocated transfer risk reserve.
 5. Includes federal funds purchased and securities sold under agreements to

repurchase; for information on these liabilities at banks with assets of \$1 billion or more on Dec. 31, 1977, see table 1.13.
 6. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
 7. Exclusive of loans and federal funds transactions with domestic commercial banks.
 8. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS
IN NEW YORK CITY¹

Millions of dollars, Wednesday figures

Account	1988								
	Mar. 30 ¹	Apr. 6 ¹	Apr. 13 ¹	Apr. 20 ¹	Apr. 27 ¹	May 4	May 11	May 18	May 25
1 Cash balances due from depository institutions	23,584	21,606	21,920	21,831	21,988	25,427	23,881	21,175	18,552
2 Total loans, leases and securities, net ²	215,891	219,840	213,707	222,649	218,524	225,498	215,113	215,645	214,427
<i>Securities</i>									
3 U.S. Treasury and government agency ³	0	0	0	0	0	0	0	0	0
4 Trading account ³	0	0	0	0	0	0	0	0	0
5 Investment account	15,197	15,296	15,320	15,303	15,350	15,820	15,343	15,404	15,161
6 Mortgage-backed securities ⁴	6,463	6,485	6,482	6,476	6,361	6,331	6,320	5,819	5,521
All other maturing in									
7 One year or less	2,131	2,273	2,166	2,153	2,220	2,618	2,183	2,708	2,742
8 Over one through five years	4,465	4,416	4,456	4,513	4,564	4,641	4,684	4,719	4,727
9 Over five years	2,138	2,122	2,216	2,160	2,204	2,229	2,155	2,158	2,172
10 Other securities ⁵	0	0	0	0	0	0	0	0	0
11 Trading account ³	0	0	0	0	0	0	0	0	0
12 Investment account	16,618	16,656	16,719	16,216	16,178	16,305	16,254	16,633	16,580
States and political subdivisions, by maturity									
13 One year or less	12,946	12,896	12,896	12,887	12,877	12,908	12,951	12,941	12,942
14 Over one year	1,000	994	989	997	1,001	1,009	1,010	1,003	996
15 Over one year	11,946	11,902	11,907	11,890	11,876	11,899	11,941	11,938	11,946
16 Other bonds, corporate stocks, and securities	3,672	3,760	3,822	3,328	3,302	3,397	3,303	3,692	3,638
17 Other trading account assets ⁶	0	0	0	0	0	0	0	0	0
<i>Loans and leases</i>									
18 Federal funds sold ⁵	31,102	31,408	28,331	36,798	32,886	38,186	29,305	29,349	29,544
19 To commercial banks	13,964	14,972	10,526	18,556	14,520	15,476	11,410	12,101	13,902
20 To nonbank brokers and dealers in securities	11,033	10,430	11,674	12,446	12,364	14,538	11,253	11,493	8,989
21 To others	6,105	6,005	6,131	5,796	6,002	8,173	6,642	5,754	6,652
22 Other loans and leases, gross	168,462	171,695	168,506	169,521	169,320	170,413	169,490	169,569	168,466
23 Other loans, gross	163,578	166,847	163,647	164,652	164,432	165,478	164,547	164,632	163,505
Commercial and industrial									
24 Bankers acceptances and commercial paper	55,453	58,039	56,684	56,984	57,247	58,943	58,228	57,270	57,214
25 All other	505	463	463	526	477	531	474	472	463
26 U.S. addressees	54,948	57,576	56,221	56,459	56,770	58,412	57,754	56,798	56,752
27 Non-U.S. addressees	54,391	57,054	55,757	55,959	56,304	57,968	57,313	56,381	56,340
28 Real estate loans	558	521	464	499	466	445	441	417	412
29 Revolving, home equity	46,039	45,837	45,917	45,903	46,235	46,424	46,339	46,592	46,634
30 All other	2,784	2,817	2,831	2,856	2,873	2,888	2,899	2,910	2,927
31 To individuals for personal expenditures	43,255	43,020	43,086	43,047	43,362	43,536	43,440	43,682	43,707
32 To depository and financial institutions	21,107	21,272	21,375	21,443	21,538	21,338	21,372	21,397	21,454
33 Commercial banks in the United States	21,434	22,490	21,595	21,769	21,029	20,824	21,168	20,854	20,700
34 Banks in foreign countries	12,839	13,083	12,973	12,838	12,388	12,010	12,358	12,336	11,972
35 Nonbank depository and other financial institutions	2,124	2,993	2,103	2,392	2,296	2,302	2,464	2,099	2,242
36 For purchasing and carrying securities	6,471	6,413	6,319	6,538	6,345	6,512	6,346	6,419	6,486
37 To finance agricultural production	6,055	5,349	4,902	4,970	5,167	4,351	4,116	3,471	4,318
38 To states and political subdivisions	247	265	261	260	269	271	281	278	294
39 To foreign governments and official institutions	7,087	7,089	7,044	7,073	7,011	6,981	6,918	6,909	6,876
40 All other	592	670	574	673	633	623	625	620	548
41 Lease financing receivables	5,564	5,856	5,290	5,575	5,302	5,723	5,498	5,240	5,467
42 Less: Unearned income	4,884	4,848	4,858	4,870	4,888	4,934	4,943	4,937	4,960
43 Loan and lease reserve	1,476	1,464	1,480	1,492	1,501	1,490	1,507	1,527	1,542
44 All other loans and leases, net ⁶	14,013	13,752	13,689	13,697	13,709	13,737	13,772	13,783	13,782
45 Other assets	152,973	156,479	153,336	154,332	154,109	155,186	154,211	154,259	153,142
46 All other assets ⁷	57,569	59,628	59,316	58,958	57,704	57,960	58,133	60,842	57,150
47 Total assets	297,044	301,074	294,942	303,438	298,216	308,884	297,128	297,662	290,129
<i>Deposits</i>									
48 Demand deposits	55,624	54,956	52,661	55,577	53,725	58,093	52,354	54,110	52,170
49 Individuals, partnerships, and corporations	38,166	37,989	37,887	38,158	37,404	40,057	36,359	37,350	36,355
50 States and political subdivisions	855	724	696	725	609	931	581	827	701
51 U.S. government	592	608	361	1,408	962	1,014	565	823	394
52 Depository institutions in the United States	5,424	5,399	4,906	5,460	5,300	6,484	4,764	6,200	5,348
53 Banks in foreign countries	4,802	5,576	4,436	5,227	5,186	5,190	5,503	4,802	4,784
54 Foreign governments and official institutions	753	870	888	622	622	698	566	694	461
55 Certified and officers' checks	5,032	3,790	3,488	3,932	3,641	3,720	4,017	3,413	4,128
Transaction balances other than demand deposits									
56 (ATS, NOW, Super NOW, telephone transfers)	8,608	9,082	9,365	9,456	8,850	8,716	8,566	8,618	8,561
57 Nontransaction balances	104,548	105,402	105,878	105,443	104,758	104,819	104,556	105,379	105,882
58 Individuals, partnerships, and corporations	96,631	97,504	97,876	97,377	96,489	96,784	96,401	96,884	97,088
59 States and political subdivisions	6,020	5,990	6,059	6,122	6,228	5,997	6,228	6,337	6,765
60 U.S. government	32	34	28	29	33	26	31	35	38
61 Depository institutions in the United States	1,576	1,579	1,640	1,640	1,736	1,744	1,629	1,661	1,729
62 Foreign governments, official institutions, and banks	289	295	274	275	271	267	266	262	262
63 Liabilities for borrowed money	71,656	74,407	73,080	77,383	70,557	80,426	75,640	73,162	66,224
64 Borrowings from Federal Reserve Banks	0	0	0	990	0	0	0	0	0
65 Treasury tax-and-loan notes	4,868	1,005	1,268	6,356	6,885	6,950	7,559	6,028	5,384
66 All other liabilities for borrowed money ⁸	66,788	73,402	71,813	70,037	63,672	73,477	68,081	67,134	60,840
67 Other liabilities and subordinated notes and debentures	32,823	32,828	29,400	31,106	35,944	32,047	30,955	31,396	32,516
68 Total liabilities	273,260	276,676	270,384	278,964	273,834	284,102	272,071	272,665	265,354
69 Residual (total assets minus total liabilities) ⁹	23,783	24,398	24,558	24,474	24,382	24,782	25,057	24,997	24,775
<i>MEMO</i>									
70 Total loans and leases (gross) and investments adjusted ¹⁰	204,576	207,000	205,377	206,444	206,826	213,238	206,624	206,517	203,876
71 Total loans and leases (gross) adjusted ¹⁰	172,761	175,407	173,338	174,925	175,298	181,113	175,027	174,480	172,135
72 Time deposits in amounts of \$100,000 or more	37,583	37,610	37,816	37,985	37,800	37,896	37,586	37,834	38,170
73 U.S. Treasury securities maturing in one year or less	4,285	4,384	3,683	3,847	3,365	3,852	3,998	3,579	3,982

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

2. Excludes trading account securities.

3. Not available due to confidentiality.

4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.

5. Includes securities purchased under agreements to resell.

6. Includes allocated transfer risk reserve.

7. Includes trading account securities.

8. Includes federal funds purchased and securities sold under agreements to repurchase.

9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS¹ Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1988								
	Mar. 30	Apr. 6	Apr. 13	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25
1 Cash and due from depository institutions ...	9,976	10,440	10,711	10,845	10,110	10,110	11,916	10,064	9,968
2 Total loans and securities	102,722	104,187	103,531	103,597	102,439	104,293	104,249	105,090	104,381
3 U.S. Treasury and government agency securities	7,762	7,534	7,790	7,763	7,638	8,166	8,322	7,878	8,286
4 Other securities	7,899	7,864	7,804	7,691	7,603	7,621	7,592	7,457	7,535
5 Federal funds sold ²	7,298	9,570	8,873	10,014	9,263	8,869	9,036	10,340	8,397
6 To commercial banks in the United States	4,924	6,785	6,072	7,081	6,367	5,820	6,147	7,416	5,900
7 To others	2,374	2,786	2,801	2,934	2,896	3,050	2,889	2,925	2,497
8 Other loans, gross	79,764	79,219	79,064	78,129	77,934	79,637	79,298	79,414	80,163
9 Commercial and industrial	51,585	51,888	51,181	50,608	51,877	53,061	53,239	52,810	53,674
10 Bankers acceptances and commercial paper	1,649	1,702	1,551	1,546	1,453	1,466	1,587	1,538	1,491
11 All other	49,936	50,185	49,630	49,063	50,424	51,595	51,652	51,272	52,183
12 U.S. addressees	47,527	47,691	47,095	46,786	48,088	49,541	49,654	49,207	50,061
13 Non-U.S. addressees	2,409	2,494	2,535	2,277	2,336	2,054	1,998	2,065	2,121
14 To financial institutions	16,930	15,700	16,128	15,545	14,728	14,678	14,398	14,858	14,680
15 Commercial banks in the United States	12,390	11,390	11,878	11,302	10,760	10,816	10,272	10,562	10,636
16 Banks in foreign countries	1,398	1,270	1,284	1,159	925	996	1,064	984	1,060
17 Nonbank financial institutions	3,142	3,040	2,966	3,084	3,042	2,865	3,063	3,312	2,985
18 To foreign governments and official institutions	484	518	513	512	518	563	574	571	562
19 For purchasing and carrying securities	1,546	1,449	1,740	1,895	1,453	1,508	1,213	1,301	1,366
20 All other	9,220	9,664	9,502	9,568	9,358	9,826	9,874	9,873	9,880
21 Other assets (claims on nonrelated parties) ..	30,902	29,600	30,070	30,505	30,998	31,155	30,936	31,402	31,289
22 Net due from related institutions	16,081	16,840	14,047	15,454	16,300	15,921	15,278	15,420	15,074
23 Total assets	159,682	161,068	158,359	160,402	159,848	161,479	162,381	161,977	160,712
24 Deposits or credit balances due to other than directly related institutions	42,712	42,107	41,208	41,473	42,294	41,847	41,831	41,725	42,262
25 Transaction accounts and credit balances ³ ..	3,271	3,054	3,226	3,120	3,620	3,344	3,203	3,121	3,320
26 Individuals, partnerships, and corporations	2,105	1,888	2,021	2,070	2,061	2,111	1,926	2,101	1,965
27 Other	1,166	1,167	1,204	1,050	1,560	1,233	1,277	1,019	1,355
28 Nontransaction accounts ⁴	39,441	39,052	37,983	38,352	38,673	38,503	38,628	38,604	38,942
29 Individuals, partnerships, and corporations	32,256	31,837	30,891	31,188	31,512	31,257	31,387	31,420	31,743
30 Other	7,184	7,215	7,091	7,164	7,160	7,246	7,241	7,184	7,199
31 Borrowings from other than directly related institutions	61,304	66,618	65,067	66,864	63,081	65,806	64,077	62,315	62,896
32 Federal funds purchased ⁵	28,688	34,925	32,829	34,812	30,641	33,087	30,681	30,454	31,201
33 From commercial banks in the United States	15,698	18,897	18,134	18,643	15,170	15,982	14,634	16,130	16,041
34 From others	12,990	16,027	14,695	16,169	15,471	17,105	16,048	14,324	15,160
35 Other liabilities for borrowed money	32,616	31,693	32,238	32,052	32,440	32,719	33,396	31,861	31,695
36 To commercial banks in the United States	24,030	23,995	24,356	24,113	24,332	24,376	24,871	23,372	23,832
37 To others	8,587	7,698	7,883	7,939	8,108	8,343	8,524	8,489	7,863
38 Other liabilities to nonrelated parties	32,802	31,601	31,632	31,807	32,059	32,577	32,712	32,630	32,861
39 Net due to related institutions	22,864	20,741	20,452	20,258	22,414	21,249	23,760	25,307	22,693
40 Total liabilities	159,682	161,068	158,359	160,402	159,848	161,479	162,381	161,977	160,712
MEMO									
41 Total loans (gross) and securities adjusted ⁶ ..	85,408	86,013	85,581	85,215	85,312	87,657	87,830	87,112	87,845
42 Total loans (gross) adjusted ⁶	69,748	70,615	69,987	69,761	70,070	71,870	71,916	71,776	72,024

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of \$750 million or more on June 30, 1980, plus those branches and agencies that had reached the \$750 million asset level on Dec. 31, 1984. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

2. Includes securities purchased under agreements to resell.

3. Includes credit balances, demand deposits, and other checkable deposits.

4. Includes savings deposits, money market deposit accounts, and time deposits.

5. Includes securities sold under agreements to repurchase.

6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations¹

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

Type of holder	Commercial banks									
	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec. ^{3,4}	1986	1987				1988
					Dec.	Mar.	June	Sept.	Dec.	Mar.
1 All holders—Individuals, partnerships, and corporations	291.8	293.5	302.7	321.0	363.6	335.9	340.2	339.0	344.9	328.6
2 Financial business	35.4	32.8	31.7	32.3	41.4	35.9	36.6	36.5	36.9	33.9
3 Nonfinancial business	150.5	161.1	166.3	178.5	202.0	183.0	187.2	188.2	191.7	184.1
4 Consumer	85.9	78.5	81.5	85.5	91.1	88.9	90.1	88.7	89.9	86.9
5 Foreign	3.0	3.3	3.6	3.5	3.3	2.9	3.2	3.2	3.4	3.5
6 Other	17.0	17.8	19.7	21.2	25.8	25.2	23.1	22.4	23.0	20.3
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec. ²	1985 Dec. ^{3,4}	1986	1987				1988
					Dec.	Mar.	June	Sept.	Dec.	Mar. ⁵
7 All holders—Individuals, partnerships, and corporations	144.2	146.2	157.1	168.6	195.1	178.1	179.3	179.1	187.0	181.8
8 Financial business	26.7	24.2	25.3	25.9	32.5	28.7	29.3	29.3	29.5	27.0
9 Nonfinancial business	74.3	79.8	87.1	94.5	106.4	94.4	94.8	96.0	100.8	98.2
10 Consumer	31.9	29.7	30.5	33.2	37.5	36.8	37.5	37.2	39.4	41.7
11 Foreign	2.9	3.1	3.4	3.1	3.3	2.8	3.1	3.1	3.3	3.4
12 Other	8.4	9.3	10.9	12.0	15.4	15.5	14.6	13.5	14.0	11.4

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

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

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

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

5. Beginning March 1988, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987		1988			
						Nov. ¹	Dec.	Jan. ²	Feb.	Mar.	Apr.
Commercial paper (seasonally adjusted unless noted otherwise)											
1 All issuers	187,658	237,586	298,779	329,991	357,129	351,844	357,129	380,339	388,893	391,305	406,484
Financial companies ³											
Dealer-placed paper ⁴											
2 Total	44,455	56,485	78,443	101,072	101,958	105,197	101,958	120,930	125,914	128,680	133,946
3 Bank-related (not seasonally adjusted)	2,441	2,035	1,602	2,265	1,428	1,893	1,428	1,694	1,724	1,371	1,093
Directly placed paper ³											
4 Total	97,042	110,543	135,320	151,820	173,939	169,779	173,939	175,467	174,595	173,316	180,119
5 Bank-related (not seasonally adjusted)	35,566	42,105	44,778	40,860	43,173	45,353	43,173	45,425	43,987	43,681	45,703
6 Nonfinancial companies ³	46,161	70,558	85,016	77,099	81,232	76,869	81,232	83,942	88,384	89,309	92,419
Bankers dollar acceptances (not seasonally adjusted) ⁷											
7 Total	78,309	78,364	68,413	64,974	70,565	71,068	70,565	63,152	62,419	63,454	64,112
Holder											
8 Accepting banks	9,355	9,811	11,197	13,423	10,943	10,701	10,943	8,646	9,629	10,243	10,295
9 Own bills	8,125	8,621	9,471	11,707	9,464	9,714	9,464	7,804	8,561	8,825	8,929
10 Bills bought	1,230	1,191	1,726	1,716	1,479	987	1,479	843	1,067	1,417	1,366
Federal Reserve Banks											
11 Own account	418	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	729	671	937	1,317	965	1,134	965	831	833	795	803
13 Others	67,807	67,881	56,279	50,234	58,658	59,234	58,658	53,674	51,958	52,417	53,014
Basis											
14 Imports into United States	15,649	17,845	15,147	14,670	16,483	16,942	16,483	14,469	14,354	14,575	14,715
15 Exports from United States	16,880	16,305	13,204	12,960	15,227	15,435	15,227	14,054	13,891	13,899	14,746
16 All other	45,781	44,214	40,062	37,344	38,855	38,691	38,855	34,629	34,173	34,980	34,652

1. A change in the reporting panel in November resulted in a slight understatement of outstanding volume.
2. Data reflect a break in series resulting from additions to the reporting panel and from the correction of a misclassification that had understated dealer-placed financial and overstated nonfinancial outstandings.
3. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.

5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with \$100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

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

Percent per year

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1987—Apr. 1	7.75	1985—Jan.	10.61	1986—Oct.	7.50
May 20	10.00	May 1	8.00	Feb.	10.50	Nov.	7.50
June 18	9.50	May 15	8.25	Mar.	10.50	Dec.	7.50
1986—Mar. 7	9.00	Sept. 4	8.75	Apr.	10.50	1987—Jan.	7.50
Apr. 21	8.50	Oct. 7	9.25	May	10.31	Feb.	7.50
July 11	8.00	Oct. 22	9.00	June	9.78	Mar.	7.50
Aug. 26	7.50	Nov. 5	8.75	July	9.50	Apr.	7.75
		1988—Feb. 2	8.50	Aug.	9.50	May	8.14
		May 11	9.00	Sept.	9.50	June	8.25
				Oct.	9.50	July	8.25
				Nov.	9.50	Aug.	8.25
				Dec.	9.50	Sept.	8.70
				1986—Jan.	9.50	Oct.	9.07
				Feb.	9.50	Nov.	8.78
				Mar.	9.10	Dec.	8.75
				Apr.	8.83	1988—Jan.	8.75
				May	8.50	Feb.	8.51
				June	8.50	Mar.	8.50
				July	8.16	Apr.	8.50
				Aug.	7.90	May	8.84
				Sept.	7.50		

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

1.35 INTEREST RATES Money and Capital Markets

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

Instrument	1985	1986	1987	1988				1988, week ending				
				Feb.	Mar.	Apr.	May	Apr. 29	May 6	May 13	May 20	May 27
MONEY MARKET RATES												
1 Federal funds ^{1,2}	8.10	6.80	6.66	6.58	6.58	6.87	7.09	6.85	6.82	7.02	7.04	7.14
2 Discount window borrowing ^{1,2,3}	7.69	6.32	5.66	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Commercial paper ^{4,5}												
3 1-month	7.93	6.61	6.74	6.55	6.57	6.80	7.07	6.85	6.89	7.06	7.08	7.17
4 3-month	7.95	6.49	6.82	6.58	6.62	6.86	7.19	6.93	7.00	7.17	7.21	7.30
5 6-month	8.00	6.39	6.85	6.58	6.64	6.92	7.31	7.01	7.13	7.30	7.32	7.42
Finance paper, directly placed ^{4,5}												
6 1-month	7.90	6.57	6.61	6.45	6.44	6.71	6.96	6.76	6.84	6.95	6.98	7.00
7 3-month	7.77	6.38	6.54	6.39	6.38	6.67	7.00	6.75	6.78	6.91	7.11	7.11
8 6-month	7.74	6.31	6.37	6.27	6.23	6.51	6.75	6.57	6.59	6.69	6.81	6.86
Bankers acceptances ^{5,6}												
9 3-month	7.91	6.38	6.75	6.49	6.51	6.79	7.12	6.85	6.96	7.11	7.15	7.22
10 6-month	7.95	6.28	6.78	6.49	6.55	6.86	7.25	6.95	7.11	7.23	7.26	7.35
Certificates of deposit, secondary market ⁷												
11 1-month	7.96	6.61	6.75	6.55	6.56	6.80	7.04	6.84	6.89	7.01	7.06	7.15
12 3-month	8.04	6.51	6.87	6.60	6.63	6.92	7.24	6.99	7.09	7.22	7.25	7.34
13 6-month	8.24	6.50	7.01	6.69	6.78	7.14	7.52	7.23	7.37	7.51	7.52	7.63
14 Eurodollar deposits, 3-month ⁸	8.28	6.71	7.06	6.73	6.74	7.05	7.40	7.18	7.19	7.34	7.40	7.44
U.S. Treasury bills ⁹												
Secondary market ⁹												
15 3-month	7.47	5.97	5.78	5.66	5.70	5.91	6.26	5.91	6.16	6.26	6.22	6.35
16 6-month	7.65	6.02	6.03	5.93	5.91	6.21	6.56	6.28	6.43	6.47	6.53	6.76
17 1-year	7.81	6.07	6.33	6.21	6.28	6.56	6.90	6.60	6.75	6.85	6.91	7.07
Auction average ¹⁰												
18 3-month	7.47	5.98	5.82	5.69	5.69	5.92	6.27	5.92	6.13	6.31	6.28	6.34
19 6-month	7.64	6.03	6.05	5.96	5.91	6.21	6.53	6.28	6.41	6.51	6.50	6.71
20 1-year	7.80	6.18	6.33	6.18	6.30	6.57	6.74	.....	.....	6.74	.....	.....
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds ¹¹												
Constant maturities ¹²												
21 1-year	8.42	6.45	6.77	6.64	6.71	7.01	7.40	7.07	7.23	7.33	7.40	7.58
22 2-year	9.27	6.86	7.42	7.18	7.27	7.59	8.00	7.67	7.80	7.95	8.02	8.18
23 3-year	9.64	7.06	7.68	7.38	7.50	7.83	8.24	7.92	8.06	8.19	8.26	8.40
24 5-year	10.12	7.30	7.94	7.71	7.83	8.19	8.58	8.27	8.39	8.53	8.64	8.73
25 7-year	10.50	7.54	8.23	8.02	8.19	8.52	8.89	8.60	8.71	8.84	8.95	9.04
26 10-year	10.62	7.67	8.39	8.21	8.37	8.72	9.09	8.82	8.93	9.04	9.14	9.22
27 20-year	10.97	7.85	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
28 30-year ¹³	10.79	7.78	8.59	8.43	8.63	8.95	9.23	9.07	9.14	9.18	9.26	9.33
Composite ¹³												
29 Over 10 years (long-term)	10.75	8.14	8.64	8.41	8.61	8.91	9.24	9.02	9.10	9.17	9.31	9.36
State and local notes and bonds												
Moody's series ¹⁴												
30 Aaa	8.60	6.95	7.14	7.05	7.20	7.33	7.56	7.30	7.35	7.60	7.65	7.65
31 Baa	9.58	7.76	8.17	7.62	7.80	7.82	7.90	7.78	7.80	7.90	8.00	7.90
32 Bond Buyer series ¹⁵	9.11	7.32	7.64	7.49	7.74	7.81	7.90	7.77	7.84	7.85	7.97	7.96
Corporate bonds												
Seasoned issues ¹⁶												
33 All industries	12.05	9.71	9.91	9.89	9.86	10.15	10.37	10.20	10.25	10.31	10.40	10.47
34 Aaa	11.37	9.02	9.38	9.40	9.39	9.67	9.90	9.73	9.78	9.85	9.94	10.02
35 Aa	11.82	9.47	9.68	9.60	9.59	9.86	10.10	9.92	9.97	10.04	10.15	10.19
36 A	12.28	9.95	9.99	9.94	9.89	10.17	10.41	10.22	10.26	10.35	10.46	10.54
37 Baa	12.72	10.39	10.58	10.62	10.57	10.90	11.04	10.92	10.96	11.01	11.07	11.11
38 A-rated, recently-offered utility bonds ¹⁷	12.06	9.61	9.95	9.75	9.91	10.23	10.61	10.46	10.56	10.51	10.73	10.70
MEMO: Dividend/price ratio ¹⁸												
39 Preferred stocks	10.49	8.76	8.37	9.02	9.07	9.19	9.25	9.22	9.21	9.20	9.29	9.29
40 Common stocks	4.25	3.48	3.08	3.56	3.48	3.57	3.80	3.61	3.70	3.82	3.84	3.82

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
 2. Weekly figures are averages for statement week ending Wednesday.
 3. Rate for the Federal Reserve Bank of New York.
 4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30-59 days, 90-119 days, and 120-179 days for commercial paper; and 30-59 days, 90-119 days, and 150-179 days for finance paper.
 5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
 6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
 7. Unweighted average of offered rates quoted by at least five dealers early in the day.
 8. Calendar week average. For indication purposes only.
 9. Unweighted average of closing bid rates quoted by at least five dealers.
 10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal

places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
 11. Yields are based on closing bid prices quoted by at least five dealers.
 12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
 13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
 14. General obligations based on Thursday figures; Moody's Investors Service.
 15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
 16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
 17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
 18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.
 NOTE: These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1985	1986	1987	1987				1988				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Prices and trading (averages of daily figures)												
<i>Common stock prices</i>												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	108.09	136.00	161.70	178.39	157.13	137.21	134.88	140.55	145.13	149.88	148.46	144.99
2 Industrial	123.79	155.85	195.31	219.52	189.86	163.42	162.19	168.47	173.44	181.57	181.01	176.02
3 Transportation	104.11	119.87	140.39	158.58	140.95	117.57	115.85	121.20	126.09	135.15	133.40	127.63
4 Utility	56.75	71.36	74.29	76.13	73.27	69.86	67.39	70.01	72.89	71.16	69.35	68.66
5 Finance	114.21	147.19	146.48	154.08	137.35	118.30	111.47	119.40	124.36	125.27	121.66	120.35
6 Standard & Poor's Corporation (1941-43 = 10) ¹	186.84	236.34	286.83	318.66	280.16	245.01	240.96	250.48	258.13	265.74	262.61	256.12
7 American Stock Exchange ² (Aug. 31, 1973 = 50)	229.10	264.38	316.61	353.72	306.34	249.42	248.52	267.29	276.54	295.78	300.43	296.30
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	109,191	141,385	188,647	177,319	277,026	179,513	178,517	174,755	184,688	176,189	162,518	153,906
9 American Stock Exchange	8,355	11,846	13,832	12,381	18,173	11,268	13,422	9,853	9,961	12,442	10,706	8,931
Customer financing (end-of-period balances, in millions of dollars)												
10 Margin credit at broker-dealers ³	28,390	36,840	31,990	44,170	38,250	34,180	31,990	31,320	31,990	32,660	33,270	33,070
<i>Free credit balances at brokers⁴</i>												
11 Margin-account ⁵	2,715	4,880	4,750	4,270	8,415	6,700	4,750	4,675	4,555	4,615	4,395	4,380
12 Cash-account	12,840	19,000	15,640	15,895	18,455	15,360	15,640	15,270	14,695	14,355	13,965	14,150
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.

A26 Domestic Financial Statistics □ August 1988

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1985	1986	1987								1988		
			May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
FSLIC-insured institutions													
1 Assets	1,070,012	1,163,851	1,195,474	1,202,920	1,207,750	1,216,995	1,218,829	1,239,634^f	1,246,743^f	1,250,673^f	1,254,586^f	1,257,418^f	1,261,523
2 Mortgages	690,717	697,451	696,561	699,500	701,282 ^f	704,815	708,433	716,593 ^f	721,115 ^f	724,507 ^f	725,888 ^f	727,605 ^f	725,626
3 Mortgage-backed securities	115,525	158,193	178,876	180,084	182,067	186,101	191,829	193,756	196,586	198,563 ^f	198,241 ^f	193,972 ^f	197,652
4 Contra-assets to mortgage assets ¹	45,219	41,799	41,046	41,893	41,955 ^f	42,023	42,438	42,167 ^f	41,381 ^f	42,169 ^f	41,079 ^f	40,724 ^f	41,129
5 Commercial loans	17,424	23,683	22,097	23,098	23,018	23,174	23,300	23,255	23,294	23,204 ^f	23,539 ^f	23,326 ^f	24,148
6 Consumer loans	45,809	51,622	53,808	54,588	55,186	56,079	56,118	56,549	57,465	57,940 ^f	58,331 ^f	58,679 ^f	58,410
7 Contra-assets to non-mortgage loans ²	2,521	3,041	2,974	3,222	3,150	3,242	3,442	3,373	3,433	3,461 ^f	3,575 ^f	3,523 ^f	3,592
8 Cash and investment securities	143,538	164,844	168,705	169,996	170,788	170,071	164,034	173,113	170,707	169,616 ^f	169,918 ^f	173,974 ^f	176,347
9 Other ³	104,739	112,898	119,447	120,769	120,514	122,020	120,995	121,909 ^f	122,385 ^f	122,473 ^f	123,323 ^f	124,109 ^f	124,061
10 Liabilities and net worth	1,070,012	1,163,851	1,195,474	1,202,920	1,207,750	1,216,995	1,218,829	1,239,634^f	1,246,743^f	1,250,673^f	1,254,586^f	1,257,418^f	1,261,523
11 Savings capital	843,932	890,664	893,801	897,999	902,617	904,441	908,907	916,843	922,340	932,613 ^f	939,080 ^f	946,791 ^f	958,473
12 Borrowed money	157,666	196,929	219,308	226,719	226,093	232,332	234,941	246,106	247,197	249,645 ^f	245,635 ^f	239,250 ^f	237,372
13 FHLBB	84,390	100,025	100,504	102,787	102,979	104,191	106,250	109,736	111,283	116,363	114,039	112,725	112,381
14 Other	73,276	96,904	118,804	123,932	123,114	128,141	128,691	136,370	135,914	133,282 ^f	131,596 ^f	126,525 ^f	124,991
15 Other	21,756	23,975	28,417	25,345	26,599	28,170	24,599	27,097	27,409	21,932 ^f	23,857 ^f	25,807 ^f	22,512
16 Net worth	46,657	52,282	53,947	52,856	52,441	52,052	50,382	49,589 ^f	49,796 ^f	46,482 ^f	46,014 ^f	45,570 ^f	43,166
FSLIC-insured federal savings banks													
17 Assets	131,868	210,562	253,006	264,105	268,779	272,134	272,834	276,560	279,222	284,274^f	284,324^f	295,973^f	307,750
18 Mortgages	72,355	113,638	146,492	152,381	154,839	156,048	156,705	158,507 ^f	161,014 ^f	164,013 ^f	163,909 ^f	171,592 ^f	178,140
19 Mortgage-backed securities	15,676	29,766	39,371	40,969	42,714	43,532	44,421	45,117 ^f	45,237 ^f	45,827 ^f	46,186	46,701	48,021
20 Contra-assets to mortgage assets ¹			8,281	8,568	8,777	8,853	8,700	8,787	8,809	9,096 ^f	8,899 ^f	9,166 ^f	9,442
21 Commercial loans			5,567	6,166	6,277	6,213	6,188	6,275	6,540	6,512 ^f	6,497 ^f	6,972 ^f	7,522
22 Consumer loans	8,361	13,180	14,789	15,627	16,089	16,549	16,582 ^f	16,563 ^f	17,343	17,696 ^f	17,649 ^f	18,796 ^f	19,133
23 Contra-assets to non-mortgage loans ²			636	714	741	704	702	690	712	578 ^f	698 ^f	736 ^f	799
24 Finance leases plus interest			505	580	569	577	552	550	566	592	604 ^f	584 ^f	612
25 Cash and investment securities			31,816	33,294	33,677	34,267	33,589	34,902 ^f	33,965 ^f	35,344 ^f	34,632 ^f	35,705 ^f	38,168
26 Other	11,723	19,034	23,383	24,371	24,133	24,506	24,199	24,122 ^f	24,078 ^f	24,065 ^f	24,444 ^f	25,525 ^f	26,395
27 Liabilities and net worth	131,868	210,562	253,006	264,105	268,779	272,134	272,834	276,560	279,222	284,274^f	284,324^f	295,973^f	307,750
28 Savings capital	103,462	157,872	182,802	189,998	193,890	194,853	195,213	197,298	199,114	203,196 ^f	204,329 ^f	214,169 ^f	224,172
29 Borrowed money	19,323	37,329	49,896	53,255	53,652	55,660	56,549	57,551	58,277	60,716 ^f	59,206 ^f	59,704 ^f	61,539
30 FHLBB	10,510	19,897	22,788	24,486	24,981	25,546	26,287	27,350	27,947	29,617	28,280	29,169	30,456
31 Other	8,813	17,432	27,108	28,769	28,671	30,114	30,262	30,201	30,330	31,099 ^f	30,926 ^f	30,535 ^f	31,083
32 Other	2,732	4,263	6,036	5,981	6,138	6,450	5,631 ^f	6,293	6,350 ^f	5,324 ^f	5,823 ^f	6,587 ^f	6,076
33 Net worth	6,351	11,098	14,272	14,871	15,100	15,172	15,444 ^f	15,416 ^f	15,481 ^f	15,039 ^f	14,966 ^f	15,514 ^f	15,964
Savings banks													
34 Assets	216,776	236,866	245,906	244,760	246,833	249,888	251,472	255,989	260,600	259,643	258,628	259,224	262,100
Loans													
35 Mortgage	110,448	118,323	124,936	128,217	129,624	130,721	133,298	135,317	137,044	138,494	137,858	139,108	140,835
36 Other	30,876	35,167	37,313	35,200	35,591	36,793	36,134	36,471	37,189	33,871	35,095	35,752	36,476
Securities													
37 U.S. government	13,111	14,209	13,650	13,549	13,498	13,720	13,122	13,817	15,694	13,510	12,776	12,269	12,225
38 Mortgage-backed securities	19,481	25,836	28,739	27,785	28,252	28,913	29,655	30,202	31,144	32,772	32,241	32,423	32,272
39 State and local government	2,323	2,185	2,053	2,059	2,050	2,038	2,023	2,034	2,046	2,003	1,994	2,053	2,033
40 Corporate and other	21,199	20,459	19,956	18,803	18,821	18,573	18,431	18,062	17,583	18,772	18,780	18,271	18,336
41 Cash	6,225	6,894	5,176	4,939	4,806	4,823	4,484	5,529	5,063	5,864	4,841	5,002	4,881
42 Other assets	13,113	13,793	14,083	14,208	14,191	14,307	14,325	14,557	14,837	14,357	15,043	14,346	15,042
43 Liabilities	216,776	236,866	245,906	244,760	246,833	249,888	251,472	255,989	260,600	259,643	258,628	259,224	262,100
44 Deposits	185,972	192,194	194,742	193,274	194,549	195,895	196,824	199,336	202,030	201,497	199,545	200,391	203,407
45 Regular	181,921	186,345	189,048	187,669	188,783	190,335	191,376	193,777	196,724	196,037	194,322	195,336	198,273
46 Ordinary savings	33,018	37,717	41,967	42,178	41,928	41,767	41,773	42,045	42,493	41,959	41,047	41,234	41,867
47 Time	103,311	100,809	100,607	100,604	102,603	105,133	107,063	109,486	112,231	112,429	112,781	113,751	115,529
48 Other	4,051	5,849	5,694	5,605	5,766	5,560	5,448	5,559	5,306	5,460	5,223	5,055	5,134
49 Other liabilities	17,414	25,274	30,436	30,515	31,655	32,467	32,827	34,226	36,167	35,720	36,836	35,787	35,737
50 General reserve accounts	12,823	18,105	19,603	19,549	19,718	20,471	20,407	20,365	21,133	20,633	20,514	20,894	21,024

1.37—Continued

Account	1985	1986	1987									1988		
			May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	
Credit unions ⁵														
51 Total assets/liabilities and capital	118,010	147,726	156,086	160,644	↑	↑	↑	↑	↑	↑	↑	↑	↑	
52 Federal	77,861	95,483	100,153	104,150	↑	↑	↑	↑	↑	↑	↑	↑	↑	
53 State	40,149	52,243	55,933	56,494	↑	↑	↑	↑	↑	↑	↑	↑	↑	
54 Loans outstanding	73,513	86,137	87,765	90,912	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
55 Federal	47,933	55,304	55,952	58,432	↓	↓	↓	↓	↓	↓	↓	↓	↓	
56 State	25,580	30,833	31,813	32,480	↓	↓	↓	↓	↓	↓	↓	↓	↓	
57 Savings	105,963	134,327	141,635	148,283	↓	↓	↓	↓	↓	↓	↓	↓	↓	
58 Federal	70,926	87,954	97,189	96,137	↓	↓	↓	↓	↓	↓	↓	↓	↓	
59 State	35,037	46,373	49,248	52,146	↓	↓	↓	↓	↓	↓	↓	↓	↓	
Life insurance companies														
60 Assets	825,901	937,551	985,942	995,576	1,005,592	1,017,018	1,026,919	1,021,148	1,024,460	1,033,170	1,042,350	↑	↑	
Securities												↑	↑	
61 Government	75,230	84,640	89,554	87,279	88,199	89,924	89,408	90,782	91,227	91,302	91,682	↑	↑	
62 United States ⁶	51,700	59,033	64,201	61,405	62,461	64,150	63,352	64,880	65,186	64,551	64,922	↑	↑	
63 State and local	9,708	11,659	11,208	11,485	11,277	11,190	11,087	11,363	11,539	11,758	11,749	↑	↑	
64 Foreign	13,822	13,948	14,145	14,389	14,461	14,584	14,969	14,539	14,502	14,993	15,011	↑	↑	
65 Business	423,712	492,807	528,789	537,507	555,423	551,701	558,787	549,426	548,767	553,486	563,019	n.a.	n.a.	
66 Bonds	346,216	401,943	425,788	432,095	448,146	442,604	451,453	455,678	459,537	461,942	469,207	↓	↓	
67 Stocks	77,496	90,864	103,001	105,412	107,277	109,097	107,334	93,748	89,230	91,544	93,812	↓	↓	
68 Mortgages	171,797	193,842	198,760	200,382	201,297	202,241	204,264	206,507	208,839	212,375	212,637	↓	↓	
69 Real estate	28,822	31,615	32,149	32,357	32,699	32,992	33,048	33,235	33,538	34,016	34,178	↓	↓	
70 Policy loans	54,369	54,055	53,468	53,378	53,338	53,330	53,422	53,413	53,334	53,313	53,265	↓	↓	
71 Other assets	71,971	80,592	83,222	84,390	85,420	86,830	87,991	87,785	88,755	88,678	87,569	↓	↓	

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. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

4. Excludes checking, club, and school accounts.

5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.

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. *FSLIC-insured institutions*: Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

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

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1986	Fiscal year 1987 ¹	Calendar year					
			1987	1988				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
<i>U.S. budget²</i>								
1 Receipts, total.....	769,091	854,143	85,525	81,791	60,355	65,730	109,323	59,711
2 On-budget.....	568,862	640,741	67,645	60,645	40,610	44,958	81,993	39,764
3 Off-budget.....	200,228	213,402	17,880	21,146	19,745	20,772	27,330	19,947
4 Outlays, total.....	990,258	1,004,586	109,771	65,786	84,260	94,877	94,433	82,173
5 On-budget.....	806,760	810,754	77,876	66,573	66,507	76,858	79,508	64,566
6 Off-budget.....	183,498	193,832	31,896	-787	17,753	18,020	15,925	17,607
7 Surplus, or deficit (-), total.....	-221,167	-150,444	-24,246	16,005	-23,905	-29,147	13,890	-22,462
8 On-budget.....	-237,898	-170,014	-10,230	-5,928	-25,897	-31,899	2,485	-24,802
9 Off-budget.....	16,731	19,570	-14,016	21,933	1,992	2,752	11,405	2,340
Source of financing (total)								
10 Borrowing from the public.....	236,187	150,070	9,766	5,281	20,157	17,160	-334	7,559
11 Operating cash (decrease, or increase (-)).....	-14,324	-5,052	-1,218	-17,555	11,002	6,009	-23,276	27,223
12 Other ³	-696	5,426	15,698	-3,730	-7,257	5,979	9,719	-12,321
MEMO								
13 Treasury operating balance (level, end of period).....	31,384	36,436	22,369	39,924	28,922	22,913	46,189	18,966
14 Federal Reserve Banks.....	7,514	9,120	5,313	10,276	2,473	2,403	16,186	2,871
15 Tax and loan accounts.....	23,870	27,316	17,056	29,648	26,450	20,510	30,003	16,095

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

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

disability insurance trust funds) off-budget.

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS¹

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year						
			1986		1987		1988		
			H1	H2	H1	H2	Mar.	Apr.	May
RECEIPTS									
1 All sources	769,091	854,143	394,345	387,524	447,282	421,712	65,730	109,323	59,711
2 Individual income taxes, net	348,959	392,557	169,444	183,156	205,157	192,575	20,637	53,334	17,958
3 Withheld	314,803	322,463	153,919	164,071	156,760	170,203	33,296	24,913	27,071
4 Presidential Election Campaign Fund	36	33	31	4	30	4	7	7	7
5 Nonwithheld	105,994	142,957	78,981	27,733	112,421	31,223	4,315	50,477	9,714
6 Refunds	71,873	72,896	63,488	8,652	64,052	8,853	16,982	22,062	18,834
Corporation income taxes									
7 Gross receipts	80,442	102,859	41,946	42,108	52,396	52,821	14,909	14,030	2,748
8 Refunds	17,298	18,933	9,557	8,230	10,881	7,119	2,203	2,004	1,136
9 Social insurance taxes and contributions, net	283,901	303,318	156,714	134,006	163,519	143,755	25,676	37,357	33,396
10 Employment taxes and contributions ²	255,062	273,185	139,706	122,246	146,696	130,388	25,141	34,464	24,948
11 Self-employment taxes and contributions ³	11,840	13,987	10,581	1,338	12,020	1,889	880	8,833	974
12 Unemployment insurance	24,098	25,418	14,674	9,328	14,514	10,977	179	2,477	8,073
13 Other net receipts ⁴	4,742	4,715	2,333	2,429	2,310	2,390	356	416	375
14 Excise taxes	32,919	32,510	15,944	15,947	15,845	17,680	2,885	2,767	3,055
15 Customs deposits	13,327	15,032	6,369	7,282	7,129	7,993	1,444	1,204	1,282
16 Estate and gift taxes	6,958	7,493	3,487	3,649	3,818	3,610	622	749	751
17 Miscellaneous receipts ⁵	19,884	19,307	10,002	9,605	10,299	10,399	1,760	1,886	1,657
OUTLAYS									
18 All types	990,231	1,004,586	486,058	506,556⁶	502,898⁶	532,145⁶	94,877	95,433	82,173
19 National defense	273,375	281,999	135,367	138,544	142,886	146,995	26,484	26,747	20,967
20 International affairs	14,152	11,649	5,384	8,938	4,374	4,487	1,490	1,561	907
21 General science, space, and technology	8,976	9,216	4,191	4,594	4,324	5,469	956	949	911
22 Energy	4,735	4,115	2,484	2,446	2,335	1,468	538	382	507
23 Natural resources and environment	13,639	13,363	6,245	7,141	6,175	7,590	1,082	1,037	1,133
24 Agriculture	31,449	27,356	14,482	15,660	11,824	14,640	1,160	2,099	1,304
25 Commerce and housing credit	4,890	6,182	860	3,764	4,893	3,852	2,409	1,203	163
26 Transportation	28,117	26,228	12,658	14,745	12,113	14,096	1,838	2,053	2,427
27 Community and regional development	7,233	5,051	3,169	3,651	3,108	2,075	535	555	296
28 Education, training, employment, and social services	30,585	29,724	14,712	16,209	14,182	15,592	2,545	2,253	2,410
29 Health	35,935	39,968	17,872	18,795	20,318	20,750	3,765	3,791	3,741
30 Social security and medicare	268,921	282,473	135,214	138,299	142,864	158,469	26,145	24,920	24,487
31 Income security	119,796	123,250	60,786	59,979	62,248	61,201	12,738	12,916	10,214
32 Veterans benefits and services	26,356	26,782	12,193	14,190	12,264	14,956	2,555	3,748	1,441
33 Administration of justice	6,603	7,548	3,352	3,413	3,626	4,291	868	825	831
34 General government	6,104	5,948	3,566	1,860	3,344	3,560	383	697	1,017
35 General-purpose fiscal assistance	6,431	1,621	2,179	2,886	337	1,175	0	0	0
36 Net interest ⁷	136,008	138,570	68,054	66,226	70,110	71,933	12,187	12,592	12,719
37 Undistributed offsetting receipts ⁷	-33,007	-36,455	-17,183	-16,475	-19,102	-17,684	-2,802	-2,895	-3,303

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the Budget have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Net interest function includes interest received by trust funds.

7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1986				1987				1988
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 Federal debt outstanding	1,991.1	2,063.6	2,129.5	2,218.9	2,250.7	2,313.1	2,354.3	2,435.2	2,493.2
2 Public debt securities	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6
3 Held by public	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7
4 Held by agencies	352.6	374.4	382.9	403.1	407.5	438.1	457.2	477.6	490.8
5 Agency securities	4.3	4.3	4.2	4.0	4.0	3.8	4.0	3.5	5.6
6 Held by public	3.2	3.2	3.2	3.0	2.9	2.9	3.0	2.7	5.1
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.0	1.0	.8	.6
8 Debt subject to statutory limit	1,973.3	2,060.0	2,111.0	2,200.5	2,232.4	2,295.0	2,336.0	2,417.4	2,487.0
9 Public debt securities	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7	2,334.7	2,416.3	2,486.7
10 Other debt ¹	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.1	.3
11 MEMO: Statutory debt limit	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0

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

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

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

Billions of dollars, end of period

Type and holder	1984	1985	1986	1987	1987			1988
					Q2	Q3	Q4	Q1
1 Total gross public debt	1,663.0	1,945.9	2,214.8	2,431.7	2,309.3	2,350.3	2,431.7	2,487.6
<i>By type</i>								
2 Interest-bearing debt	1,660.6	1,943.4	2,212.0	2,428.9	2,306.7	2,347.7	2,428.9	2,484.9
3 Marketable	1,247.4	1,437.7	1,619.0	1,724.7	1,659.0	1,676.0	1,724.7	1,758.7
4 Bills	374.4	399.9	426.7	389.5	391.0	378.3	389.5	392.6
5 Notes	705.1	812.5	927.5	1,037.9	984.4	1,005.1	1,037.9	1,059.9
6 Bonds	167.9	211.1	249.8	282.5	268.6	277.6	282.5	291.3
7 Nonmarketable ¹	413.2	505.7	593.1	704.2	647.7	671.8	704.2	726.2
8 State and local government series	44.4	87.5	110.5	139.3	125.4	129.0	139.3	142.9
9 Foreign issues ²	9.1	7.5	4.7	4.0	5.1	4.3	4.0	6.1
10 Government	9.1	7.5	4.7	4.0	5.1	4.3	4.0	6.1
11 Public .....	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	73.1	78.1	90.6	99.2	95.2	97.0	99.2	102.3
13 Government account series ³	286.2	332.2	386.9	461.3	421.6	440.7	461.3	474.4
14 Non-interest-bearing debt	2.3	2.5	2.8	2.8	2.6	2.5	2.8	2.6
<i>By holder⁴</i>								
15 U.S. government agencies and trust funds	289.6	348.9	403.1	477.6	438.1	457.2	477.7	490.8
16 Federal Reserve Banks	160.9	181.3	211.3	222.6	212.3	211.9	222.6	217.5
17 Private investors	1,212.5	1,417.2	1,602.0	1,745.2	1,657.7	1,682.6	1,745.2	1,778.2
18 Commercial banks	183.4	192.2	232.1	252.3	238.4	251.3	253.3	260.7
19 Money market funds	25.9	25.1	28.0	14.3	20.6	15.2	14.3	14.9
20 Insurance companies	76.4	115.4	135.4	n.a.	140.0	143.0	n.a.	n.a.
21 Other companies	50.1	59.0	68.8	84.6	79.7	81.8	84.6	n.a.
22 State and local Treasurers	173.0	224.0	260.0	n.a.	n.a.	n.a.	n.a.	n.a.
23 Individuals								
23 Savings bonds	74.5	79.8	92.3	101.1	96.8	98.5	101.1	104.0
24 Other securities	69.3	75.0	70.5	n.a.	68.6	70.4	n.a.	n.a.
25 Foreign and international ⁵	192.9	212.5	251.6	287.3	268.6	267.0	287.3	323.5
26 Other miscellaneous investors ⁶	354.7	434.2	467.1	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

3. Held almost entirely by U.S. Treasury agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions¹

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

Item	1985	1986	1987	1988			1988					
				Mar.	Apr.	May	Apr. 20	Apr. 27	May 4	May 11	May 18	May 25
Immediate delivery²												
1 U.S. Treasury securities	75,331	95,445	110,052	90,640	94,367 ³	105,177	109,666	77,047 ³	86,606	108,291	115,528	106,532
<i>By maturity</i>												
2 Bills	32,900	34,247	37,924	28,277	29,312 ³	30,333	32,125	22,706 ³	29,906	31,522	29,888	31,316
3 Other within 1 year	1,811	2,115	3,272	2,986	3,578	3,844	3,226	3,567	4,004	2,926	4,368	4,075
4 1-5 years	18,361	24,667	27,918	23,706	24,704 ³	30,831	29,959	21,952	21,793	31,862	34,250	34,252
5 5-10 years	12,703	20,456	24,014	21,797	22,630	23,852	26,573	16,961	19,803	25,629	24,344	22,190
6 Over 10 years	9,556	13,961	16,923	13,874	14,143	16,318	17,783	11,861	11,101	16,353	22,678	14,699
<i>By type of customer</i>												
7 U.S. government securities dealers	3,336	3,670	2,936	2,743	2,815	2,620	2,219	2,392	3,592	2,358	3,197	2,395
8 U.S. government securities brokers	36,222	49,558	61,539	52,625	55,501	63,544	66,366	44,457	50,671	66,293	69,044	64,720
9 All others ³	35,773	42,218	45,576	35,272	36,050 ³	39,012	41,080	30,197 ³	32,342	39,640	43,286	39,416
10 Federal agency securities	11,640	16,748	18,087	15,677	14,715	15,142	16,623	13,598	13,478	14,520	16,408	15,641
11 Certificates of deposit	4,016	4,355	4,112	3,127	3,429	2,905	3,824	3,701	2,741	2,713	2,951	2,987
12 Bankers acceptances	3,242	3,272	2,965	2,278	2,458	2,131	2,391	2,647	2,128	2,436	2,360	1,886
13 Commercial paper	12,717	16,660	17,135	17,257	18,470	18,114	18,925	17,462	19,747	17,386	17,826	17,132
<i>Futures contracts⁴</i>												
14 Treasury bills	5,561	3,311	3,233	2,768	2,995	3,189	4,786	1,158	2,049	4,149	4,315	2,438
15 Treasury coupons	6,085	7,175	8,964	9,414	8,773	9,113	11,081	6,704	7,753	8,258	10,658	10,277
16 Federal agency securities	252	16	5	6	0	0	0	0	0	0	0	0
<i>Forward transactions⁵</i>												
17 U.S. Treasury securities	1,283	1,876	2,029	1,454	1,505	2,517	1,142	1,028	2,648	3,082	1,843	2,096
18 Federal agency securities	3,857	7,831	9,290	8,426	7,418 ³	8,604	8,922	6,222	7,009	10,793	9,385	7,242

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

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

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

3. Includes, among others, all other dealers and brokers in commodities and

securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

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

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

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1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Averages of daily figures, in millions of dollars

Item	1985	1986	1987	1988			1988				
				Mar.	Apr.	May	Apr. 27	May 4	May 11	May 18	May 25
Positions											
Net immediate ²											
1 U.S. Treasury securities	7,391	12,912	-6,216	-10,138	-15,292 ^r	-26,254	-22,031 ^r	-21,489	-24,799	-24,412	-29,055
2 Bills	10,075	12,761	4,317	3,290	5,451 ^r	214	1,727 ^r	1,624	999	-89	269
3 Other within 1 year	1,050	3,706	1,557	-780	-970	-2,616	-1,382	-2,322	-2,042	-2,572	-3,121
4 1-5 years	5,154	9,146	649	2,992	-3,217 ^r	-6,775	-5,334	-2,762	-5,314	-6,555	-10,068
5 5-10 years	-6,202	-9,505	-6,564	-8,193	-8,540 ^r	-8,637	-8,807	-9,625	-9,603	-7,208	-8,222
6 Over 10 years	-2,686	-3,197	-6,174	-7,447	-8,016	-8,441	-8,235	-8,404	-8,841	-7,988	-7,913
7 Federal agency securities	22,860	32,984	31,910	28,780	26,632 ^r	26,743	25,765 ^r	26,861	27,358	27,790	25,068
8 Certificates of deposit	9,192	10,485	8,188	5,619	5,678	6,083	5,337	5,604	5,607	5,948	6,399
9 Bankers acceptances	4,586	5,526	3,661	3,197	3,059	2,392	3,378	3,151	2,719	2,324	1,899
10 Commercial paper	5,570	8,089	7,496	6,204	5,591	4,519	5,727	5,990	4,868	4,140	3,655
Futures positions											
11 Treasury bills	-7,322	-18,059	-3,373	-4,192	-3,681	-2,027	-3,022	-559	-820	-2,480	-3,398
12 Treasury coupons	4,465	3,473	5,988	5,406	5,101	4,461	5,624 ^r	4,788	3,263	3,695	5,442
13 Federal agency securities	-722	-153	-95	0	0	0	0	0	0	0	0
Forward positions											
14 U.S. Treasury securities	-911	-2,144	-1,211	734	1,142	2,203	1,423	1,111	856	2,857	3,076
15 Federal agency securities	-9,420	-11,840	-18,817	-16,442	-16,517	-14,963	-15,879	-15,483	-15,802	-16,540	-12,928
Financing ³											
Reverse repurchase agreements ⁴											
16 Overnight and continuing	68,035	98,954	124,791	129,242	128,158	105,221	128,980	133,448	122,454	137,632	127,670
17 Term	80,509	108,693	148,033	154,817	173,474	173,858	183,522	187,705	188,633	162,396	171,438
Repurchase agreements ⁵											
18 Overnight and continuing	101,410	141,735	170,840	167,007	169,194	169,031	163,766	174,225	157,862	173,713	164,323
19 Term	70,076	102,640	120,980	128,663	138,097	139,537	145,290	148,455	155,756	128,868	138,889

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

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

3. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include

reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987		1988			
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 Federal and federally sponsored agencies	271,220	293,905	307,361	334,300	341,386	338,483	346,901	351,356⁷	348,273
2 Federal agencies	35,145	36,390	36,958	37,303	37,981	37,637	37,286	36,844 ⁷	36,672
3 Defense Department ¹	142	71	33	15	13	13	12	12	11
4 Export-Import Bank ^{2,3}	15,882	15,678	14,211	12,470	11,978	11,978	11,978	11,494 ⁷	11,494
5 Federal Housing Administration ⁴	133	115	138	182	183	98	101	100	103
6 Government National Mortgage Association participation certificates ⁵	2,165	2,165	2,165	1,965	1,615	1,615	1,165	1,165	830
7 Postal Service ⁶	1,337	1,940	3,104	4,603	6,103	6,103	6,103	6,103	6,103
8 Tennessee Valley Authority	15,435	16,347	17,222	18,068	18,089	17,830	17,927	17,970	18,131
9 United States Railway Association ⁶	51	74	85	0	0	0	0	0	0
10 Federally sponsored agencies ⁷	237,012	257,515	270,553	296,997	303,405	300,846	309,615	314,512	311,601
11 Federal Home Loan Banks	65,085	74,447	88,752	111,185	115,725	116,374	117,569	118,250	118,153
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	17,762	17,645	15,581	19,405	20,143	17,199
13 Federal National Mortgage Association	83,720	93,896	93,563	95,096	97,057	97,195	98,593	99,853	100,911
14 Farm Credit Banks	72,192	68,851	62,478	55,629 ⁹	55,275	54,072	55,275	56,145	54,311
15 Student Loan Marketing Association ⁸	5,745	8,395	12,171	16,125	16,503	16,424	16,923	18,271	18,877
16 Financing Corporation ⁹	n.a.	n.a.	n.a.	1,200	1,200	1,200	1,850	1,850	2,150
MEMO									
17 Federal Financing Bank debt¹⁰	145,217	153,373	157,510	156,850	152,417	152,099	150,178	149,721	150,044
<i>Lending to federal and federally sponsored agencies</i>									
18 Export-Import Bank ³	15,852	15,670	14,205	12,464	11,972	11,972	11,972	11,488	11,488
19 Postal Service ⁶	1,087	1,690	2,854	4,353	5,853	5,853	5,853	5,853	5,853
20 Student Loan Marketing Association	5,000	5,000	4,970	4,940	4,940	4,940	4,940	4,940	4,940
21 Tennessee Valley Authority	13,710	14,622	15,797	16,688	16,709	16,450	16,547	16,590	16,751
22 United States Railway Association ⁶	51	74	85	0	0	0	0	0	0
<i>Other Lending¹¹</i>									
23 Farmers Home Administration	58,971	64,234	65,374	64,934	59,674	59,674	59,674	59,674	59,674
24 Rural Electrification Administration	20,693	20,654	21,680	21,215	21,191	21,187	19,193	19,184	19,203
25 Other	29,853	31,429	32,545	32,256	32,078	32,023	31,999	31,992	32,135

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.

8. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB).

9. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.

10. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

11. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

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1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987			1988					
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ¹	May	
1 All issues, new and refunding¹	214,189	147,011	102,407	6,821	8,320	8,385	5,412	8,585	9,821	5,847	6,885	
<i>Type of issue</i>												
2 General obligation	52,622	46,346	30,589	1,248	2,472	1,995	1,259	2,880	2,776	1,707	2,847	
3 Revenue	161,567	100,664	71,818	5,573	5,848	6,390	4,153	5,705	7,045	4,140	4,038	
<i>Type of issuer</i>												
4 State	13,004	14,474	10,102	385	431	550	423	1,197	613	441	913	
5 Special district and statutory authority ²	134,363	89,997	65,460	5,128	5,076	5,447	3,220	5,154	5,823	4,078	3,884	
6 Municipalities, counties, and townships	66,822	42,541	26,845	1,308	2,813	2,388	1,769	2,234	2,677	1,328	2,088	
7 Issues for new capital, total	156,050	83,490	56,789	4,498	6,626	5,913	2,862	5,773	6,044	3,948	4,680	
<i>Use of proceeds</i>												
8 Education	16,658	16,948	9,525	690	1,002	931	841	754	933	911	1,197	
9 Transportation	12,070	11,666	3,677	175	351	455	189	826	559	215	448	
10 Utilities and conservation	26,852	35,383	7,912	615	1,094	377	326	655	1,016	429	394	
11 Social welfare	63,181	17,332	11,107	949	1,664	1,278	740	650	1,218	1,099	619	
12 Industrial aid	12,892	5,594	6,551	815	330	1,297	153	2,473	105	298	227	
13 Other purposes	24,398	47,433	18,020	1,254	2,185	1,575	613	415	2,213	996	1,795	

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987				1988				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
1 All issues¹	239,015	423,726	392,156¹	29,363	20,710	14,322	11,872	22,175	22,394²	25,902²	20,650	
2 Bonds²	203,500	355,293	325,648¹	23,705	17,631	13,624	11,098	19,485	18,504²	20,815²	18,073	
<i>Type of offering</i>												
3 Public, domestic	119,559	231,936	209,279	22,045	16,135	12,891	10,763	18,246	16,713 ²	19,827	16,000	
4 Private placement, domestic ³	46,200	80,760	92,070 ¹	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
5 Sold abroad	37,781	42,596	24,299	1,660	1,496	733	335	1,239	1,791	988	2,073	
<i>Industry group</i>												
6 Manufacturing	63,973	91,548	61,666 ¹	3,509	2,784	1,280	928	3,053	3,151	3,482	4,518	
7 Commercial and miscellaneous	17,066	40,124	49,327 ¹	1,479	1,165	483	2,577	2,084	1,396	1,007	703	
8 Transportation	6,020	9,971	11,974	25	263	0	226	0	200	1,017	890	
9 Public utility	13,649	31,426	23,004 ¹	1,702	1,025	895	1,570	1,142	1,718	2,259	1,100	
10 Communication	10,832	16,659	7,340	930	1,384	290	510	206	101	115	129	
11 Real estate and financial	91,958	165,564	172,343 ¹	16,060	11,011	10,676	5,287	13,000	11,937 ²	12,935 ²	10,733	
12 Stocks³	35,515	68,433	66,508	5,658	3,079	698	774	2,690	3,890	4,972	2,800	
<i>Type</i>												
13 Preferred	6,505	11,514	10,123	1,112	236	162	61	1,388	376	625	241	
14 Common	29,010	50,316	43,228	4,546	2,843	533	713	1,302	3,534	4,490 ²	2,336	
15 Private placement ³		6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<i>Industry group</i>												
16 Manufacturing	5,700	15,027	13,880	858	703	237	76	268	296	256 ¹	320	
17 Commercial and miscellaneous	9,149	10,617	12,888	807	656	86	14	360	44	99	179	
18 Transportation	1,544	2,427	2,439	11	40	149	1	1	474	32 ¹	150	
19 Public utility	1,966	4,020	4,322	529	75	25	0	100	142	93	238	
20 Communication	978	1,825	1,458	75	107	1	11	60	0	63	109	
21 Real estate and financial	16,178	34,517	31,521	3,378	1,498	200	672	1,901	2,933	4,544 ²	1,581	

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data include only public offerings.

3. Data are not available on a monthly basis. Before 1987, annual totals include underwritten issues only.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1986	1987	1987				1988			
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ^f	Apr.
			INVESTMENT COMPANIES¹							
1 Sales of own shares ²	411,751	381,260	24,834	25,990	21,927	26,494	30,343	23,265	24,589	22,970
2 Redemptions of own shares ³	239,394	314,252	28,323	34,597	20,400	28,099	22,324	20,914	23,968	25,004
3 Net sales	172,357	67,008	-3,489	-8,607	1,507	-1,605	8,019	2,351	620	-2,034
4 Assets ⁴	424,156	453,842	521,007	456,422	446,479	453,842	468,998	481,232	473,206	473,070
5 Cash position ⁵	30,716	38,006	42,397	40,929	41,432	38,006	40,157	41,232	43,561	45,111
6 Other	393,440	415,836	478,610	415,493	405,047	415,836	428,841	439,995	426,645	427,959

1. Excluding money market funds.
 2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
 3. Excludes share redemption resulting from conversions from one fund to another in the same group.
 4. Market value at end of period, less current liabilities.
 5. Also includes all U.S. government securities and other short-term debt securities.
 NOTE. Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1985	1986	1987	1986			1987				1988
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1 ^f
				1 Corporate profits with inventory valuation and capital consumption adjustment	277.6	284.4	304.7	282.3	286.4	281.1	294.0
2 Profits before tax	224.8	231.9	274.0	224.4	236.3	247.9	257.0	268.7	284.9	285.6	281.5
3 Profits tax liability	96.7	105.0	136.3	102.1	106.1	113.9	128.0	134.2	143.0	140.0	137.2
4 Profits after tax	128.1	126.8	137.7	122.3	130.2	134.0	129.0	134.5	141.9	145.6	144.2
5 Dividends	81.3	86.8	93.8	86.6	87.7	88.6	90.3	92.4	95.2	97.3	99.3
6 Undistributed profits	46.8	40.0	43.9	35.7	42.5	45.4	38.7	42.1	46.7	48.3	44.9
7 Inventory valuation	- .8	6.5	-17.5	11.3	6.0	-8.9	-11.3	-20.0	-17.6	-21.3	-16.4
8 Capital consumption adjustment	53.5	46.0	48.1	46.7	44.0	42.1	48.2	48.0	47.7	48.7	45.8

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

A36 Domestic Financial Statistics □ August 1988

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1986	1987	1988 ¹	1986	1987				1988		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2 ¹	Q3 ¹
1 Total nonfarm business	379.47	388.60	430.23	386.09	374.23	377.65	393.13	409.37	409.73	429.01	438.22
<i>Manufacturing</i>											
2 Durable goods industries	69.14	70.91	163.01	69.87	70.47	68.76	71.78	72.64	75.33	79.00	79.30
3 Nondurable goods industries	73.56	74.55	85.39	74.20	70.18	72.03	75.78	80.20	82.45	83.82	86.43
<i>Nonmanufacturing</i>											
4 Mining	11.22	11.34	12.39	10.31	10.31	11.02	11.64	12.39	12.50	12.87	12.51
<i>Transportation</i>											
5 Railroad	6.66	5.91	6.65	6.41	5.55	5.77	6.21	6.10	6.76	6.78	6.81
6 Air	6.26	6.55	7.62	6.84	7.46	5.72	5.91	7.12	6.90	7.44	8.43
7 Other	5.89	6.39	6.97	6.25	5.97	6.19	7.05	6.35	6.94	6.58	7.37
<i>Public utilities</i>											
8 Electric	33.91	31.58	32.90	33.78	30.85	31.13	31.31	33.01	29.94	32.55	34.31
9 Gas and other	12.47	13.18	14.28	12.34	12.75	12.35	13.58	14.06	14.37	13.81	14.63
10 Commercial and other	160.38	168.19	186.40	166.08	160.70	164.69	169.87	177.50	174.54	186.15	188.44

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

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.
SOURCE. *Survey of Current Business* (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities¹

Billions of dollars, end of period

Account	1983	1984	1985	1986			1987			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 Total assets	217.6	249.2	298.6	323.7	338.2	351.9	359.9	369.6	383.4	394.3
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 Total liabilities and capital	217.6	249.2	298.6	323.7	338.2	351.9	359.9	369.6	383.4	394.3

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

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change¹

Millions of dollars, seasonally adjusted

Type	1985	1986	1987			1988				
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	
1 Total	156,297	171,966	201,129	202,829	205,869	206,755	213,337	216,007	218,914	
Retail financing of installment sales										
2 Automotive (commercial vehicles)	20,660	25,952	33,865	34,454	35,674	36,419	36,318	36,914	37,619	
3 Business, industrial, and farm equipment	22,483	22,950	24,763	24,764	24,987	25,474	26,976	27,081	27,263	
Wholesale financing										
4 Automotive	23,988	23,419	30,396	30,901	31,059	30,115	28,654	27,329	27,361	
5 Equipment	4,568	5,423	5,729	5,794	5,693	5,308	5,323	5,251	5,429	
6 All other	6,809	7,079	8,074	8,151	8,408	8,454	8,331	8,347	8,311	
Leasing										
7 Automotive	16,275	19,783	21,883	22,013	21,943	22,943	23,100	23,493	23,458	
8 Equipment	34,768	37,833	41,911	41,964	43,002	43,245	48,175	50,411	51,092	
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,765	15,959	18,362	18,501	18,024	18,506	17,862	17,895	18,789	
10 All other business credit	10,981	13,568	16,146	16,287	17,079	16,291	17,062	19,287	19,592	
Net change (during period)										
11 Total	19,607	15,669	7,377	1,700	3,040	886	549	2,670	2,907	
Retail financing of installment sales										
12 Automotive (commercial vehicles)	5,067	5,292	1,209	589	1,220	745	-101	596	705	
13 Business, industrial, and farm equipment	-363	467	435	1	223	487	-232	105	182	
Wholesale financing										
14 Automotive	5,423	-569	3,604	505	158	-944	-1,461	-1,325	32	
15 Equipment	-867	855	202	65	-101	-385	14	-72	178	
16 All other	1,069	270	118	77	257	46	-123	16	-36	
Leasing										
17 Automotive	3,896	3,508	41	130	-70	1,000	157	393	-34	
18 Equipment	2,685	3,065	777	53	1,038	243	632	2,236	681	
19 Loans on commercial accounts receivable and factored commercial accounts receivable	2,161	194	649	139	-477	482	-643	-643	894	
20 All other business credit	536	2,587	342	141	792	-788	770	689	305	

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1985	1986	1987	1987		1988				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms ¹										
1 Purchase price (thousands of dollars).....	104.1	118.1	137.0	135.9	147.3	150.1	139.4	147.2	151.4 ^f	141.1
2 Amount of loan (thousands of dollars).....	77.4	86.2	100.5	100.2	107.7	108.4	104.3	106.3	112.1 ^f	104.6
3 Loan/price ratio (percent).....	77.1	75.2	75.2	75.4	74.9	74.0	76.4	75.0	76.2 ^f	76.5
4 Maturity (years).....	26.9	26.6	27.8	28.3	28.2	28.2	28.1	27.3	27.7	28.0
5 Fees and charges (percent of loan amount) ²	2.53	2.48	2.26	2.33	2.22	2.17	2.23	2.28	2.20 ^f	2.23
6 Contract rate (percent per year).....	11.12	9.82	8.94	8.92	8.78	8.75	8.76	8.77	8.76 ^f	8.59
Yield (percent per year)										
7 FHLBB series ³	11.58	10.25	9.31	9.30	9.15	9.10	9.12	9.15	9.13 ^f	8.95
8 HUD series ⁴	12.28	10.07	10.13	10.59	10.52	10.09	9.80	9.99	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series) ⁵	12.24	9.91	10.12	10.76	10.63	10.17	9.86	10.28	n.a.	n.a.
10 GNMA securities ⁶	11.61	9.30	9.42	9.96	10.18	9.83	9.53	9.53	9.67	9.93
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total.....	94,574	98,048	95,030	95,411	96,649	97,159	98,358	99,787	100,796	n.a.
12 FHA/VA-insured.....	34,244	29,683	21,660	21,510	20,288	20,237	20,181	20,094	19,932	n.a.
13 Conventional.....	60,331	68,365	73,370	73,902	76,361	76,923	78,177	79,693	80,864	n.a.
Mortgage transactions (during period)										
14 Purchases.....	21,510	30,826	20,531	1,297	3,747	1,267	2,629	2,776	2,409	n.a.
Mortgage commitments ⁷										
15 Contracted (during period).....	20,155	32,987	25,415	2,899	3,115	2,254	2,516	3,823	2,555	n.a.
16 Outstanding (end of period).....	3,402	3,386	4,886	5,845	4,886	5,542	4,966	6,149	6,033	n.a.
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period) ⁸										
17 Total.....	12,399	13,517	12,802	12,904	12,871	13,090	n.a.	n.a.	n.a.	n.a.
18 FHA/VA.....	841	746	686	663	657	632	646	n.a.	n.a.	n.a.
19 Conventional.....	11,559	12,771	12,116	12,240	12,215	12,458	13,280	n.a.	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases.....	44,012	103,474	76,845	2,978	3,267	2,168	3,293	n.a.	n.a.	n.a.
21 Sales.....	38,905	100,236	75,082	2,742	3,201	1,832	2,414	2,309	2,058	n.a.
Mortgage commitments ⁹										
22 Contracted (during period).....	48,989	110,855	71,467	2,668	2,693	3,868	4,910	n.a.	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

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

3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.

5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissible contract rates.

6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.

7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

8. Includes participation as well as whole loans.

9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING¹

Millions of dollars, end of period

Type of holder, and type of property	1985	1986	1987	1987				1988
				Q1	Q2	Q3	Q4	Q1
1 All holders.....	2,269,173	2,568,562	2,908,072	2,665,339	2,756,383	2,832,137	2,908,072	2,949,977
2 1- to 4-family.....	1,467,409	1,668,209	1,888,158	1,712,737	1,780,438	1,835,799	1,888,158	1,919,280
3 Multifamily.....	214,045	247,024	273,740	257,859	263,584	268,019	273,740	275,173
4 Commercial.....	482,029	556,569	656,203	601,207	620,259	637,412	656,203	666,167
5 Farm.....	105,690	96,760	89,971	93,536	92,122	90,907	89,971	89,357
6 Selected financial institutions	1,390,394	1,507,289	1,699,922	1,559,681	1,606,881	1,647,928	1,699,922	1,723,399
7 Commercial banks ²	429,196	502,534	590,829	519,606	544,640	566,600	590,829	605,491
8 1- to 4-family.....	213,434	235,814	275,166	242,042	252,589	262,352	275,166	282,583
9 Multifamily.....	23,373	31,173	33,493	29,759	30,547	31,614	33,493	33,907
10 Commercial.....	181,032	222,799	267,679	234,619	247,676	258,496	267,679	274,348
11 Farm.....	11,357	12,748	14,491	13,186	13,828	14,138	14,491	14,653
12 Savings institutions ³	760,499	777,312	856,369	809,245	824,961	838,737	856,369	861,824
13 1- to 4-family.....	554,301	558,412	598,441	555,693	572,075	583,432	598,441	604,343
14 Multifamily.....	89,739	97,059	106,346	104,035	102,933	104,609	106,346	105,945
15 Commercial.....	115,771	121,236	150,825	148,712	149,183	149,938	150,825	150,781
16 Farm.....	688	605	805	805	805	805	805	805
17 Life insurance companies	171,797	193,842	212,375	195,743	200,382	204,263	212,375	214,675
18 1- to 4-family.....	12,381	12,827	13,226	12,903	12,742	12,742	13,226	13,226
19 Multifamily.....	19,894	20,952	22,524	20,934	21,653	21,968	22,524	22,524
20 Commercial.....	127,670	149,111	166,722	151,420	155,611	159,464	166,722	169,122
21 Farm.....	11,852	10,952	9,903	10,486	10,363	10,089	9,903	9,803
22 Finance companies ⁴	28,902	33,601	40,349	35,087	36,898	38,528	40,349	41,409
23 Federal and related agencies.....	166,928	203,800	192,721	199,509	196,514	191,520	192,721	196,613
24 Government National Mortgage Association.....	1,473	889	444	687	667	458	444	430
25 1- to 4-family.....	539	47	25	46	45	25	25	24
26 Multifamily.....	934	842	419	622	622	433	419	406
27 Farmers Home Administration ⁴	733	48,421	43,051	48,203	48,085	42,978	43,051	43,051
28 1- to 4-family.....	183	21,625	18,169	21,390	21,157	18,111	18,169	18,169
29 Multifamily.....	113	7,608	8,044	7,710	7,808	7,903	8,044	8,044
30 Commercial.....	159	8,446	6,603	8,463	8,553	6,592	6,603	6,603
31 Farm.....	278	10,742	10,235	10,640	10,567	10,372	10,235	10,235
32 Federal Housing and Veterans Administration.....	4,920	5,047	5,574	5,177	5,268	5,330	5,574	5,679
33 1- to 4-family.....	2,254	2,386	2,557	2,447	2,531	2,452	2,557	2,612
34 Multifamily.....	2,666	2,661	3,017	2,730	2,737	2,878	3,017	3,067
35 Federal National Mortgage Association.....	98,282	97,895	96,649	95,140	94,064	94,884	96,649	99,787
36 1- to 4-family.....	91,966	90,718	89,666	88,106	87,013	87,901	89,666	92,828
37 Multifamily.....	6,316	7,177	6,983	7,034	7,051	6,983	6,983	6,959
38 Federal Land Banks.....	47,498	39,984	34,131	37,362	35,833	34,930	34,131	33,566
39 1- to 4-family.....	2,798	2,353	2,008	2,198	2,108	2,055	2,008	1,975
40 Farm.....	44,700	37,631	32,123	35,164	33,725	32,875	32,123	31,591
41 Federal Home Loan Mortgage Corporation.....	14,022	11,564	12,872	12,940	12,597	12,940	12,872	14,100
42 1- to 4-family.....	11,881	10,010	11,430	11,774	11,172	11,570	11,430	12,500
43 Multifamily.....	2,141	1,554	1,442	1,166	1,425	1,370	1,442	1,600
44 Mortgage pools or trusts ⁶	415,042	531,591	670,394	575,435	615,142	648,084	670,394	683,042
45 Government National Mortgage Association.....	212,145	262,697	317,555	281,116	293,246	308,339	317,555	322,555
46 1- to 4-family.....	207,198	256,920	309,806	274,710	286,091	300,816	309,806	314,684
47 Multifamily.....	4,947	5,777	7,749	6,406	7,155	7,524	7,749	7,871
48 Federal Home Loan Mortgage Corporation.....	100,387	171,372	212,634	186,295	200,284	208,872	212,634	215,000
49 1- to 4-family.....	99,515	166,667	205,977	180,602	194,238	202,308	205,977	208,400
50 Multifamily.....	872	4,705	6,657	5,693	6,046	6,564	6,657	6,600
51 Federal National Mortgage Association.....	54,987	97,174	139,960	107,673	121,270	130,540	139,960	145,242
52 1- to 4-family.....	54,036	95,791	137,988	106,068	119,617	128,770	137,988	142,330
53 Multifamily.....	951	1,383	1,972	1,605	1,653	1,770	1,972	2,912
54 Farmers Home Administration ⁴	47,523	348	245	351	342	333	245	245
55 1- to 4-family.....	22,186	142	121	154	149	144	121	121
56 Multifamily.....	6,675	.....	.....	.....	.....	.....	.....	.....
57 Commercial.....	8,190	132	63	127	126	124	63	63
58 Farm.....	10,472	74	61	70	67	65	61	61
59 Individuals and others ⁷	296,809	325,882	345,035	330,714	337,846	344,605	345,035	346,923
60 1- to 4-family.....	165,835	180,896	183,229	179,517	182,010	184,794	183,229	184,076
61 Multifamily.....	55,424	66,133	75,094	70,146	73,924	74,403	75,094	75,338
62 Commercial.....	49,207	54,845	64,311	57,866	59,110	62,798	64,311	65,250
63 Farm.....	26,343	24,008	22,401	23,185	22,802	22,610	22,401	22,259

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not bank trust departments.

3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).

4. Assumed to be entirely 1- to 4-family loans.

5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:4, because of accounting changes by the Farmers Home Administration.

6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.

7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT¹ Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1986	1987	1987					1988			
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ²	Apr.
Amounts outstanding (end of period)											
1 Total	571,833	613,022	598,190	602,977	606,926	608,728	613,022	619,258	624,294	629,485	633,131
<i>By major holder</i>											
2 Commercial banks ³	262,139	281,564	273,879	276,805	278,855	279,550	281,564	284,753	287,344	290,831	292,968
3 Finance companies ³	133,698	140,072	137,663	138,395	139,236	138,928	140,072	141,695	142,946	144,053	144,516
4 Credit unions	76,191	81,065	79,816	80,351	80,672	80,923	81,065	81,897	82,595	82,595	83,150
5 Retailers ³	39,660	42,782	41,381	41,632	42,012	42,291	42,782	42,926	43,080	43,271	43,295
6 Savings institutions	56,881	63,949	61,798	62,098	62,457	63,412	63,949	64,633	65,396	65,078	65,435
7 Gasoline companies	3,264	3,590	3,653	3,696	3,694	3,624	3,590	3,590	3,631	3,657	3,769
<i>By major type of credit</i>											
8 Automobile	246,109	267,180	259,558	261,902	263,823	264,474	267,180	269,883	273,133	276,762	278,308
9 Commercial banks	100,907	108,438	105,661	106,685	107,414	107,727	108,438	109,298	111,021	113,593	114,625
10 Credit unions	38,413	43,474	41,515	42,118	42,612	43,071	43,474	43,959	44,251	44,795	45,264
11 Finance companies	92,350	98,026	96,287	96,809	97,261	96,733	98,026	99,147	100,123	100,669	100,564
12 Savings institutions	14,439	17,242	16,095	16,290	16,536	16,943	17,242	17,479	17,738	17,705	17,855
13 Revolving	136,381	159,307	149,815	152,553	155,196	156,425	159,307	162,065	163,462	165,643	167,253
14 Commercial banks	86,757	98,808	94,142	96,083	97,416	97,378	98,808	100,879	101,537	103,152	104,141
15 Retailers	34,320	36,959	35,731	35,941	36,270	36,501	36,959	37,087	37,231	37,408	37,414
16 Gasoline companies	3,264	3,590	3,653	3,696	3,694	3,624	3,590	3,590	3,631	3,657	3,769
17 Savings institutions	8,366	13,279	11,194	11,333	11,922	12,636	13,279	13,601	13,945	14,059	14,319
18 Credit unions	3,674	6,671	5,095	5,500	5,894	6,286	6,671	6,908	7,117	7,368	7,609
19 Mobile home	26,883	25,957	26,879	26,845	26,698	26,604	25,957	25,926	25,857	25,732	25,745
20 Commercial banks	8,926	9,101	9,156	9,157	9,174	9,169	9,101	9,064	9,035	8,993	9,021
21 Finance companies	8,822	7,771	8,281	8,235	8,228	8,211	7,771	7,753	7,679	7,640	7,575
22 Savings institutions	9,135	9,085	9,442	9,453	9,296	9,224	9,085	9,109	9,143	9,099	9,148
23 Other	162,460	160,578	161,938	161,677	161,209	161,225	160,578	161,384	161,842	161,348	161,826
24 Commercial banks	65,549	65,217	64,920	64,880	64,851	65,276	65,217	65,512	65,750	65,094	65,180
25 Finance companies	32,526	34,275	33,095	33,351	33,747	33,984	34,275	34,795	35,144	35,744	36,376
26 Credit unions	34,104	30,920	33,206	32,733	32,166	31,566	30,920	30,795	30,529	30,432	30,277
27 Retailers	5,340	5,823	5,650	5,691	5,742	5,790	5,823	5,839	5,849	5,858	5,880
28 Savings institutions	24,941	24,343	25,067	25,022	24,703	24,609	24,343	24,444	24,570	24,216	24,113
Net change (during period)											
29 Total	54,078	41,189	4,677	4,787	3,949	1,802	4,294	6,236	5,036	5,191	3,646
<i>By major holder</i>											
30 Commercial banks ³	20,495	19,425	1,592	2,926	2,050	695	2,014	3,189	2,591	3,487	2,137
31 Finance companies ³	22,670	6,374	1,249	732	841	-308	1,144	1,623	1,251	1,107	463
32 Credit unions	4,268	4,874	692	535	321	251	142	597	235	698	555
33 Retailers ³	466	3,122	237	251	380	279	491	144	154	191	24
34 Savings institutions	7,223	7,068	854	300	359	955	537	684	763	-318	357
35 Gasoline companies	-1,044	326	53	43	-2	-70	-34	0	41	26	112
<i>By major type of credit</i>											
36 Automobile	36,473	21,071	2,973	2,344	1,921	651	2,706	2,703	3,250	3,629	1,546
37 Commercial banks	8,178	7,531	802	1,024	729	313	711	860	1,723	2,572	1,032
38 Credit unions	2,388	5,061	679	603	494	459	403	485	292	544	469
39 Finance companies	22,823	5,676	1,155	522	452	-528	1,293	1,121	976	546	-105
40 Savings institutions	3,084	2,803	337	195	246	407	299	237	259	-33	150
41 Revolving	14,368	22,926	2,006	2,738	2,643	1,229	2,882	2,758	1,397	2,181	1,610
42 Commercial banks	11,150	12,051	1,117	1,941	1,333	-38	1,430	2,071	658	1,615	989
43 Retailers	47	2,639	189	210	329	231	458	128	144	177	6
44 Gasoline companies	-1,044	326	53	43	-2	-70	-34	0	41	26	112
45 Savings institutions	2,078	4,913	238	139	589	714	643	322	344	114	260
46 Credit unions	2,137	2,997	409	405	394	392	385	237	209	251	241
47 Mobile home	49	-926	-87	-34	-147	-94	-647	-31	-69	-125	13
48 Commercial banks	-627	175	-12	1	17	-5	-68	-37	-29	-42	28
49 Finance companies	-472	-1,051	-171	-46	-7	-17	-440	-18	-74	-39	-65
50 Savings institutions	1,148	-50	96	11	-157	-72	-139	24	34	-44	49
51 Other	3,188	-1,882	-215	-261	-468	16	-647	806	458	-494	478
52 Commercial banks	1,794	-332	-315	-40	-29	425	-59	295	238	-656	86
53 Finance companies	319	1,749	265	256	396	237	291	520	349	600	632
54 Credit unions	-257	-3,184	-396	-473	-567	-600	-646	-125	-266	-97	-155
55 Retailers	419	483	48	41	51	48	33	16	10	14	17
56 Savings institutions	913	-598	183	-45	-319	-94	-266	101	126	-354	-103

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

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

2. More detail for finance companies is available in the G. 20 statistical release.
3. Excludes 30-day charge credit held by travel and entertainment companies.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT¹

Percent unless noted otherwise

Item	1985	1986	1987	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
INTEREST RATES										
Commercial banks ²										
1 48-month new car ³	12.91	11.33	10.45	n.a.	10.86	n.a.	n.a.	10.72	n.a.	n.a.
2 24-month personal	15.94	14.82	14.22	n.a.	14.58	n.a.	n.a.	14.46	n.a.	n.a.
3 120-month mobile home ³	14.96	13.99	13.38	n.a.	13.62	n.a.	n.a.	13.45	n.a.	n.a.
4 Credit card	18.69	18.26	17.92	n.a.	17.82	n.a.	n.a.	17.80	n.a.	n.a.
Auto finance companies										
5 New car	11.98	9.44	10.73	10.31	12.24	12.23	12.19	12.26	12.24	12.29
6 Used car	17.59	15.95	14.60	14.76	14.90	14.97	14.56	14.75	14.77	14.82
OTHER TERMS⁴										
Maturity (months)										
7 New car	51.5	50.0	53.5	52.8	55.4	55.5	55.5	55.9	56.0	56.2
8 Used car	41.4	42.6	45.2	45.2	45.3	45.3	47.2	46.8	46.9	46.9
Loan-to-value ratio										
9 New car	91	91	93	93	94	93	93	94	94	94
10 Used car	94	97	98	99	99	99	98	99	98	98
Amount financed (dollars)										
11 New car	9,915	10,665	11,203	11,585	11,630	11,645	11,534	11,447	11,493	11,553
12 Used car	6,089	6,555	7,420	7,537	7,646	7,718	7,612	7,619	7,587	7,662

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.

A42 Domestic Financial Statistics □ August 1988

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1983	1984	1985	1986	1987	1984		1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2	
Nonfinancial sectors													
1 Total net borrowing by domestic nonfinancial sectors.....	550.2	753.9	854.8	831.7	672.2	790.4	722.7	986.8	679.1	984.4	623.1	721.4	
<i>By sector and instrument</i>													
2 U.S. government.....	186.6	198.8	223.6	215.0	143.8	207.2	204.8	242.5	207.2	222.8	152.8	134.9	
3 Treasury securities.....	186.7	199.0	223.7	214.7	142.3	207.3	204.9	242.5	207.4	222.0	151.7	132.9	
4 Agency issues and mortgages.....	-1	-2	-1	.4	1.5	-1	-1	-1	-1	.9	1.0	2.0	
5 Private domestic nonfinancial sectors.....	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4	
6 Debt capital instruments.....	253.4	313.6	447.8	452.7	435.6	342.5	350.4	545.2	362.5	539.8	443.6	427.7	
7 Tax-exempt obligations.....	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	-15.6	77.2	34.9	34.1	
8 Corporate bonds.....	16.0	46.1	73.8	121.3	99.4	69.8	62.2	85.3	135.3	107.3	97.3	101.6	
9 Mortgages.....	183.6	217.1	237.7	300.6	301.7	205.7	221.2	254.2	245.9	355.4	311.4	291.9	
10 Home mortgages.....	117.5	129.7	151.9	201.2	211.4	119.9	139.2	164.7	163.9	238.6	221.0	201.9	
11 Multifamily residential.....	14.2	25.1	29.2	33.1	25.0	22.4	25.0	33.4	31.3	34.9	30.0	20.1	
12 Commercial.....	49.3	63.2	62.5	74.6	71.5	63.8	59.5	65.5	59.7	89.6	69.8	73.1	
13 Farm.....	2.6	-9	-6.0	-8.4	-6.3	-4	-2.5	-9.5	-9.0	-7.7	-9.3	-3.2	
14 Other debt instruments.....	110.2	241.5	183.3	164.0	92.8	240.8	167.5	199.1	106.3	221.7	26.7	158.8	
15 Consumer credit.....	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2	
16 Bank loans n.e.c.....	23.2	67.1	38.6	66.5	9.3	63.0	21.0	56.2	12.2	120.8	-32.6	51.2	
17 Open market paper.....	-8	21.7	14.6	-9.3	2.3	16.8	14.4	14.8	-13.1	-5.5	4.5	.1	
18 Other.....	31.3	62.2	35.5	41.0	39.4	74.7	36.8	34.2	36.2	45.8	26.6	52.2	
19 By borrowing sector.....	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4	
20 State and local governments.....	34.0	27.4	91.8	44.3	33.9	38.6	56.3	127.2	4.3	84.3	33.2	34.7	
21 Households.....	188.2	234.6	293.4	281.1	248.9	234.2	259.8	327.1	233.0	329.3	231.1	266.8	
22 Farm.....	4.1	-1	-13.9	-15.1	-11.7	.4	-7.0	-20.8	-16.9	-13.3	-17.8	-5.6	
23 Nonfarm noncorporate.....	77.0	97.0	93.1	116.2	103.3	92.2	85.7	100.5	96.7	135.6	104.5	102.1	
24 Corporate.....	60.3	196.0	166.7	190.2	153.9	217.8	123.2	210.3	154.7	225.8	119.4	188.5	
25 Foreign net borrowing in United States.....	17.3	8.3	1.2	9.0	3.8	-19.4	-5.8	8.2	21.5	-3.5	-7.4	15.0	
26 Bonds.....	3.1	3.8	3.8	2.6	6.3	6.3	5.5	2.1	6.2	-1.1	-1.7	14.3	
27 Bank loans n.e.c.....	3.6	-6.6	-2.8	-1.0	-3.6	-11.9	-5.8	.1	1.5	-3.5	-3.2	-4.1	
28 Open market paper.....	6.5	6.2	6.2	11.5	2.1	-4.3	2.8	9.6	19.1	3.9	-5.3	9.5	
29 U.S. government loans.....	4.1	5.0	-6.0	-4.0	-1.0	-9.6	-8.2	-3.7	-5.3	-2.7	2.7	-4.7	
30 Total domestic plus foreign.....	567.5	762.2	856.0	840.7	676.0	771.0	716.9	995.0	700.5	980.9	615.7	736.3	
Financial sectors													
31 Total net borrowing by financial sectors.....	99.3	151.9	199.0	295.3	284.2	150.7	175.1	222.8	242.3	348.2	319.3	249.7	
<i>By instrument</i>													
32 U.S. government related.....	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5	
33 Sponsored credit agency securities.....	1.4	30.4	20.6	15.2	30.2	31.5	26.6	14.6	8.7	21.7	8.1	52.3	
34 Mortgage pool securities.....	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1	
35 Loans from U.S. government.....			1.1	-4	-8			2.2	.8	-1.5	-1.5		
36 Private financial sectors.....	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2	
37 Corporate bonds.....	17.4	36.2	48.6	69.0	65.8	41.5	48.9	48.3	72.1	66.0	80.2	51.4	
38 Mortgages.....	*	.4	.1	.1	.3	.4		.1	.6	.5	.2	.3	
39 Bank loans n.e.c.....	-1	.7	2.6	4.0	-3.3	.7	2.3	2.9	4.0	4.0	-4.7	-1.9	
40 Open market paper.....	21.3	24.1	32.0	24.2	28.8	16.0	14.6	49.4	15.1	33.4	49.4	8.2	
41 Loans from Federal Home Loan Banks.....	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2	
<i>By sector</i>													
42 Sponsored credit agencies.....	1.4	30.4	21.7	14.9	29.5	31.5	26.6	16.8	9.5	20.2	6.6	52.3	
43 Mortgage pools.....	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1	
44 Private financial sectors.....	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2	
45 Commercial banks.....	5.0	7.3	-4.9	-3.6	7.1	-5.3	-4.7	-5.0	-2.7	-4.6	14.1	.1	
46 Bank affiliates.....	12.1	15.6	14.5	4.6	3.0	10.8	10.2	18.9	-1.7	10.9	11.5	-5.6	
47 Savings and loan associations.....	-2.1	22.7	23.3	29.8	35.7	23.3	14.2	30.4	25.5	34.0	27.7	43.8	
48 Finance companies.....	12.9	18.9	53.9	49.7	30.8	29.6	49.7	58.1	53.1	46.3	32.9	28.7	
49 REITs.....	-1	-1	-7	-3	1.4	.1	-6	.8	.6	-1.3	*	2.9	
50 CMO Issuers.....	3.7	12.4	12.2	37.1	38.0	15.0	9.5	14.9	31.4	42.8	52.6	23.3	
All sectors													
51 Total net borrowing.....	666.8	914.1	1,054.9	1,136.0	960.2	921.8	892.1	1,217.8	942.8	1,329.1	935.0	986.0	
52 U.S. government securities.....	254.4	273.8	324.2	393.5	312.9	284.5	301.7	346.6	342.5	444.5	334.8	291.4	
53 State and local obligations.....	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	-15.6	77.2	34.9	34.1	
54 Corporate and foreign bonds.....	36.5	86.1	126.1	192.9	171.5	117.6	116.6	135.7	213.6	172.1	175.8	167.2	
55 Mortgages.....	183.6	217.4	237.7	300.7	301.9	206.0	221.2	254.2	246.5	354.9	311.6	292.2	
56 Consumer credit.....	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2	
57 Bank loans n.e.c.....	26.7	61.1	38.3	69.5	2.4	51.8	17.5	59.2	17.7	121.3	-40.5	45.3	
58 Open market paper.....	26.9	52.0	52.8	26.4	33.2	28.6	31.8	73.7	21.0	31.7	48.6	17.8	
59 Other loans.....	28.4	82.9	44.8	56.5	62.1	80.0	41.1	48.6	46.1	66.8	41.5	82.7	
External corporate equity funds raised in United States													
60 Total new share issues.....	61.8	-36.4	19.9	91.6	1.6	-24.9	3.0	36.7	100.8	82.3	84.5	-81.3	
61 Mutual funds.....	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6	
62 All other.....	34.6	-65.7	-65.8	-71.7	-73.8	-57.1	-61.2	-70.4	-54.7	-88.7	-62.7	-84.9	
63 Nonfinancial corporations.....	28.3	-74.5	-81.5	-80.8	-76.5	-69.4	-75.5	-87.5	-68.7	-92.7	-70.0	-83.0	
64 Financial corporations.....	2.6	7.8	12.0	8.3	5.4	8.8	11.2	12.8	7.5	9.1	5.4	5.3	
65 Foreign shares purchased in United States.....	3.7	.9	3.7	.7	-2.7	3.5	3.1	4.3	6.6	-5.1	1.9	-7.2	

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1983	1984	1985	1986	1987	1984		1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2	H1
1 Total funds advanced in credit markets to domestic nonfinancial sectors	550.2	753.9	854.8	831.7	672.2	790.4	722.7	986.8	679.1	984.4	623.1	721.4	
<i>By public agencies and foreign</i>													
2 Total net advances	114.0	157.6	202.3	319.7	231.6	182.5	195.8	208.7	264.7	374.6	237.0	226.3	
3 U.S. government securities	26.3	39.3	47.1	84.8	58.2	51.0	50.3	43.9	74.0	95.6	45.4	71.0	
4 Residential mortgages	76.1	56.5	94.6	160.3	135.6	57.4	88.6	100.7	123.7	196.9	166.8	104.6	
5 FHLB advances to savings and loans	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2	
6 Other loans and securities	18.6	46.2	46.3	54.7	13.4	59.2	44.4	48.2	52.6	56.9	11.1	15.4	
Total advanced, by sector													
7 U.S. government	9.7	17.1	16.8	9.5	-13.7	26.6	25.1	8.4	10.8	8.2	-16.6	-11.2	
8 Sponsored credit agencies	69.8	74.3	101.5	177.3	166.2	75.2	96.4	106.7	128.2	226.5	168.1	164.7	
9 Monetary authorities	10.9	8.4	21.6	30.2	10.0	4.8	27.5	15.8	13.2	47.2	10.8	9.1	
10 Foreign	23.7	57.9	62.3	102.6	69.2	75.9	46.8	77.8	112.5	92.7	74.6	63.8	
Agency and foreign borrowing not in line 1													
11 Sponsored credit agencies and mortgage pools	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5	
12 Foreign	17.3	8.3	1.2	9.0	3.8	-19.4	-5.8	8.2	21.5	-3.5	-7.4	15.0	
<i>Private domestic funds advanced</i>													
13 Total net advances	521.3	679.5	755.2	699.2	612.6	665.7	618.0	892.5	571.9	826.4	559.3	666.5	
14 U.S. government securities	228.1	234.5	277.0	308.7	254.7	233.5	251.3	302.7	268.6	348.9	289.5	220.4	
15 State and local obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	-15.6	77.2	34.9	34.1	
16 Corporate and foreign bonds	14.5	35.1	40.8	83.4	85.5	53.0	39.7	42.0	100.2	66.6	70.3	100.7	
17 Residential mortgages	55.0	98.2	86.4	74.0	100.8	84.8	75.5	97.4	71.5	76.5	84.1	117.3	
18 Other mortgages and loans	162.4	276.9	228.8	222.1	161.6	242.3	197.0	260.6	161.7	282.4	94.1	229.2	
19 Less: Federal Home Loan Bank advances	-7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2	
<i>Private financial intermediation</i>													
20 Credit market funds advanced by private financial institutions	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9	
21 Commercial banking	144.3	168.9	186.3	194.7	136.6	145.5	143.3	229.4	117.2	272.3	99.1	173.6	
22 Savings institutions	135.6	150.2	83.0	105.5	135.8	133.5	54.5	111.4	94.5	116.6	106.4	165.1	
23 Insurance and pension funds	100.1	121.8	156.0	176.7	177.2	95.3	139.4	172.5	169.0	184.4	210.2	144.2	
24 Other finance	15.8	118.9	154.2	249.9	109.4	157.8	146.5	161.9	257.9	241.9	162.8	56.0	
25 Sources of funds	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9	
26 Private domestic deposits and RPs	215.4	316.9	213.2	271.4	163.8	353.5	191.4	235.0	252.2	290.6	60.0	265.4	
27 Credit market borrowing	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2	
28 Other sources	148.9	165.9	268.9	338.3	279.0	105.1	214.1	323.6	280.1	396.5	379.8	180.3	
29 Foreign funds	14.6	8.8	19.7	12.9	44.0	1.7	10.8	28.6	11.9	14.0	24.5	63.5	
30 Treasury balances	-5.3	4.0	10.3	1.7	-5.8	10.8	13.9	6.6	-4.2	7.6	4.3	-16.0	
31 Insurance and pension reserves	109.7	118.6	141.0	152.8	147.8	74.6	118.6	163.4	136.6	168.9	175.2	120.3	
32 Other, net	30.0	34.5	98.1	170.9	93.0	18.0	71.4	124.7	135.8	206.1	175.7	12.5	
<i>Private domestic nonfinancial investors</i>													
33 Direct lending in credit markets	157.0	196.7	273.2	89.4	169.9	207.1	212.5	333.9	39.7	139.2	119.5	220.8	
34 U.S. government securities	99.3	123.6	145.3	47.1	69.4	84.3	156.2	134.5	42.2	51.9	72.9	66.3	
35 State and local obligations	40.3	30.4	47.6	-5.4	58.7	50.4	14.8	80.4	-67.6	56.8	25.6	91.8	
36 Corporate and foreign bonds	-11.6	5.2	11.8	34.7	23.0	36.9	15.4	8.2	68.8	7	-8.0	53.9	
37 Open market paper	12.0	9.3	43.9	-4.8	6.8	3.0	3.5	84.2	-17.3	7.7	19.0	-5.5	
38 Other	17.0	28.1	24.6	17.9	12.1	32.5	22.6	26.6	13.6	22.1	9.9	14.3	
39 Deposits and currency	232.8	320.4	223.5	291.8	180.6	354.0	198.3	248.7	261.9	321.6	45.1	313.9	
40 Currency	14.3	8.6	12.4	14.4	19.0	3.6	15.9	8.8	10.7	18.2	9.6	28.4	
41 Checkable deposits	28.8	28.0	41.5	100.1	-2	29.9	13.8	69.2	82.5	117.8	-21.6	21.3	
42 Small time and savings accounts	215.4	150.7	138.6	120.8	78.8	169.9	162.1	115.1	112.6	129.0	51.7	105.9	
43 Money market fund shares	-39.0	49.0	8.9	43.8	27.2	73.4	10.6	7.1	46.9	40.6	3.1	51.3	
44 Large time deposits	-8.3	84.3	7.6	-11.6	31.0	79.1	-7.3	22.5	-2	-23.3	4.0	55.9	
45 Security RPs	18.5	5.0	16.6	18.3	26.9	1.2	12.2	21.1	10.0	26.5	22.7	31.0	
46 Deposits in foreign countries	3.1	-5.1	-2.1	5.9	-2.2	-3.1	-9.0	4.9	-9	12.8	-24.5	20.1	
47 Total of credit market instruments, deposits, and currency	389.9	517.1	496.7	381.2	350.5	561.1	410.7	582.6	301.6	460.9	164.6	534.7	
48 Public holdings as percent of total	20.1	20.7	23.6	38.0	34.3	23.7	27.3	21.0	37.8	38.2	38.5	30.7	
49 Private financial intermediation (in percent)	75.9	82.4	76.7	104.0	91.2	79.9	78.3	75.6	111.6	98.7	103.4	80.8	
50 Total foreign funds	38.2	66.7	82.0	115.5	113.2	77.6	57.7	106.4	124.4	106.7	99.2	127.2	
MEMO: Corporate equities not included above													
51 Total net issues	61.8	-36.4	19.9	91.6	1.6	-24.9	3.0	36.7	100.8	82.3	94.5	-81.3	
52 Mutual fund shares	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6	
53 Other equities	34.6	-65.7	-65.8	-71.7	-73.8	-57.1	-61.2	-70.4	-54.7	-88.7	-62.7	-84.9	
54 Acquisitions by financial institutions	51.1	19.7	43.4	50.6	43.0	39.7	59.5	27.3	46.5	54.6	67.4	18.5	
55 Other net purchases	10.7	-56.1	-22.9	41.0	-41.4	-64.6	-55.8	9.5	54.3	27.7	17.1	-99.9	

NOTES BY LINE NUMBER.

- Line 1 of table 1.57.
- Sum of lines 3-6 or 7-10.
- Includes farm and commercial mortgages.
- Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
- Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
- Includes farm and commercial mortgages.
- Line 39 less lines 40 and 46.
- Excludes equity issues and investment company shares. Includes line 19.
- Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
- Demand deposits and note balances at commercial banks.

31. Excludes net investment of these reserves in corporate equities.

32. Mainly retained earnings and net miscellaneous liabilities.

33. Line 13 less line 20 plus line 27.

34-38. Lines 14-18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.

40. Mainly an offset to line 9.

47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.

48. Line 2/line 1.

49. Line 20/line 13.

50. Sum of lines 10 and 29.

51, 53. Includes issues by financial institutions.

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

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures¹

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

Measure	1985	1986	1987	1987				1988				
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb. ^f	Mar. ^f	Apr. ^f	May
1 Industrial production	123.7	125.1	129.8	131.0	132.5	133.2	133.9	134.4	134.4	134.7	135.5	136.0
<i>Market groupings</i>												
2 Products, total	130.6	133.3	138.3	139.4	140.9	141.0	141.3	142.7	143.4	143.6	144.0	144.5
3 Final, total	131.0	132.5	136.8	137.8	139.3	139.2	139.8	141.1	141.6	141.8	142.4	143.0
4 Consumer goods	119.8	124.0	127.7	127.7	129.0	129.4	129.8	131.2	131.3	131.2	131.6	132.0
5 Equipment	145.8	143.6	148.8	151.2	153.0	152.2	153.1	154.3	155.3	156.0	156.7	157.6
6 Intermediate	129.3	136.2	143.5	144.9	146.1	147.3	146.5	148.1	149.4	149.7	149.6	149.7
7 Materials	114.3	113.8	118.2	119.7	121.2	122.5	123.7	123.0	122.1	122.5	123.8	124.5
<i>Industry groupings</i>												
8 Manufacturing	126.4	129.1	134.6	135.7	137.3	137.9	138.9	139.4	139.5	140.0	140.8	141.5
Capacity utilization (percent) ²												
9 Manufacturing	80.1	79.8	81.0	81.3	82.0	82.2	82.5	82.7	82.6	82.7	82.9	83.1
10 Industrial materials industries	80.2	78.5	80.5	81.2	82.1	82.9	83.7	83.0	82.3	82.3	83.1	83.4
11 Construction contracts (1982 = 100) ³	150.0	158.0	161.0	160.0	164.0	157.0	157.0	145.0	159.0	154.0	144.0	157.0
12 Nonagricultural employment, total ⁴	118.3	120.7 ^f	124.1 ^f	124.8 ^f	125.3 ^f	125.7 ^f	126.1 ^f	126.4 ^f	127.0	127.3	127.6	127.9
13 Goods-producing, total	102.1 ^f	100.9 ^f	101.8 ^f	102.3 ^f	102.8 ^f	103.2 ^f	103.5 ^f	103.4 ^f	103.8	104.1	104.5	104.5
14 Manufacturing, total	97.8	96.3 ^f	96.8 ^f	97.3 ^f	97.7 ^f	98.0 ^f	98.3 ^f	98.4 ^f	98.5	98.6	98.8	98.9
15 Manufacturing, production-worker	92.6	91.2	92.1	92.5	92.8 ^f	93.2 ^f	93.5 ^f	93.5 ^f	93.7	93.7	93.9	94.1
16 Service-producing	125.0	129.0 ^f	133.4 ^f	134.2 ^f	134.8 ^f	135.1 ^f	135.6 ^f	136.1 ^f	136.7	137.1	137.3	137.7
17 Personal income, total	207.0	219.9	233.1	235.3	239.8	238.9	240.7	240.7 ^f	242.1	244.9	245.2	246.0
18 Wages and salary disbursements	198.7	210.2 ^f	222.6	225.4	227.1	228.6	229.5	230.7	232.3	234.0	235.1	236.4
19 Manufacturing	172.8	176.4 ^f	181.5	183.7	184.7	185.7	186.0	186.6	187.1	190.1	188.4	189.4
20 Disposable personal income ⁵	206.0	219.1	230.7	232.9	237.8	236.4	238.1	238.8 ^f	240.6	243.2	240.8	244.3
21 Retail sales ⁶	189.6	199.5	209.3	212.9	211.2	211.9	214.2	214.5	216.7	220.3	219.4	219.6
<i>Prices⁷</i>												
22 Consumer (1982 = 100)	107.6	109.6	113.6	115.0	115.3	115.4	115.4	115.7	116.0	116.5	117.1	117.5
23 Producer finished goods (1982 = 100) ...	104.7	103.2	105.4	105.7	106.2	106.3	105.8	106.3 ^f	105.9	106.2	106.9	107.5

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

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

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

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

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

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

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

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1985	1986 ^r	1987 ^r	1987 ^r			1988 ^r				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population ¹	180,440	182,822	185,010	185,575	185,737	185,882	186,083	186,219	186,361	186,478	186,600
2 Labor force (including Armed Forces) ¹	117,695	120,078	122,122	122,651	122,861	122,984	123,436	123,598	123,153	123,569	123,204
3 Civilian labor force	115,461	117,834	119,865	120,387	120,594	120,722	121,175	121,348	120,903	121,323	120,978
<i>Employment</i>											
4 Nonagricultural industries ²	103,971	106,434	109,232	109,961	110,332	110,529	110,836	111,182	110,899	111,485	111,160
5 Agriculture	3,179	3,163	3,208	3,249	3,172	3,215	3,293	3,228	3,204	3,228	3,035
<i>Unemployment</i>											
6 Number	8,312	8,237	7,425	7,177	7,090	6,978	7,046	6,938	6,801	6,610	6,783
7 Rate (percent of civilian labor force)	7.2	7.0	6.2	6.0	5.9	5.8	5.8	5.7	5.6	5.4	5.6
8 Not in labor force	62,745	62,744	62,888	62,924	62,876	62,898	62,647	62,621	63,208	62,909	63,396
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment ³	97,519	99,525	102,310	103,371	103,678	104,001	104,262	104,729	105,020	105,269	105,478
10 Manufacturing	19,260	18,965	19,065	19,225	19,297	19,348	19,369	19,390	19,405	19,459	19,475
11 Mining	927	777	721	740	736	735	728	731	733	739	737
12 Contract construction	4,673	4,816	4,998	5,060	5,090	5,118	5,083	5,150	5,192	5,240	5,234
13 Transportation and public utilities	5,238	5,255	5,385	5,448	5,466	5,481	5,499	5,513	5,530	5,542	5,561
14 Trade	23,073	23,683	24,381	24,640	24,719	24,768	24,937	25,080	25,111	25,172	25,241
15 Finance	5,955	6,283	6,549	6,604	6,608	6,619	6,633	6,636	6,651	6,649	6,639
16 Service	22,000	23,053	24,196	24,524	24,604	24,725	24,795	24,975	25,078	25,156	25,235
17 Government	16,394	16,693	17,015	17,130	17,158	17,207	17,218	17,254	17,320	17,312	17,356

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION¹

Seasonally adjusted

Series	1987			1988	1987			1988	1987			1988		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1'		
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)					
1 Total industry	128.2	130.9	133.0	134.5	160.4	161.3	162.2	163.1	79.9	81.2	82.1	82.4		
2 Mining	99.0	100.6	103.2	102.5	129.7	129.0	128.4	127.7	76.3	78.0	81.2	80.2		
3 Utilities	108.3	111.6	112.5	115.1	138.3	138.8	139.4	139.8	78.3	80.5	80.6	82.1		
4 Manufacturing	133.2	135.7	137.9	139.6	165.6	166.7	167.7	168.9	80.5	81.4	82.3	82.7		
5 Primary processing	116.1	119.2	122.1	122.7	139.0	139.8	140.6	141.6	83.5	85.3	86.9	86.9		
6 Advanced processing	143.5	145.8	147.5	149.6	181.6	182.9	184.1	185.6	79.0	79.7	80.1	80.7		
7 Materials	116.5	119.1	121.9	122.6	146.7	147.2	147.8	148.5	79.4	81.0	82.9	82.5		
8 Durable goods	122.9	125.5	129.6	131.3	163.1	163.9	164.7	165.7	75.4	76.7	79.1	79.4		
9 Metal materials	77.0	83.6	91.1	86.6	110.0	109.4	108.8	108.8	70.0	76.5	84.0	79.2		
10 Nondurable goods	124.0	128.2	129.3	130.3	143.8	144.7	145.6	146.8	86.2	88.6	89.3	88.1		
11 Textile, paper, and chemical	125.1	130.5	132.3	133.1	143.4	144.4	145.4	146.7	87.2	90.4	91.5	89.6		
12 Paper	137.7	144.5	.....	.....	143.9	145.1	.....	.....	95.7	99.6	99.2	98.8
13 Chemical	125.3	130.7	.....	.....	149.8	150.9	.....	.....	83.6	86.3	89.1	87.0
14 Energy materials	98.7	100.0	101.8	100.9	120.2	120.1	119.9	119.7	82.1	83.3	85.2	84.2		
	Previous cycle ²		Latest cycle ³		1987	1987				1988				
	High	Low	High	Low	May	Sept.	Oct.	Nov.	Dec.	Jan.	Feb. ^r	Mar. ^r	Apr. ^r	May
	Capacity utilization rate (percent)													
15 Total industry	88.6	72.1	86.9	69.5	79.9	81.1	81.9	82.1	82.4	82.5	82.4	82.4	82.7	82.9
16 Mining	92.8	87.8	95.2	76.9	76.5	79.1	80.6	81.5	81.5	80.7	79.5	80.1	81.8	81.3
17 Utilities	95.6	82.9	88.5	78.0	79.2	80.0	80.5	81.2	80.4	82.4	78.3	80.5	80.6	82.1
18 Manufacturing	87.7	69.9	86.5	68.0	80.4	81.3	82.0	82.2	82.5	82.7	82.6	82.7	82.9	83.1
19 Primary processing	91.9	68.3	89.1	65.1	83.2	85.1	86.2	87.0	87.8	87.1	86.6	86.8	87.0	87.1
20 Advanced processing	86.0	71.1	85.1	69.5	79.2	79.5	80.1	80.0	80.1	80.7	80.7	80.8	81.1	81.3
21 Materials	92.0	70.5	89.1	68.5	79.3	81.2	82.1	82.9	83.7	83.0	82.3	82.3	83.1	83.4
22 Durable goods	91.8	64.4	89.8	60.9	75.1	77.0	78.3	79.0	80.2	79.7	79.3	79.1	79.9	80.6
23 Metal materials	99.2	67.1	93.6	45.7	69.7	78.3	82.4	83.3	87.6	80.1	79.3	78.2	79.2	81.1
24 Nondurable goods	91.1	66.7	88.1	70.7	86.2	88.7	88.2	89.0	90.5	88.8	87.3	88.3	88.6	88.7
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	87.1	90.7	90.4	91.0	92.7	90.8	88.5	89.9	90.0	90.0
26 Paper	98.4	70.6	97.3	79.9	95.7	98.5	97.4	98.7	101.6	100.6	97.8	98.0	98.1
27 Chemical	92.5	64.4	87.9	63.5	83.9	87.4	88.0	88.6	90.8	87.8	85.7	87.4	87.4
28 Energy materials	94.6	86.9	94.0	82.3	82.1	83.5	84.9	85.7	85.1	84.7	84.1	83.8	84.8	84.6

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

2. Monthly high 1973; monthly low 1975.

3. Monthly highs 1978 through 1980; monthly lows 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹

Monthly data are seasonally adjusted

Groups	1977 proportion	1987 avg.	1987								1988				
			May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb. ^r	Mar.	Apr. ^p	May ^e
Index (1977 = 100)															
MAJOR MARKET															
1 Total index	100.00	129.8	128.4	129.1	130.6	131.2	131.0	132.5	133.2	133.9	134.4	134.4	134.7	135.5	136.0
2 Products	57.72	138.3	137.2	137.8	139.5	139.9	139.4	140.9	141.0	141.3	142.7	143.4	143.6	144.0	144.5
3 Final products	44.77	136.8	135.8	136.2	137.9	138.4	137.8	139.3	139.2	139.8	141.1	141.6	141.8	142.4	143.0
4 Consumer goods	25.52	127.7	128.2	127.2	128.9	129.4	127.7	129.0	129.4	129.8	131.2	131.3	131.2	131.6	132.0
5 Equipment	19.25	148.8	145.8	148.1	149.7	150.2	151.2	153.0	152.2	153.1	154.3	155.3	156.0	156.7	157.6
6 Intermediate products	12.94	143.4	142.1	143.3	145.0	145.3	144.9	146.1	147.3	146.5	148.1	149.4	149.7	149.6	149.7
7 Materials	42.28	118.2	116.3	117.2	118.5	119.4	119.7	121.2	122.5	123.7	123.0	122.1	122.5	123.8	124.5
<i>Consumer goods</i>															
8 Durable consumer goods	6.89	120.2	120.2	117.4	120.4	121.2	118.6	124.3	123.9	120.3	121.7	120.6	120.6	123.1	125.4
9 Automotive products	2.98	118.5	118.0	114.9	117.5	118.0	114.2	124.3	121.3	115.4	118.7	117.6	120.6	122.0	127.8
10 Autos and trucks	1.79	115.1	113.1	107.9	112.3	112.4	107.2	122.2	118.7	110.2	112.8	111.8	116.4	118.0	126.9
11 Autos, consumer	1.16	90.7	91.0	87.4	86.4	76.8	79.1	94.7	91.9	83.7	77.5	79.5	86.3	91.0	98.9
12 Trucks, consumer .....	.63	160.5	154.2	146.0	160.4	178.4	159.4	173.2	168.5	159.5	171.6	171.6	172.2	168.2	....
13 Auto parts and allied goods	1.19	123.5	125.3	125.4	125.3	126.6	124.8	127.5	123.3	127.7	126.4	126.9	128.0	129.2	....
14 Home goods	3.91	121.6	121.8	119.3	122.5	123.6	121.9	124.3	125.8	123.9	124.0	122.8	120.6	123.9	123.6
15 Appliances, A/C and TV	1.24	141.5	142.2	133.4	141.7	147.1	141.8	145.7	150.1	142.7	142.2	140.6	132.8	142.0	140.7
16 Appliances and TV	1.19	142.1	142.3	133.4	142.6	145.5	140.6	146.1	150.5	142.6	140.9	141.4	132.7	142.3	....
17 Carpets and furniture .....	.96	130.7	133.3	132.3	134.1	132.0	131.6	132.9	133.5	133.9	134.2	132.3	134.0	133.7	....
18 Miscellaneous home goods	1.71	102.0	100.7	101.8	102.2	102.0	102.2	104.1	103.9	104.8	105.2	104.7	104.0	105.3	....
19 Nondurable consumer goods	18.63	130.5	131.1	130.9	132.1	132.5	131.0	130.8	131.5	133.3	134.7	135.3	135.1	134.8	134.4
20 Consumer staples	15.29	137.3	137.7	137.6	138.9	139.2	137.8	137.4	138.3	140.7	142.3	142.9	142.4	142.1	141.7
21 Consumer foods and tobacco	7.80	136.2	135.6	136.0	137.2	137.4	137.0	137.5	137.3	139.2	140.3	140.8	139.6	138.3	....
22 Nonfood staples	7.49	138.5	139.9	139.2	140.6	141.2	138.6	137.2	139.4	142.2	144.3	145.0	145.3	146.0	145.3
23 Consumer chemical products	2.75	162.9	165.9	164.4	165.7	167.4	163.6	160.0	163.5	167.7	170.7	171.7	171.7	172.0	....
24 Consumer paper products	1.88	151.8	152.9	153.1	153.8	153.9	153.2	151.8	152.8	157.0	157.1	157.5	159.1	161.1	....
25 Consumer energy	2.86	106.3	106.4	105.9	108.0	107.7	105.0	105.8	107.4	108.0	110.6	111.3	111.0	111.0	....
26 Consumer fuel	1.44	93.1	92.1	91.9	92.7	91.4	91.6	92.4	93.2	95.4	95.4	97.0	97.9	99.0	....
27 Residential utilities	1.42	119.8	121.0	120.2	123.6	124.3	118.7	119.4	121.8	120.7	126.0	125.8	124.5	....	....
<i>Equipment</i>															
28 Business and defense equipment	18.01	153.6	150.8	153.2	154.4	154.5	155.2	157.2	156.6	157.8	159.2	160.3	161.7	162.6	....
29 Business equipment	14.34	144.5	141.7	144.2	145.6	145.6	146.3	148.7	148.3	149.8	151.2	152.4	153.4	154.7	155.9
30 Construction, mining, and farm	2.08	62.2	61.2	63.0	65.0	66.4	66.1	66.5	66.3	67.4	67.1	67.6	68.7	70.2	71.2
31 Manufacturing	3.27	117.9	111.5	117.2	120.4	120.9	122.0	120.5	120.6	122.2	125.4	124.9	127.0	128.5	129.5
32 Power	1.27	82.6	84.0	84.0	81.8	82.8	81.1	83.0	83.1	84.2	86.2	88.3	87.8	88.0	88.3
33 Commercial	5.22	226.5	222.0	226.7	227.9	227.7	229.1	232.4	232.1	235.5	238.0	240.3	239.9	241.0	242.1
34 Transit	2.49	108.4	110.1	105.4	106.1	104.7	105.1	112.5	111.2	109.1	106.5	108.2	111.1	112.8	115.6
35 Defense and space equipment	3.67	188.9	186.5	188.6	188.7	189.1	189.8	190.3	188.7	188.9	190.6	191.0	189.8	189.1	188.7
<i>Intermediate products</i>															
36 Construction supplies	5.95	131.5	128.3	131.5	133.1	132.5	132.3	133.3	134.2	133.8	136.8	137.7	136.9	137.0	136.8
37 Business supplies	6.99	153.5	153.8	153.4	155.2	156.3	155.6	157.1	158.4	157.4	157.8	159.4	160.6	160.4	....
38 General business supplies	5.67	158.6	158.2	158.5	160.5	161.0	160.9	162.3	164.3	163.3	163.0	165.0	166.4	166.3	....
39 Commercial energy products	1.31	131.1	135.0	131.1	132.3	135.8	132.7	134.6	132.9	131.8	135.0	135.3	135.3	134.8	....
<i>Materials</i>															
40 Durable goods materials	20.50	125.0	121.6	124.0	125.2	125.5	126.4	128.7	130.2	132.0	131.8	131.4	131.4	133.0	134.4
41 Durable consumer parts	4.92	100.9	95.2	99.2	98.5	99.6	99.0	102.3	103.1	104.6	104.7	104.4	104.1	106.6	108.5
42 Equipment parts	5.94	159.0	156.0	158.3	159.3	159.5	161.1	162.2	163.2	165.3	167.4	167.6	167.3	168.4	169.5
43 Durable materials n.e.c.	9.64	116.4	113.9	115.5	117.7	117.9	118.9	121.6	123.6	125.5	123.7	123.0	123.2	124.7	125.9
44 Basic metal materials	4.64	86.7	81.9	83.6	86.6	90.4	91.3	95.3	96.5	100.0	92.9	91.4	90.4	91.5	93.6
45 Nondurable goods materials	10.09	125.8	125.3	124.1	127.6	128.3	128.6	128.2	129.6	132.5	129.9	128.1	130.1	131.0	131.6
46 Textile, paper, and chemical materials	7.53	127.6	126.5	125.1	129.6	130.6	131.2	131.0	132.3	135.6	132.7	129.9	132.5	133.1	133.6
47 Textile materials	1.52	111.7	....	111.9	117.8	116.7	116.0	113.0	112.7	113.6	112.6	110.2	112.7	114.1	....
48 Pulp and paper materials	1.55	141.0	137.4	139.0	145.4	145.0	143.3	142.0	144.4	149.0	148.0	144.4	145.2	145.8	....
49 Chemical materials	4.46	128.4	125.0	124.9	128.1	130.4	132.2	133.4	134.7	138.4	134.2	131.5	134.8	135.2	....
50 Miscellaneous nondurable materials	2.57	120.4	122.0	120.9	122.0	121.4	120.9	119.7	121.7	123.3	121.8	123.0	123.2	....	....
51 Energy materials	11.69	99.8	99.3	99.4	99.0	100.9	100.2	101.8	102.8	101.7	101.4	100.6	100.3	101.4	101.0
52 Primary energy	7.57	105.0	103.6	104.0	102.5	104.6	104.6	106.8	108.4	107.7	107.3	104.8	104.3	106.2	....
53 Converted fuel materials	4.12	90.3	91.4	91.0	92.5	94.1	92.2	92.7	92.6	90.7	90.6	93.0	92.9	92.5	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹—Continued

Groups	SIC code	1977 proportion	1987 avg.	1987								1988				
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb. ^a	Mar.	Apr. ^b	May ^c
Index (1977 = 100)																
MAJOR INDUSTRY																
1 Mining and utilities		15.79	104.3	103.1	103.0	103.7	105.4	105.4	106.8	107.9	107.3	107.8	106.8	106.4	107.2	107.0
2 Mining		9.83	100.7	99.2	99.2	100.9	101.9	103.6	104.6	104.6	103.3	101.5	102.1	104.0	103.2	103.2
3 Utilities		5.96	110.3	109.6	109.4	111.2	112.9	111.2	112.1	113.2	111.7	115.2	115.6	113.5	112.6	113.4
4 Manufacturing		84.21	134.6	133.2	134.0	135.6	135.9	137.3	137.9	138.9	139.4	139.5	140.0	140.8	141.5	141.5
5 Nondurable		35.11	136.7	135.7	136.9	138.5	138.8	138.6	138.1	139.6	141.3	141.4	141.1	141.8	142.1	141.8
6 Durable		49.10	133.1	131.4	132.0	133.5	133.8	133.7	136.8	136.7	137.3	137.9	138.4	138.8	139.9	141.2
<i>Mining</i>																
7 Metal	10	.50	77.5	71.7	70.7	71.4	79.3	86.5	85.6	90.4	96.5	91.5	83.9	84.7	.....	.....
8 Coal	11.12	1.60	131.8	127.2	128.8	127.9	130.5	133.3	140.3	142.9	140.6	140.2	133.7	129.1	136.0	135.8
9 Oil and gas extraction	13	7.07	92.7	92.1	91.8	91.8	93.0	93.3	94.1	94.2	94.1	93.1	92.4	94.0	94.9	93.8
10 Stone and earth minerals	14	.66	128.2	127.6	128.5	130.7	130.3	130.0	131.0	134.1	135.6	132.1	134.3	136.6	137.6	.....
<i>Nondurable manufactures</i>																
11 Foods	20	7.96	137.7	137.4	137.7	138.5	138.8	139.5	138.0	138.9	140.1	141.2	141.9	141.4	140.0	.....
12 Tobacco products	21	.62	103.4	106.6	107.0	106.8	110.4	101.7	103.7	106.5	110.5	105.8	107.0	106.4	.....	.....
13 Textile mill products	22	2.29	115.8	115.7	117.2	118.3	119.8	118.2	116.8	117.3	118.2	116.2	115.3	117.5	117.7	.....
14 Apparel products	23	2.79	107.4	106.4	107.7	109.7	108.4	107.6	108.0	109.4	107.8	108.7	108.5	108.7	.....	.....
15 Paper and products	26	3.15	144.4	141.3	142.6	148.8	148.9	147.4	146.0	148.3	150.6	149.9	148.0	149.5	149.4	.....
16 Printing and publishing	27	4.54	172.0	171.4	174.1	174.0	174.7	174.9	175.2	175.7	176.9	177.5	178.7	180.3	181.3	181.0
17 Chemicals and products	28	8.05	140.1	138.1	139.3	140.8	142.3	142.4	141.5	144.4	147.9	147.9	145.4	146.3	147.1	.....
18 Petroleum products	29	2.40	93.5	92.6	92.3	94.1	92.9	93.5	94.6	93.3	96.1	96.3	95.9	98.2	99.6	96.1
19 Rubber and plastic products	30	2.80	163.6	162.2	165.4	167.2	164.8	165.2	166.7	169.9	170.6	170.5	172.3	172.2	173.6	.....
20 Leather and products	31	.53	60.0	61.4	60.8	59.2	61.3	60.7	59.6	60.7	57.5	58.3	59.7	59.5	59.5	.....
<i>Durable manufactures</i>																
21 Lumber and products	24	2.30	130.3	130.3	131.1	132.8	131.1	126.9	129.8	134.0	133.6	136.3	139.0	137.1	137.4	.....
22 Furniture and fixtures	25	1.27	152.8	150.5	153.9	156.2	155.2	155.9	156.0	158.5	159.4	158.0	158.3	159.2	160.5	.....
23 Clay, glass, stone products	32	2.72	119.1	117.2	117.9	118.8	116.5	118.6	118.9	120.5	120.1	120.4	121.6	122.2	121.7	.....
24 Primary metals	33	5.33	81.5	77.0	78.8	81.4	85.1	84.5	90.6	90.2	90.6	86.5	86.4	85.0	85.3	87.9
25 Iron and steel	331.2	3.49	70.8	65.7	68.3	70.9	76.0	74.6	82.0	79.7	81.9	77.8	77.4	74.2	75.1	.....
26 Fabricated metal products	34	6.46	111.0	108.5	111.1	111.1	110.1	111.1	113.5	113.6	115.8	117.1	117.6	118.8	119.5	120.5
27 Nonelectrical machinery	35	9.54	152.7	149.7	151.8	155.3	154.3	156.6	158.0	157.2	161.0	162.9	163.6	164.8	166.6	168.0
28 Electrical machinery	36	7.15	172.3	171.1	170.5	172.5	174.3	173.4	175.5	175.6	175.9	177.4	177.8	176.6	179.7	179.8
29 Transportation equipment	37	9.13	129.2	129.4	126.5	127.6	128.1	125.5	132.0	130.4	128.1	128.6	128.4	129.9	130.4	133.2
30 Motor vehicles and parts	371	5.25	111.8	112.0	107.4	109.4	109.1	105.6	116.0	114.0	110.2	109.7	109.3	113.0	115.0	119.8
31 Aerospace and miscellaneous transportation equipment	372-6.9	3.87	152.8	153.1	152.4	152.3	153.9	152.5	153.7	152.7	152.4	154.2	154.5	152.9	151.4	151.3
32 Instruments	38	2.66	143.9	142.1	144.5	143.8	146.3	145.6	146.7	147.8	145.5	148.2	149.2	149.7	151.0	151.3
33 Miscellaneous manufactures	39	1.46	102.6	101.9	101.2	100.5	102.2	102.1	104.6	104.5	105.6	105.0	104.4	105.1	106.0	.....
<i>Utilities</i>																
34 Electric		4.17	126.6	128.8	128.8	131.0	132.0	127.5	126.8	127.5	125.6	130.3	130.7	129.0	128.2	.....
Gross value (billions of 1982 dollars, annual rates)																
MAJOR MARKET																
35 Products, total		517.5	1,735.8	1,723.0	1,720.4	1,732.5	1,741.7	1,735.9	1,774.1	1,772.4	1,778.8	1,790.6	1,797.5	1,807.7	1,814.4	1,816.8
36 Final		405.7	1,333.8	1,324.7	1,320.1	1,326.6	1,334.9	1,330.3	1,360.9	1,359.9	1,359.4	1,375.5	1,381.1	1,386.9	1,393.5	1,394.6
37 Consumer goods		272.7	866.0	862.8	855.1	863.2	866.4	856.9	876.6	879.8	881.2	893.6	893.7	894.0	898.2	895.4
38 Equipment		133.0	467.8	461.9	465.0	463.5	468.5	473.4	484.4	480.1	478.2	481.9	487.3	492.9	495.3	499.3
39 Intermediate		111.9	402.0	398.4	400.3	405.9	406.8	405.6	413.2	412.5	419.4	415.1	416.5	420.9	420.9	422.2

1. These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.
 A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of

Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487-501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2.14 HOUSING AND CONSTRUCTION

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

Item	1985	1986	1987	1987						1988			
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar. ⁷	Apr.
Private residential real estate activity (thousands of units)													
NEW UNITS													
1 Permits authorized	1,733	1,750	1,535	1,510	1,514	1,501	1,453	1,459	1,372	1,248	1,429	1,476	1,449
2 1-family	957	1,071	1,024	994	1,014	983	962	971	957	918	1,003	1,030	960
3 2-or-more-family	777	679	511	516	500	518	491	488	415	330	426	446	489
4 Started	1,742	1,805	1,621	1,594	1,583	1,679	1,538	1,661	1,399	1,382	1,519	1,529	1,576
5 1-family	1,072	1,179	1,146	1,142	1,109	1,211	1,105	1,129	1,035	1,016	1,102	1,172	1,088
6 2-or-more-family	669	626	474	452	474	468	433	532	364	366	417	357	488
7 Under construction, end of period ¹	1,063	1,074	987	1,052	1,044	1,046	1,044	1,042	1,016	1,008	988	1,005	n.a.
8 1-family	539	583	591	621	621	627	627	625	618	614	600	622	n.a.
9 2-or-more-family	524	490	397	431	423	419	417	417	398	394	388	383	n.a.
10 Completed	1,703	1,756	1,669	1,680	1,633	1,591	1,565	1,571	1,624	1,550	1,442	1,568	n.a.
11 1-family	1,072	1,120	1,123	1,112	1,069	1,100	1,114	1,088	1,104	1,098	1,031	1,076	n.a.
12 2-or-more-family	631	637	546	568	564	491	451	483	520	452	411	492	n.a.
13 Mobile homes shipped	284	244	233	243	234	240	234	222	227	200	208	212	213
<i>Merchant builder activity in 1-family units</i>													
14 Number sold	688	748	672	672	673	644	653	625	586	579 ^r	645 ^r	653	679
15 Number for sale, end of period ¹	350	361	370	359	361	361	360	362	365	368 ^r	360 ^r	374	370
<i>Price (thousands of dollars)²</i>													
<i>Median</i>													
16 Units sold	84.3	92.2	104.7	105.0	106.8	106.5	106.5	117.0	111.8	119.0 ^r	110.0	107.0	110.5
<i>Average</i>													
17 Units sold	101.0	112.2	127.9	128.6	128.5	133.5	125.8	139.2	136.2	144.4 ^r	137.6 ^r	131.5	137.0
EXISTING UNITS (1-family)													
18 Number sold	3,217	3,566	3,530	3,470	3,410	3,430	3,470	3,370	3,330	3,170	3,250	3,330	3,520
<i>Price of units sold (thousands of dollars)²</i>													
19 Median	75.4	80.3	85.6	88.3	86.5	85.5	84.6	85.0	85.4	87.4	88.1	87.9	87.3
20 Average	90.6	98.3	106.2	109.8	107.0	106.9	106.1	106.6	107.1	108.7	110.4	110.7	108.7
Value of new construction³ (millions of dollars)													
CONSTRUCTION													
21 Total put in place	355,995	388,815	398,189	398,465	402,872	402,782	398,930	403,963	403,884	394,453	396,011 ^r	401,167	401,780
22 Private	291,665	316,589	322,948	323,847	329,831	324,857	322,213	327,020	326,272	319,175	318,137 ^r	319,322	322,463
23 Residential	158,475	187,147	190,508	198,005	200,241	196,969	194,521	193,731	194,535	191,979	190,066 ^r	191,240	191,871
24 Nonresidential, total	133,190	129,442	132,440	125,842	129,590	127,888	127,692	133,289	131,737	127,196	128,071 ^r	128,082	130,592
<i>Buildings</i>													
25 Industrial	15,769	13,747	13,095	13,005	13,659	14,387	13,536	14,336	13,579	13,324	13,782 ^r	14,654	16,002
26 Commercial	59,629	56,762	53,201	52,537	54,055	52,800	53,912	57,683	54,982	54,351	54,137 ^r	53,737	54,752
27 Other	12,619	13,216	15,254	15,317	14,888	15,079	15,593	16,158	17,321	16,444	17,782 ^r	17,170	16,695
28 Public utilities and other	45,173	45,717	44,728	44,983	46,988	45,622	44,651	45,112	45,855	43,077	42,370 ^r	42,521	43,143
29 Public	64,326	72,225	75,239	74,618	73,041	77,924	76,716	76,943	77,613	75,278	77,874 ^r	81,844	79,317
30 Military	3,283	3,919	4,204	5,009	4,193	6,083	4,308	4,738	3,164	4,667	4,367	4,844	4,706
31 Highway	21,756	23,360	23,248	22,441	22,005	23,489	24,993	24,713	25,792	25,018	25,835	27,678	27,675
32 Conservation and development	4,746	4,668	5,142	5,328	5,127	4,978	5,445	4,725	5,565	4,371	4,558 ^r	4,921	4,389
33 Other	34,541	40,278	42,645	41,840	41,716	43,374	41,970	42,767	43,092	41,222	43,114 ^r	44,401	42,547

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

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

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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 May 1988 (1982 = 100) ¹
	1987 May	1988 May	1987			1988	1988					
			June	Sept.	Dec.	Mar.	Jan. ²	Feb. ²	Mar.	Apr.	May	
CONSUMER PRICES²												
1 All items	3.9	3.9	4.3	3.9	3.2	4.2	.3	.2	.5	.4	.3	117.5
2 Food	4.9	3.3	5.8	2.1	2.8	1.4	.3	-.3	.3	.7	.4	117.0
3 Energy items	-.2	1.5	6.6	6.0	-3.9	-4.9	-.7	-.6	.0	.8	.5	88.7
4 All items less food and energy	4.2	4.3	3.8	3.8	4.4	5.4	.5	-.2	.6	.4	.2	122.7
5 Commodities	3.2	3.4	3.7	2.9	2.5	4.7	.4	.1	.7	.6	.2	115.5
6 Services	4.8	4.7	4.4	4.3	5.0	5.9	.6	.4	.5	.2	.4	126.9
PRODUCER PRICES												
7 Finished goods	2.4	2.0	3.5	3.8	-1.9	2.3	.3	-.3	.6	.4	.5	107.5
8 Consumer foods	4.3	.6	9.6	-1.8	-5.7	5.6	1.7	-1.1	.7	.4	.9	111.3
9 Consumer energy	-5.1	-.2	2.0	16.5	-9.6	-19.6	-5.1	-1.0	.9	3.1	.2	61.5
10 Other consumer goods	2.7	3.3	1.8	4.6	1.7	5.3	.7	-.2	.4	.0	.3	117.5
11 Capital equipment	2.0	2.1	1.1	4.0	-.7	3.2	.4	-.1	.4	.2	.4	113.9
12 Intermediate materials ³	1.9	5.4	5.3	5.6	4.3	3.9	.4	.0	.6	.8	.6	106.3
13 Excluding energy	2.1	6.8	4.2	5.3	7.2	7.8	1.2	.0	.7	.7	.5	114.3
Crude materials												
14 Foods	9.5	2.9	25.2	-4.8	-4.8	16.7	1.1	2.0	.8	.4	2.4	104.5
15 Energy	4.6	-4.2	11.3	5.9	-15.2	-23.6	-3.8	-.4	-2.4	2.5	1.3	71.4
16 Other	5.5	18.6	27.2	39.4	18.0	13.8	1.5	.4	1.4	.2	-1.7	131.1

1. Not seasonally adjusted.

2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.

3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

SOURCE: Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1985	1986	1987	1987				1988
				Q1	Q2	Q3	Q4	Q1 ¹
GROSS NATIONAL PRODUCT								
1 Total	4,010.3	4,235.0	4,488.5	4,377.7	4,445.1	4,524.0	4,607.4	4,665.1
<i>By source</i>								
2 Personal consumption expenditures	2,629.4	2,799.8	2,967.8	2,893.8	2,943.7	3,011.3	3,022.6	3,068.3
3 Durable goods	368.7	402.4	413.7	396.1	409.0	436.8	413.0	424.0
4 Nondurable goods	913.1	939.4	982.9	969.9	982.1	986.4	993.1	998.4
5 Services	1,347.5	1,458.0	1,571.2	1,527.7	1,552.6	1,588.1	1,616.5	1,645.9
6 Gross private domestic investment	641.6	671.0	717.5	699.9	702.6	707.4	760.2	762.7
7 Fixed investment	631.6	655.2	671.5	648.2	662.3	684.5	690.8	704.9
8 Nonresidential	442.6	436.9	443.4	422.8	434.6	456.6	459.6	477.8
9 Structures	152.5	137.4	134.2	128.7	129.7	137.1	141.1	140.0
10 Producers' durable equipment	290.1	299.5	309.2	294.1	304.9	319.5	318.5	337.8
11 Residential structures	189.0	218.3	228.1	225.4	227.7	227.9	231.2	227.2
12 Change in business inventories	10.0	15.7	46.1	51.6	40.3	22.9	69.4	57.8
13 Nonfarm	13.6	16.8	36.2	48.7	27.3	11.1	57.5	38.2
14 Net exports of goods and services	-79.2	-105.5	-119.6	-112.2	-118.4	-123.7	-124.3	-111.1
15 Exports	369.9	376.2	427.8	397.3	416.5	439.2	458.1	485.8
16 Imports	449.2	481.7	547.4	509.5	534.8	562.9	582.4	596.9
17 Government purchases of goods and services	818.6	869.7	922.8	896.2	917.1	929.0	948.8	945.1
18 Federal	353.9	366.2	379.4	366.9	379.6	382.1	388.9	375.1
19 State and local	464.7	503.5	543.4	529.3	537.6	546.9	559.9	570.0
<i>By major type of product</i>								
20 Final sales, total	4,000.3	4,219.3	4,442.5	4,326.0	4,404.8	4,501.1	4,537.9	4,607.3
21 Goods	1,637.9	1,693.8	1,782.2	1,738.7	1,763.5	1,798.3	1,828.4	1,854.6
22 Durable	704.3	726.8	773.3	747.0	756.7	785.7	803.8	815.4
23 Nondurable	933.6	967.0	1,008.9	991.7	1,006.8	1,012.6	1,024.6	1,039.2
24 Services	1,969.2	2,116.2	2,271.2	2,212.0	2,252.2	2,289.3	2,331.5	2,368.3
25 Structures	403.1	425.0	435.0	426.9	429.4	436.4	447.5	442.2
26 Change in business inventories	10.0	15.7	46.1	51.6	40.3	22.9	69.4	57.8
27 Durable goods	7.3	4.8	25.3	35.2	22.1	-1.9	46.0	21.5
28 Nondurable goods	2.7	10.9	20.7	16.5	18.2	24.8	23.4	36.3
29 MEMO								
Total GNP in 1982 dollars	3,607.5	3,713.3	3,821.0	3,772.2	3,795.3	3,835.9	3,880.8	3,915.4
NATIONAL INCOME								
30 Total	3,229.9	3,422.0	3,636.0	3,548.3	3,593.3	3,659.0	3,743.5	3,793.9
31 Compensation of employees	2,370.8	2,504.9	2,647.6	2,589.9	2,623.4	2,663.5	2,713.5	2,765.0
32 Wages and salaries	1,974.7	2,089.1	2,212.7	2,163.3	2,191.4	2,226.5	2,269.9	2,309.2
33 Government and government enterprises	372.3	394.8	421.4	412.2	418.1	424.5	430.9	439.1
34 Other	1,602.6	1,694.3	1,791.3	1,751.1	1,773.3	1,801.9	1,839.0	1,870.1
35 Supplement to wages and salaries	396.1	415.8	434.8	426.6	432.0	437.0	443.6	455.9
36 Employer contributions for social insurance	203.8	214.7	224.6	220.0	222.5	225.9	230.1	240.5
37 Other labor income	192.3	201.1	210.2	206.7	209.5	211.1	213.5	215.4
38 Proprietors' income ¹	257.3	289.8	327.4	320.9	323.1	322.7	342.7	338.5
39 Business and professional ¹	227.6	252.6	279.0	269.7	275.8	282.1	288.4	292.7
40 Farm ¹	29.7	37.2	48.4	51.3	47.3	40.6	54.3	45.8
41 Rental income of persons ²	9.0	16.7	19.3	20.0	18.9	17.3	20.9	22.2
42 Corporate profits ¹	277.6	284.4	304.7	294.0	296.8	314.9	313.0	310.9
43 Profits before tax ³	224.8	231.9	274.1	257.0	268.7	284.9	285.6	281.5
44 Inventory valuation adjustment	-7	6.5	-17.5	-11.3	-20.0	-17.6	-21.3	-16.4
45 Capital consumption adjustment	53.5	46.0	48.2	48.2	48.0	47.7	48.7	45.8
46 Net interest	315.3	326.1	337.1	323.6	331.1	340.6	353.3	357.3

1. With inventory valuation and capital consumption adjustments.

2. With capital consumption adjustment.

3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1985	1986	1987	1987				1988
				Q1	Q2	Q3	Q4	Q1 ¹
PERSONAL INCOME AND SAVING								
1 Total personal income	3,327.0	3,534.3	3,746.5	3,662.0	3,708.6	3,761.0	3,854.4	3,899.1
2 Wage and salary disbursements	1,974.9	2,089.1	2,212.7	2,163.3	2,191.4	2,226.1	2,270.2	2,309.2
3 Commodity-producing industries	609.2	623.3	641.1	632.9	635.0	641.8	654.7	663.6
4 Manufacturing	460.9	470.5	484.0	477.2	479.0	485.1	494.7	501.2
5 Distributive industries	473.0	497.1	522.9	511.5	518.9	526.3	535.0	543.1
6 Service industries	520.4	573.9	627.3	606.7	619.3	633.9	649.3	663.4
7 Government and government enterprises	372.3	394.8	421.4	412.2	418.1	424.2	431.2	439.1
8 Other labor income	192.3	201.1	210.2	206.7	209.5	211.1	213.5	215.4
9 Proprietors' income ¹	257.3	289.8	327.4	320.9	323.1	322.7	342.7	338.5
10 Business and professional	227.6	252.6	279.0	269.7	275.8	282.1	288.4	292.7
11 Farm ¹	29.7	37.2	48.4	51.3	47.3	40.6	54.3	45.8
12 Rental income of persons ²	9.0	16.7	19.3	20.0	18.9	17.3	20.9	22.2
13 Dividends	76.3	81.2	87.5	87.5	84.5	88.7	89.5	92.1
14 Personal interest income	476.5	497.6	516.2	499.8	506.3	520.0	538.8	541.7
15 Transfer payments	489.7	518.3	543.1	533.7	541.5	545.8	551.4	569.5
16 Old-age survivors, disability, and health insurance benefits	253.4	269.2	282.8	278.0	282.3	284.4	286.5	297.8
17 LESS: Personal contributions for social insurance	148.9	159.6	169.9	166.7	168.4	170.7	173.6	189.4
18 EQUALS: Personal income	3,327.0	3,534.3	3,746.5	3,662.0	3,708.6	3,761.0	3,854.4	3,899.1
19 LESS: Personal tax and nontax payments	485.9	512.2	564.8	536.1	578.0	565.7	579.4	576.5
20 EQUALS: Disposable personal income	2,841.1	3,022.1	3,181.7	3,125.9	3,130.6	3,195.3	3,275.0	3,322.6
21 LESS: Personal outlays	2,714.1	2,891.5	3,062.7	2,987.5	3,037.4	3,106.5	3,119.3	3,166.7
22 EQUALS: Personal saving	127.1	130.6	119.0	138.4	93.2	88.8	155.7	155.9
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,073.7	15,369.6	15,672.6	15,523.4	15,586.4	15,714.4	15,859.4	15,961.6
24 Personal consumption expenditures	9,830.2	10,142.8	10,242.8	10,188.9	10,215.6	10,326.5	10,235.4	10,305.3
25 Disposable personal income	10,622.0	10,947.0	10,980.0	11,008.0	10,865.0	10,958.0	11,090.0	11,160.0
26 Saving rate (percent)	4.5	4.3	3.7	4.4	3.0	2.8	4.8	4.7
GROSS SAVING								
27 Gross saving	531.3	532.0	565.2	554.3	551.3	559.3	595.9	625.3
28 Gross private saving	664.2	679.8	672.6	683.8	639.9	648.7	718.2	722.8
29 Personal saving	127.1	130.6	119.0	138.4	93.2	88.8	155.7	155.9
30 Undistributed corporate profits ¹	99.6	92.6	74.6	75.6	70.1	76.8	75.7	74.3
31 Corporate inventory valuation adjustment	-7	6.5	-17.5	-11.3	-20.0	-17.6	-21.3	-16.4
<i>Capital consumption allowances</i>								
32 Corporate	269.1	282.8	296.2	291.8	294.5	297.8	300.9	304.5
33 Noncorporate	168.5	173.8	182.8	178.0	182.1	185.3	186.0	188.0
34 Government surplus, or deficit (-), national income and product accounts	-132.9	-147.8	-107.4	-129.5	-88.6	-89.3	-122.3	-97.5
35 Federal	-196.0	-204.7	-151.4	-170.5	-139.2	-135.8	-160.2	-143.1
36 State and local	63.1	56.8	44.0	41.0	50.6	46.5	37.9	45.6
37 Gross investment	525.7	527.1	560.6	552.1	548.1	548.4	593.8	612.5
38 Gross private domestic	641.6	671.0	717.5	699.9	702.6	707.4	760.2	762.7
39 Net foreign	-115.9	-143.9	-156.9	-147.7	-154.5	-159.0	-166.4	-150.2
40 Statistical discrepancy	-5.6	-4.9	-4.6	-2.2	-3.1	-10.9	-2.1	-12.8

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.¹

Item credits or debits	1985 ^r	1986 ^r	1987 ^r	1987				1988
				Q1 ^r	Q2 ^r	Q3 ^r	Q4 ^r	Q1 ^p
1 Balance on current account	-115,102	-138,827	-153,964	-37,624	-40,852	-41,967	-33,523	-39,751
2 Not seasonally adjusted				-33,032	-41,799	-47,330	-31,803	-34,937
3 Merchandise trade balance ²	-122,148	-144,547	-160,280	-39,871	-39,552	-39,665	-41,192	-35,945
4 Merchandise exports	215,935	223,969	249,570	56,791	59,864	64,902	68,013	74,672
5 Merchandise imports	-338,083	-368,516	-409,850	-96,662	-99,416	-104,567	-109,205	-110,617
6 Military transactions, net	-3,431	-4,372	-2,369	-78	-179	-851	-1,261	-899
7 Investment income, net ³	25,936	23,143	20,374	5,076	1,692	1,067	12,539	-595
8 Other service transactions, net	-449	2,257	1,755	-143	13	87	479	735
9 Remittances, pensions, and other transfers	-3,786	-3,571	-3,434	-867	-884	-855	-828	-868
10 U.S. government grants (excluding military)	-11,223	-11,738	-10,011	-2,100	-2,241	-2,125	-3,545	-2,283
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-2,829	-2,000	1,162	67	-170	252	1,012	-780
12 Change in U.S. official reserve assets (increase, -)	-3,858	312	9,149	1,956	3,419	32	3,741	1,503
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-897	-246	-509	76	-171	-210	-205	155
15 Reserve position in International Monetary Fund	908	1,500	2,070	606	335	407	722	446
16 Foreign currencies	-3,869	-942	7,588	1,274	3,255	-165	3,225	901
17 Change in U.S. private assets abroad (increase, -) ³	-25,949	-96,303	-86,298	9,049	-26,127	-25,576	-43,645	8,169
18 Bank-reported claims	-1,323	-59,975	-40,531	21,870	-22,422	-16,519	-23,460	17,402
19 Nonbank-reported claims	923	-4,220	3,145	-491	2,603	-215	1,248	
20 U.S. purchase of foreign securities, net	-7,481	-4,297	-4,456	-1,639	-88	-972	-1,757	-4,388
21 U.S. direct investments abroad, net ³	-18,068	-27,811	-44,456	-10,691	-6,220	-7,870	-19,676	-4,845
22 Change in foreign official assets in the United States (increase, +)	-1,196	35,507	44,968	13,977	10,332	611	20,047	24,372
23 U.S. Treasury securities	-838	34,364	43,361	12,193	11,083	842	19,243	27,568
24 Other U.S. government obligations	-301	-1,214	1,570	-62	256	714	662	-116
25 Other U.S. government liabilities ⁴	767	2,054	-2,824	-1,337	-1,309	-287	108	-251
26 Other U.S. liabilities reported by U.S. banks	645	1,187	3,901	3,543	615	-34	-223	-1,996
27 Other foreign official assets ⁵	-1,469	-884	-1,040	-360	-313	-624	257	-833
28 Change in foreign private assets in the United States (increase, +) ³	131,096	185,746	166,521	19,122	40,327	71,047	36,025	3,504
29 U.S. bank-reported liabilities	41,045	79,783	87,778	-6,100	17,961	46,153	29,764	-15,994
30 U.S. nonbank-reported liabilities	-366	-2,906	2,150	1,696	1,570	-116	-1,000	
31 Foreign private purchases of U.S. Treasury securities, net	20,433	3,809	-7,596	-2,826	-2,431	-2,835	496	7,001
32 Foreign purchases of other U.S. securities, net	50,962	70,969	42,213	18,373	15,998	12,819	-4,977	2,328
33 Foreign direct investments in the United States, net ³	19,022	34,091	41,976	7,979	7,229	15,026	11,742	10,169
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	17,839	15,566	18,461	-6,547	13,071	-4,399	16,342	2,984
36 Owing to seasonal adjustments				4,141	-2,615	-4,658	3,138	3,925
37 Statistical discrepancy in recorded data before seasonal adjustment	17,839	15,566	18,461	-10,688	15,686	259	13,204	-941
MEMO								
38 Changes in official assets								
U.S. official reserve assets (increase, -)	-3,858	312	9,149	1,956	3,419	32	3,741	1,503
39 Foreign official assets in the United States (increase, +) excluding line 25	-1,963	33,453	47,792	15,314	11,641	898	19,939	24,623
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-6,709	-9,327	-9,956	-2,801	-2,681	-1,723	-2,750	-1,331
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	46	101	58	8	26	13	12	15

1. Seasonal factors are not calculated for lines 6, 10, 12-16, 18-20, 22-34, and 38-41.

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.

3. Includes reinvested earnings.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE: Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE¹

Millions of dollars; monthly data are not seasonally adjusted.

Item	1985	1986 ²	1987 ²	1987 ²			1988 ²			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value.....	218,815	227,159	254,122	22,778	23,279	24,314	22,990	24,139	29,106	26,521
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	352,463	382,295	424,442	39,765	36,739	37,340	34,523	37,133	38,633	36,300
3 Trade balance	-133,648	-155,137	-170,320	-16,987	-13,460	-13,026	-11,533	-12,994	-9,528	-9,780

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transac-

tions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE: FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1984	1985	1986	1987		1988				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ²
1 Total	34,934	43,186	48,511	46,779	45,798	42,955	43,064	43,186	42,730	41,949
2 Gold stock, including Exchange Stabilization Fund ¹	11,096	11,090	11,064	11,082	11,078	11,068	11,063	11,063	11,063	11,063
3 Special drawing rights ^{2,3}	5,641	7,293	8,395	9,937	10,283	9,765	9,761	9,899	9,589	9,543
4 Reserve position in International Monetary Fund ²	11,541	11,947	11,730	11,369	11,349	10,804	10,445	10,645	10,803	10,431
5 Foreign currencies ⁴	6,656	12,856	17,322	14,391	13,088	11,318	11,795	11,579	11,275	10,912

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at \$42.22 per fine troy ounce.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position

in the IMF also are valued on this basis beginning July 1974.

3. Includes allocations by the International Monetary Fund of SDRs as follows: \$867 million on Jan. 1, 1970; \$717 million on Jan. 1, 1971; \$710 million on Jan. 1, 1972; \$1,139 million on Jan. 1, 1979; \$1,152 million on Jan. 1, 1980; and \$1,093 million on Jan. 1, 1981; plus transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS¹

Millions of dollars, end of period

Assets	1984	1985	1986	1987		1988				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Deposits	267	480	287	351	244	355	343	534	215	297
Assets held in custody ²										
2 U.S. Treasury securities	118,000	121,004	155,835	187,767	195,126	206,675	215,308	222,407 ²	224,725	226,341
3 Earmarked gold ³	14,242	14,245	14,048	13,965	13,919	13,882	13,824	13,773	13,719	13,654

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

3. Earmarked gold and the gold stock are valued at \$42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹

Millions of dollars, end of period

Asset account	1984	1985	1986	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^P
All foreign countries										
1 Total, all currencies	453,656	458,012	456,628	521,757	525,894	518,604^F	503,254^F	495,003^F	502,398	488,939
2 Claims on United States	113,393	119,706	114,563	138,221	140,425	138,034 ^F	131,376	131,012 ^F	135,339	139,186
3 Parent bank	78,109	87,201	83,492	99,450	102,814	105,845 ^F	95,482	94,348	99,041	102,957
4 Other banks in United States	13,664	13,057	13,685	17,826	16,701	16,416	14,910	15,388	14,507	13,342
5 Nonbanks	21,620	19,448	17,386	20,945	20,910	15,773	20,984	21,276 ^F	21,791	22,887
6 Claims on foreigners	320,162	315,676	312,955	347,614	346,819	342,506 ^F	334,074 ^F	326,653 ^F	328,542	314,571
7 Other branches of parent bank	95,184	91,399	96,281	116,558	116,509	122,155 ^F	115,275 ^F	111,671 ^F	108,972	103,090
8 Banks	100,397	102,960	105,237	118,248	115,591	108,856	108,161 ^F	105,604 ^F	106,936	101,226
9 Public borrowers	23,343	23,478	23,706	22,157	22,385	21,828	21,329 ^F	21,331 ^F	21,962	21,060
10 Nonbank foreigners	101,238	97,839	87,731	90,651	92,334	89,667	89,309	88,047 ^F	90,672	89,195
11 Other assets	20,101	22,630	29,110	35,922	38,650	38,064 ^F	37,804 ^F	37,338 ^F	38,517	35,182
12 Total payable in U.S. dollars	350,636	336,520	317,487	354,544	353,073	350,106^F	335,313^F	330,726^F	333,874	327,438
13 Claims on United States	111,426	116,638	110,620	131,659	133,731	132,023 ^F	124,893 ^F	124,786 ^F	128,770	133,299
14 Parent bank	77,229	85,971	82,082	97,257	100,123	103,251 ^F	92,466 ^F	91,271	95,776	100,320
15 Other banks in United States	13,500	12,454	12,830	15,627	14,632	14,657	13,439	13,886	13,190	12,328
16 Nonbanks	20,697	18,213	15,708	18,775	18,976	14,115	18,988	19,629 ^F	19,804	20,651
17 Claims on foreigners	228,600	210,129	195,063	209,137	203,963	202,427 ^F	196,154	190,922 ^F	190,758	179,414
18 Other branches of parent bank	78,746	72,727	72,197	86,695	85,548	88,284 ^F	84,468 ^F	83,063 ^F	81,692	75,423
19 Banks	76,940	71,868	66,421	68,931	65,771	63,706	61,359 ^F	58,181 ^F	58,274	54,466
20 Public borrowers	17,626	17,260	16,708	14,988	14,952	14,730	14,720	14,645 ^F	14,853	14,423
21 Nonbank foreigners	55,288	48,274	39,737	38,523	37,692	35,707	35,607	35,033	35,939	35,102
22 Other assets	10,610	9,753	11,804	13,748	15,379	15,656 ^F	14,266 ^F	15,018 ^F	14,346	14,725
United Kingdom										
23 Total, all currencies	144,385	148,599	140,917	163,472	167,726	158,695^F	160,244	157,634^F	155,657	152,592
24 Claims on United States	27,675	33,157	24,599	33,904	35,392	32,518	32,464	32,869	29,406	31,618
25 Parent bank	21,862	26,970	19,085	27,710	29,553	27,350	26,923	27,484	24,512	26,155
26 Other banks in United States	1,429	1,106	1,612	1,870	1,694	1,259	1,558	1,527	1,111	1,013
27 Nonbanks	4,384	5,081	3,902	4,324	4,145	3,909	3,983	3,858	3,783	4,450
28 Claims on foreigners	111,828	110,217	109,508	120,079	121,487	115,700	118,407	115,489 ^F	117,150	112,347
29 Other branches of parent bank	37,953	31,576	33,422	37,402	39,138	39,903	39,702	38,077	34,278	33,019
30 Banks	37,443	39,250	39,468	42,929	41,649	36,735	39,697	38,654	40,422	38,790
31 Public borrowers	5,334	5,644	4,990	4,881	5,272	4,752	4,639	4,613	5,312	5,000
32 Nonbank foreigners	31,098	33,747	31,628	34,867	35,428	34,310	34,369	34,145 ^F	37,138	35,538
33 Other assets	4,882	5,225	6,810	9,489	10,847	10,477 ^F	9,373	9,276	9,101	8,627
34 Total payable in U.S. dollars	112,809	108,626	95,028	105,515	107,289	100,574^F	102,148^F	101,642	95,972	92,871
35 Claims on United States	26,868	32,092	23,193	31,820	33,409	30,439	30,156 ^F	30,971	27,213	29,555
36 Parent bank	21,495	26,568	18,526	26,850	28,685	26,304	25,854 ^F	26,565	23,217	25,137
37 Other banks in United States	1,363	1,005	1,475	1,504	1,408	1,044	1,132	1,273	945	781
38 Nonbanks	4,010	4,519	3,192	3,466	3,316	3,091	3,170	3,133	3,051	3,637
39 Claims on foreigners	82,945	73,475	68,138	69,276	68,864	64,560	67,458	66,313	64,422	59,091
40 Other branches of parent bank	33,607	26,011	26,361	27,810	29,166	28,635	29,336	29,813	26,812	24,636
41 Banks	26,805	26,139	23,251	22,941	21,833	19,188	20,814	19,516	19,831	17,953
42 Public borrowers	4,030	3,999	3,677	3,426	3,472	3,313	3,313	3,347	3,864	3,412
43 Nonbank foreigners	18,503	17,326	14,849	15,099	14,393	13,424	13,995	13,637	13,915	13,090
44 Other assets	2,996	3,059	3,697	4,419	5,016	5,575 ^F	4,534	4,358	4,337	4,225
Bahamas and Caymans										
45 Total, all currencies	146,811	142,055	142,592	156,951	155,100	160,321	148,718	143,630	153,254	152,930
46 Claims on United States	77,296	74,864	78,048	83,383	82,366	85,318	79,893	78,015	85,847	88,293
47 Parent bank	49,449	50,553	54,575	53,289	52,579	60,048	51,249	48,402	56,330	59,240
48 Other banks in United States	11,544	11,204	11,156	14,721	13,980	14,277	12,472	13,042	12,400	11,480
49 Nonbanks	16,303	13,107	12,317	15,373	15,627	10,993	16,172	16,571	17,117	17,573
50 Claims on foreigners	65,598	63,882	60,005	68,713	67,658	70,162	63,469	60,111	61,952	58,808
51 Other branches of parent bank	17,661	19,042	17,296	18,936	18,905	21,277	19,802 ^F	18,486 ^F	19,368	17,790
52 Banks	30,246	28,192	27,476	35,014	33,479	33,751	29,340 ^F	27,687 ^F	28,637	26,690
53 Public borrowers	6,089	6,458	7,051	7,018	7,196	7,428	7,257	7,063 ^F	6,891	6,849
54 Nonbank foreigners	11,602	10,190	8,182	7,745	8,078	7,706	7,070	6,875	7,056	7,479
55 Other assets	3,917	3,309	4,539	4,855	5,076	4,841	5,356	5,504	5,455	5,829
56 Total payable in U.S. dollars	141,562	136,794	136,813	145,841	144,525	151,434	141,135	135,916	145,050	145,398

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches

from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 Continued

Liability account	1984	1985	1986	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^a
All foreign countries										
57 Total, all currencies	453,656	458,012	456,628	521,757	525,894	518,604 ^f	503,254 ^f	495,003 ^f	502,398	488,939
58 Negotiable CDs	37,725	34,607	31,629	36,796	34,690	30,929	29,277	31,158	31,854	31,585
59 To United States	147,583	156,281	152,465	156,762	156,206	161,390	150,676 ^f	149,402 ^f	157,063	155,611
60 Parent bank	78,739	84,657	83,394	80,297	83,894 ^f	87,606 ^f	78,590 ^f	85,142 ^f	91,628	85,718
61 Other banks in United States	18,409	16,894	15,646	18,870	18,871	20,559	15,801	14,237	14,806	16,224
62 Nonbanks	50,435	54,730	53,425	57,595	53,441 ^f	53,225 ^f	56,285 ^f	50,023 ^f	50,629	53,669
63 To foreigners	247,907	245,939	253,775	307,161	312,596	304,790	302,042 ^f	293,360 ^f	290,064	280,932
64 Other branches of parent bank	93,909	89,529	95,146	114,863	117,036	124,601	116,434 ^f	111,949 ^f	109,071	105,038
65 Banks	78,203	76,814	77,809	98,121	97,490	87,261	89,552	88,400	88,257	85,097
66 Official institutions	20,281	19,520	17,835	20,370	21,873	19,564	21,130	20,373	18,608	18,006
67 Nonbank foreigners	55,514	60,076	62,985	73,807	76,197	73,364	74,926	72,638 ^f	74,128	72,791
68 Other liabilities	20,441	21,185	18,759	21,038	22,402	21,495 ^f	21,259 ^f	21,083 ^f	23,417	20,811
69 Total payable in U.S. dollars	367,145	353,712	336,406	365,879	361,698	361,438	344,805	341,630 ^f	344,395	337,122
70 Negotiable CDs	35,227	31,063	28,466	32,117	30,075	26,768	24,785	26,386	26,869	26,596
71 To United States	143,571	150,905	144,483	145,462	143,188	148,442	139,185 ^f	138,737 ^f	144,983	144,893
72 Parent bank	76,254	81,631	79,305	74,788	77,775 ^f	81,783 ^f	73,064 ^f	79,363 ^f	84,801	80,036
73 Other banks in United States	17,935	16,264	14,609	17,315	17,197	19,155	14,433	12,918	13,501	15,013
74 Nonbanks	49,382	53,010	50,569	53,359	48,216 ^f	47,504 ^f	51,688 ^f	46,456 ^f	46,681	49,844
75 To foreigners	178,260	163,583	156,806	179,506	179,526	177,711	172,285 ^f	167,717 ^f	163,275	156,738
76 Other branches of parent bank	77,770	71,078	71,181	84,448	84,630	90,469	84,298 ^f	82,996 ^f	81,073	76,598
77 Banks	45,123	37,365	33,850	40,167	38,932	35,065	33,315	32,278	30,688	29,924
78 Official institutions	15,773	14,359	12,371	13,405	14,161	12,409	12,071	12,049	10,489	10,539
79 Nonbank foreigners	39,594	40,781	39,404	41,486	41,803	39,768	41,936	40,372	41,025	39,677
80 Other liabilities	10,087	8,161	6,651	8,794	8,909	8,517	8,550	8,790 ^f	9,268	8,895
United Kingdom										
81 Total, all currencies	144,385	148,599	140,917	163,472	167,726	158,695 ^f	160,244	157,634 ^f	155,657	152,592
82 Negotiable CDs	34,413	31,260	27,781	32,523	30,475	26,988	25,184	26,786	27,279	27,090
83 To United States	25,250	29,422	24,657	22,866	24,961	23,470	25,209	26,382 ^f	22,725	23,988
84 Parent bank	14,651	19,330	14,469	12,251	14,018	13,223	14,177	15,527 ^f	14,506	14,904
85 Other banks in United States	3,125	2,974	2,649	2,382	2,103	1,740	1,596	1,615	1,768	1,508
86 Nonbanks	7,474	7,118	7,539	8,235	8,840	8,507	9,436	9,240 ^f	6,451	7,576
87 To foreigners	77,424	78,525	79,498	98,215	101,686	98,689	100,001	94,235 ^f	95,049	92,099
88 Other branches of parent bank	21,631	23,389	25,036	29,718	30,727	33,078	33,344	30,350	30,211	27,383
89 Banks	30,436	28,581	30,877	38,502	37,690	34,290	34,820	33,520	33,316	32,970
90 Official institutions	10,154	9,676	6,836	10,248	12,000	11,015	11,571	11,048	9,624	10,181
91 Nonbank foreigners	15,203	16,879	16,749	19,747	21,269	20,306	20,266	19,317 ^f	21,898	21,565
92 Other liabilities	7,298	9,392	8,981	9,866	10,604	9,548 ^f	9,850	10,231 ^f	10,604	9,415
93 Total payable in U.S. dollars	117,497	112,697	99,707	108,440	108,481	102,550	105,138	105,162	98,982	96,532
94 Negotiable CDs	33,070	29,337	26,169	29,991	27,999	24,926	22,875	24,281	24,716	24,392
95 To United States	24,105	27,756	22,075	18,819	19,800	17,752	20,799	23,019	19,116	20,310
96 Parent bank	14,339	18,956	14,021	11,283	12,792	12,026	13,307	14,626	13,622	13,947
97 Other banks in United States	2,980	2,826	2,325	2,080	1,789	1,512	1,398	1,401	1,556	1,306
98 Nonbanks	6,786	5,974	5,729	5,456	5,219	4,214	6,094	6,992	3,938	5,057
99 To foreigners	56,923	51,980	48,138	55,209	56,443	55,919	57,620	53,444	50,590	47,589
100 Other branches of parent bank	18,294	18,493	17,951	20,018	20,826	22,334	22,870	21,753	21,292	18,060
101 Banks	18,356	14,344	15,203	17,786	17,024	15,580	16,119	14,401	13,106	12,889
102 Official institutions	8,871	7,661	4,934	7,115	7,970	7,530	7,993	7,045	5,181	5,918
103 Nonbank foreigners	11,402	11,482	10,050	10,290	10,623	10,475	10,638	10,245	11,011	10,722
104 Other liabilities	3,399	3,624	3,325	4,421	4,239	3,953	3,844	4,418	4,560	4,241
Bahamas and Caymans										
105 Total, all currencies	146,811	142,055	142,592	156,951	155,100	160,321	148,718	143,630	153,254	152,930
106 Negotiable CDs	615	610	847	890	861	885	851	940	1,069	1,038
107 To United States	102,955	104,556	106,081	111,976	108,039	113,950	105,147 ^f	99,821 ^f	110,451	109,319
108 Parent bank	47,162	45,554	49,481	49,387	50,030 ^f	53,239 ^f	46,594 ^f	48,976 ^f	55,981	50,688
109 Other banks in United States	13,938	12,778	11,715	14,872	15,204	17,224	13,017	11,455	11,829	13,676
110 Nonbanks	41,855	46,224	44,885	47,717	42,805 ^f	43,487 ^f	45,536 ^f	39,390 ^f	42,641	44,955
111 To foreigners	40,320	35,053	34,400	42,295	44,398	43,815	40,822 ^f	41,234 ^f	40,038	40,833
112 Other branches of parent bank	16,782	14,075	12,631	17,090	17,812	19,185	18,629 ^f	18,604 ^f	17,260	19,300
113 Banks	12,405	10,669	8,617	11,589	12,611	10,769	9,344	9,825	9,404	9,162
114 Official institutions	2,054	1,776	2,719	2,158	2,064	1,504	1,377	1,179	1,873	1,164
115 Nonbank foreigners	9,079	8,533	10,433	11,458	11,911	12,357	11,472	11,626	11,501	11,207
116 Other liabilities	2,921	1,836	1,264	1,790	1,802	1,671	1,898	1,635	1,696	1,740
117 Total payable in U.S. dollars	143,582	138,322	138,774	149,472	146,485	152,927	141,750	136,636	145,366	146,134

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987			1988			
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^p
1 Total¹	178,380	211,834	252,551	254,080	259,635	267,049	276,360	284,424	286,583
<i>By type</i>									
2 Liabilities reported by banks in the United States ²	26,734	27,920	38,337	34,259	31,821	32,522	32,118 ^r	29,848	29,565
3 U.S. Treasury bills and certificates ³	53,252	75,650	78,819	82,542	88,829	90,635	93,407	95,624	94,974
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,368	118,909	120,762	122,556	127,674	134,843	142,984	146,082
5 Nonmarketable ⁴	3,550	1,300	300	300	300	300	300	792	795
6 U.S. securities other than U.S. Treasury securities ⁵	17,690	15,596	16,186	16,217	16,129	15,918	15,692	15,176	15,167
<i>By area</i>									
7 Western Europe ¹	74,447	88,629	116,510	117,628	124,609	127,733	127,594	129,325	129,457
8 Canada	1,315	2,004	5,152	4,884	4,961	6,182	6,839	7,954	8,314
9 Latin America and Caribbean	11,148	8,417	9,217	8,924	8,308	7,925	8,271	8,709	8,495
10 Asia	86,448	105,868	114,106	116,417	116,208	119,309	127,479 ^r	131,593	132,439
11 Africa	1,824	1,503	1,474	1,562	1,402	1,458	1,493	1,512	1,417
12 Other countries ⁶	3,199	5,412	6,089	4,665	4,147	4,442	4,682	4,839	5,966

- 1. Includes the Bank for International Settlements.
 - 2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
 - 3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
 - 4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
 - 5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
 - 6. Includes countries in Oceania and Eastern Europe.
- NOTE: Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies¹

Millions of dollars, end of period

Item	1984	1985	1986	1987			1988
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	8,586	15,368	29,702	39,102	45,872	54,913	56,490
2 Banks' own claims	11,984	16,294	26,180	34,244	41,744	50,785	51,564
3 Deposits	4,998	8,437	14,129	12,034	15,753	18,119	17,711
4 Other claims	6,986	7,857	12,052	22,210	25,992	32,666	33,852
5 Claims of banks' domestic customers ²	569	580	2,507	923	1,067	551	810

- 1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
- 2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States
Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1984	1985	1986	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb. ⁷	Mar.	Apr. ⁸
1 All foreigners	407,306	435,726	540,996	605,116	605,074	618,622	601,118	605,237	606,543	610,340
2 Banks' own liabilities	306,898	341,070	406,485	462,986	457,634	469,487	446,221	446,172	444,407	448,404
3 Demand deposits.....	19,571	21,107	23,789	22,876	23,736	22,704	21,445	21,114	21,903	20,808
4 Time deposits ¹	110,413	117,278	130,891	151,925	147,162	148,152	139,077	140,177	138,391	134,819
5 Other ²	26,268	29,305	42,705	53,047	52,474	51,059	51,836	52,651	46,513	45,172
6 Own foreign offices ³	150,646	173,381	209,100	235,138	234,262	247,571	233,862	232,228	237,600	247,605
7 Banks' custody liabilities⁴	100,408	94,656	134,511	142,130	147,440	149,135	154,897	159,066	162,136	161,935
8 U.S. Treasury bills and certificates ⁵	76,368	69,133	90,398	91,374	96,612	101,743	103,861	107,088	109,233	107,881
9 Other negotiable and readily transferable instruments ⁶	18,747	17,964	15,417	15,933	16,737	16,712	16,654	15,592	16,121	16,017
10 Other.....	5,293	7,558	28,696	34,823	34,090	30,680	34,383	36,386	36,783	38,038
11 Nonmonetary international and regional organizations	4,454	5,821	5,807	3,594	5,809	4,373	5,875	8,640	6,064	4,478
12 Banks' own liabilities	2,014	2,621	3,958	1,680	3,195	2,612	4,052	6,629	4,062	2,315
13 Demand deposits.....	254	85	199	107	74	249	790	74	134	67
14 Time deposits ¹	1,267	2,067	2,065	986	1,094	1,523	1,583	2,481	2,092	335
15 Other.....	493	469	1,693	586	2,027	839	1,678	4,074	1,836	1,913
16 Banks' custody liabilities⁴	2,440	3,200	1,849	1,914	2,614	1,761	1,823	2,011	2,002	2,163
17 U.S. Treasury bills and certificates.....	916	1,736	259	285	747	265	613	1,415	635	587
18 Other negotiable and readily transferable instruments ⁶	1,524	1,464	1,590	1,624	1,811	1,497	1,210	1,521	1,351	1,564
19 Other.....	0	0	0	6	55	0	0	75	16	11
20 Official institutions⁸	86,065	79,985	103,569	117,156	116,801	120,650	123,157	125,525	125,472	124,540
21 Banks' own liabilities	19,039	20,835	25,427	34,785	31,066	28,686	29,895	29,232	26,897	26,506
22 Demand deposits.....	1,823	2,077	2,267	1,905	1,820	1,948	1,605	1,861	2,020	1,660
23 Time deposits ¹	9,374	10,949	10,497	16,584	13,707	12,429	11,907	11,654	11,718	11,635
24 Other ²	7,842	7,809	12,663	16,296	15,539	14,309	16,383	15,717	13,158	13,210
25 Banks' custody liabilities⁴	67,026	59,150	78,142	82,372	85,735	91,965	93,262	96,294	98,575	98,033
26 U.S. Treasury bills and certificates ⁵	59,976	53,252	75,650	78,819	82,542	88,829	90,635	93,407	95,624	94,974
27 Other negotiable and readily transferable instruments ⁶	6,966	5,824	2,347	3,328	2,993	2,990	2,442	2,592	2,750	2,939
28 Other.....	84	75	145	225	200	146	185	294	201	120
29 Banks⁹	248,893	275,589	351,745	405,636	400,611	414,024	391,711	390,909	394,984	401,229
30 Banks' own liabilities	225,368	252,723	310,166	359,316	354,402	371,204	345,529	344,043	347,457	353,229
31 Unaffiliated foreign banks.....	74,722	79,341	101,066	124,178	120,140	123,633	111,666	111,815	109,857	105,623
32 Demand deposits.....	10,556	10,271	10,303	11,369	11,862	10,918	9,774	9,747	10,014	9,438
33 Time deposits ¹	47,095	49,510	64,232	79,583	76,658	79,926	71,284	71,718	70,672	68,725
34 Other.....	17,071	19,561	26,531	33,225	31,621	32,790	30,608	30,350	29,171	27,461
35 Own foreign offices ³	150,646	173,381	209,100	235,138	234,262	247,571	233,862	232,228	237,600	247,605
36 Banks' custody liabilities⁴	23,525	22,866	41,579	46,321	46,209	42,819	46,182	46,866	47,526	48,000
37 U.S. Treasury bills and certificates.....	11,448	9,832	9,984	8,961	9,480	9,134	8,979	9,526	9,597	8,889
38 Other negotiable and readily transferable instruments ⁶	7,236	6,040	5,165	5,454	5,586	5,390	5,580	4,436	4,627	4,637
39 Other.....	4,841	6,994	26,431	31,906	31,143	28,296	31,624	32,904	33,303	34,474
40 Other foreigners	67,894	74,331	79,875	78,729	81,853	79,575	80,374	80,163	80,024	80,093
41 Banks' own liabilities	60,477	64,892	66,934	67,206	68,970	66,985	66,745	66,267	65,990	66,355
42 Demand deposits.....	6,938	8,673	11,019	9,495	9,981	9,589	9,275 ⁷	9,433	9,734	9,644
43 Time deposits.....	52,678	54,752	54,097	54,772	55,703	54,275	54,303 ⁷	54,324	53,909	54,123
44 Other ²	861	1,467	1,818	2,940	3,287	3,121	3,166	2,511	2,347	2,587
45 Banks' custody liabilities⁴	7,417	9,439	12,941	11,523	12,882	12,589	13,629	13,895	14,034	13,739
46 U.S. Treasury bills and certificates.....	4,029	4,314	4,506	3,309	3,842	3,515	3,633	3,740	3,378	3,430
47 Other negotiable and readily transferable instruments ⁶	3,021	4,636	6,315	5,527	6,347	6,836	7,422	7,044	7,393	6,876
48 Other.....	367	489	2,120	2,686	2,693	2,238	2,575	3,112	3,263	3,433
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,496	6,676	7,361	7,314	7,647	7,370	7,325	7,480

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

2. Includes borrowing under repurchase agreements.

3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.

8. Foreign central banks, foreign central governments, and the Bank for International Settlements.

9. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1984	1985	1986	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^P
1 Total	407,306	435,726	540,996	605,116	605,074	618,622	601,118	605,237 ¹	605,543	610,340
2 Foreign countries	402,852	429,905	535,189	601,522	599,265	614,249	595,243	596,597 ¹	600,479	605,862
3 Europe	153,145	164,114	180,556	233,296	229,008	234,662	225,499	226,519 ¹	212,953	218,433
4 Austria	615	693	1,181	1,166	1,254	920	992	964	957	1,142
5 Belgium-Luxembourg	4,114	5,243	6,729	10,833	10,917	9,304	9,397	9,837 ¹	8,773	9,624
6 Denmark	438	513	482	704	628	757	547	659 ¹	930	1,034
7 Finland	418	496	580	571	461	377	401	369	405	504
8 France	12,701	15,541	22,862	28,255	27,522	29,954	28,198	28,868	28,449	27,040
9 Germany	3,358	4,835	5,762	8,562	8,548	7,061	7,788	8,872 ¹	6,606	6,857
10 Greece	699	666	700	738	715	689	638	639	656	656
11 Italy	10,762	9,667	10,875	10,282	10,016	12,063	11,259	11,001	10,076	10,040
12 Netherlands	4,731	4,212	5,600	6,725	6,490	5,013	5,272	5,302	5,399	5,134
13 Norway	1,548	948	735	1,187	1,074	1,362	1,196	828	917	1,101
14 Portugal	597	652	699	724	858	801	725	780	877	917
15 Spain	2,082	2,114	2,407	2,283	2,614	2,619	2,359	2,433	2,618	2,444
16 Sweden	1,676	1,422	884	1,582	2,882	1,379	1,393	1,710	1,836	1,712
17 Switzerland	31,740	29,020	30,534	29,053	30,167	33,754	31,925	32,011 ¹	31,815	30,722
18 Turkey	584	429	454	550	433	703	674	539	616	518
19 United Kingdom	68,671	76,728	85,334	119,308	115,122	116,778	111,752	112,207 ¹	101,571	109,417
20 Yugoslavia	602	673	630	508	485	711	541	557	550	566
21 Other Western Europe ¹	7,132	9,635	3,326	9,180	8,184	9,798	9,683	8,340	9,213	8,275
22 U.S.S.R.	79	105	80	87	36	31	37	49	66	44
23 Other Eastern Europe ²	537	523	702	599	602	588	721	549	623	686
24 Canada	16,059	17,427	26,345	25,740	28,681	30,083	28,691	25,967 ¹	27,323	27,215
25 Latin America and Caribbean	153,381	167,856	210,318	217,859	214,306	220,313	212,002	212,719 ¹	221,688	225,021
26 Argentina	4,394	5,032	4,757	5,075	5,267	4,994	4,893	5,083 ¹	5,101	5,322
27 Bahamas	56,897	57,657	73,619	72,547	70,946	74,589	69,111	64,964 ¹	70,296	69,383
28 Bermuda	2,370	2,765	2,222	2,442	2,231	2,335	2,197	2,021	2,184	2,424
29 Brazil	5,275	5,373	4,325	3,691	4,136	4,000	3,936	3,745	4,074	4,258
30 British West Indies	36,773	42,674	72,263	80,303	78,236	81,632	78,503	82,625	87,889	92,132
31 Chile	2,001	2,049	2,054	2,191	2,218	2,210	2,122	2,361	2,314	2,251
32 Colombia	2,514	3,104	4,285	4,195	4,305	4,205	3,947	3,897	3,833	3,843
33 Cuba	10	11	7	12	9	12	8	8	8	13
34 Ecuador	1,092	1,239	1,236	1,087	1,087	1,082	1,115	1,133	1,169	1,174
35 Guatemala	896	1,071	1,123	1,052	1,032	1,080	1,098	1,098	1,182	1,209
36 Jamaica	183	122	136	140	150	160	150	148	208	209
37 Mexico	12,303	14,060	13,745	14,325	14,508	14,534	15,024	15,186 ¹	15,783	15,354
38 Netherlands Antilles	4,220	4,875	4,970	5,305	5,234	4,972	4,987	5,231	5,213	5,345
39 Panama	6,951	7,514	6,886	7,457	7,503	7,400	7,329	6,983	4,306	4,072
40 Peru	1,266	1,167	1,163	1,205	1,205	1,271	1,235	1,328	1,364	1,410
41 Uruguay	1,394	1,557	1,537	1,494	1,526	1,579	1,670	1,753	1,763	1,743
42 Venezuela	10,545	11,922	10,171	9,929	9,075	9,035	9,174	9,729	9,411	9,564
43 Other	4,297	4,668	5,119	5,434	5,639	5,223	5,502	5,426	5,591	5,315
44 Asia	71,187	72,280	108,831	115,683	118,834	121,177	121,181	122,919 ¹	129,278	125,625
45 China	1,153	1,607	1,476	1,699	1,435	1,162	1,336	1,352	1,562	1,789
46 Mainland	4,990	7,786	18,902	18,302	21,564	21,494	22,869	23,884	24,005	23,981
47 Taiwan	6,581	8,067	9,393	9,590	10,541	10,196	9,579	10,001 ¹	10,011	9,631
48 Hong Kong	507	712	674	606	701	588	571	679 ¹	662	675
49 India	1,033	1,466	1,547	1,336	1,677	1,399	1,474	1,583 ¹	1,547	1,065
50 Indonesia	1,268	1,601	1,892	2,170	1,221	1,477	1,270	1,333	1,400	1,315
51 Israel	21,640	23,077	47,410	53,268	52,735	54,109	55,221	56,346 ¹	60,344	58,543
52 Japan	1,730	1,665	1,141	1,537	1,606	1,599	1,709	1,502	1,593	1,574
53 Korea	1,183	1,140	1,866	1,331	1,259	1,085	1,035	1,009	1,095	1,015
54 Philippines	1,257	1,358	1,119	1,275	1,483	1,345	1,433	1,354	1,189	1,181
55 Thailand	16,804	14,523	12,352	13,660	13,379	13,993	12,503	12,408 ¹	12,735	12,648
56 Middle-East oil-exporting countries ³	12,841	9,276	11,058	10,888	11,232	12,730	12,181	11,267 ¹	13,135	12,206
57 Africa	3,396	4,883	4,021	4,065	3,944	3,757	3,755	4,034	3,878	3,878
58 Egypt	647	1,363	706	1,104	1,169	1,150	1,142	1,118	1,099	1,218
59 Morocco	118	163	92	70	75	194	71	69	75	68
60 South Africa	328	388	270	280	246	202	214	194	387	195
61 Zaire	153	163	74	71	82	67	89	86	81	82
62 Oil-exporting countries ⁴	1,189	1,494	1,519	1,081	1,108	1,014	981	1,047	1,062	1,008
63 Other	961	1,312	1,360	1,313	1,386	1,316	1,261	1,241	1,330	1,307
64 Other countries	5,684	3,347	5,118	5,026	4,372	4,069	4,114	4,717	5,203	5,689
65 Australia	5,300	2,779	4,196	4,057	3,711	3,325	3,319	3,814	4,154	4,885
66 All other	384	568	922	969	661	744	795	903	1,048	804
67 Nonmonetary international and regional organizations	4,454	5,821	5,807	3,594	5,809	4,373	5,875	8,640	6,064	4,478
68 International ⁵	3,747	4,806	4,620	2,107	3,724	2,739	4,301	6,600	4,361	2,401
69 Latin American regional	587	894	1,033	1,155	1,478	1,272	1,181	1,505	1,305	1,528
70 Other regional ⁶	120	121	154	331	608	362	393	536	397	548

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.

2. Comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Excludes "holdings of dollars" of the International Monetary Fund.

6. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States

Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1984	1985	1986	1987			1988			
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ²
1 Total	400,162	401,608	444,745	461,224	459,788	458,714	442,141	440,615 ¹	440,065	430,068
2 Foreign countries	399,363	400,577	441,724	458,393	452,618	454,131	439,493	438,391 ¹	438,158	429,155
3 Europe	99,014	106,413	107,823	111,006	107,259	101,409	97,019	100,091 ¹	94,062	93,204
4 Austria	433	598	728	929	927	793	762	800	846	897
5 Belgium-Luxembourg	4,794	5,772	7,498	10,133	9,551	9,377	9,629	9,796	8,269	8,795
6 Denmark	648	706	688	790	881	718	852	746	874	614
7 Finland	898	823	987	1,089	1,030	1,010	876	835	729	943
8 France	9,157	9,124	11,356	14,348	13,512	13,473	11,687	12,258	12,229	10,888
9 Germany	1,306	1,267	1,816	2,104	1,557	2,060	2,194	1,928	1,881	1,786
10 Greece	817	991	648	430	452	463	579	710	696	513
11 Italy	9,119	8,848	9,043	7,412	7,286	7,467	6,508	6,165	6,454	6,153
12 Netherlands	1,356	1,258	3,296	3,964	3,813	2,619	2,902	2,879	2,779	2,873
13 Norway	675	706	672	812	938	934	842	747	628	650
14 Portugal	1,243	1,058	739	570	545	477	471	499	429	439
15 Spain	2,884	1,908	1,492	1,859	2,032	1,849	1,629	1,966	1,762	1,765
16 Sweden	2,230	2,219	1,964	2,527	2,640	2,269	2,106	2,274	2,229	2,323
17 Switzerland	2,123	3,171	3,352	2,825	2,880	2,659	2,566	3,086 ¹	2,237	2,412
18 Turkey	1,130	1,200	1,543	1,564	1,566	1,675	1,637	1,660	1,589	1,733
19 United Kingdom	56,185	62,566	58,335	55,906	53,960	49,959	48,326	50,149 ¹	46,951	46,982
20 Yugoslavia	1,886	1,964	1,835	1,750	1,697	1,700	1,694	1,702	1,640	1,619
21 Other Western Europe ¹	596	998	539	539	662	665	578	725	733	560
22 U.S.S.R.	142	130	345	473	437	389	386	380	328	377
23 Other Eastern Europe ²	1,389	1,107	948	983	892	852	795	790	781	880
24 Canada	16,109	16,482	21,006	21,402	25,313	25,269	23,380	21,901 ¹	21,103	21,922
25 Latin America and Caribbean	207,862	202,674	208,825	217,010	211,906	213,253	206,917	202,328 ¹	207,528	198,769
26 Argentina	11,050	11,462	12,091	12,119	12,054	11,987	12,106	11,975	12,155	12,291
27 Bahamas	58,009	58,258	59,342	63,666	61,437	64,788	60,916	57,404 ¹	58,249	54,646
28 Bermuda	592	499	418	418	331	478	380	311 ¹	1,471	669
29 Brazil	26,315	25,283	25,716	25,803	25,453	25,288	25,358	25,343	25,307	26,116
30 British West Indies	38,205	38,881	46,284	51,721	49,549	48,757	47,041	46,578 ¹	52,196	46,703
31 Chile	6,839	6,603	6,558	6,388	6,429	6,304	6,332	6,260	6,027	6,136
32 Colombia	3,499	3,249	2,821	2,730	2,730	2,739	2,709	2,668	2,652	2,717
33 Cuba	0	0	0	0	0	1	0	0	0	1
34 Ecuador	2,420	2,390	2,439	2,396	2,334	2,286	2,339	2,238	2,229	2,881
35 Guatemala	158	194	140	131	145	144	134	140	149	141
36 Jamaica	252	224	198	191	184	188	202	191 ¹	201	212
37 Mexico	34,885	31,799	30,698	30,307	30,101	29,526	29,138	29,217	27,516	27,257
38 Netherlands Antilles	1,350	1,340	1,041	1,013	1,113	980	1,009	1,146 ¹	1,159	1,304
39 Panama	7,707	6,645	5,436	4,566	4,685	4,739	4,304	3,818 ¹	3,098	2,749
40 Peru	2,384	1,947	1,661	1,457	1,459	1,323	1,316	1,336	1,270	1,283
41 Uruguay	1,088	960	940	961	975	968	961	955	929	913
42 Venezuela	11,017	10,871	11,108	11,224	11,109	10,998	10,920	11,038	11,094	10,946
43 Other Latin America and Caribbean	2,091	2,067	1,936	1,920	1,818	1,761	1,753	1,710 ¹	1,827	1,805
44 Asia	66,316	66,212	96,126	100,328	100,272	106,231	104,951	106,829 ¹	108,142	108,179
45 China	710	639	787	543	870	968	886	887	1,096	1,140
46 Mainland	1,849	1,535	2,681	4,224	4,784	4,577	3,877	3,813	3,549	3,710
47 Hong Kong	7,293	6,797	8,307	6,887	7,312	8,135	7,591	7,911 ¹	8,473	6,354
48 India	425	450	321	527	502	510	495	548	566	671
49 Indonesia	724	698	723	625	601	580	571	632	645	643
50 Israel	2,088	1,991	1,634	1,331	1,293	1,363	1,278	1,211	1,238	1,284
51 Japan	29,066	31,249	59,674	65,679	64,767	69,098	71,230	73,216 ¹	72,802	74,881
52 Korea	9,285	9,226	7,182	4,996	4,982	5,004	4,919	4,777 ¹	5,011	4,769
53 Philippines	2,555	2,224	2,217	2,082	2,040	2,069	1,961	1,966	2,063	1,958
54 Thailand	1,125	845	578	446	439	491	517	520	541	516
55 Middle East oil-exporting countries ⁴	5,044	4,298	4,122	5,063	5,157	4,841	3,567	3,455 ¹	3,538	4,079
56 Other Asia	6,152	6,260	7,901	7,924	7,524	8,596	8,060	7,892 ¹	8,621	8,175
57 Africa	6,615	5,407	4,650	5,375	4,668	4,742	4,807	4,865 ¹	4,824	4,863
58 Egypt	728	721	567	538	526	521	513	469	483	473
59 Morocco	583	575	598	605	585	542	491	490	471	493
60 South Africa	2,795	1,942	1,550	1,546	1,494	1,507	1,520	1,461	1,435	1,435
61 Zaire	18	20	28	38	36	15	36	42	46	47
62 Oil-exporting countries ⁵	842	630	694	1,530	903	1,003	1,019	1,086	1,129	1,139
63 Other	1,649	1,520	1,213	1,118	1,123	1,153	1,229	1,276 ¹	1,260	1,276
64 Other countries	3,447	3,390	3,294	3,272	3,201	3,228	2,418	2,378	2,499	2,218
65 Australia	2,769	2,413	1,949	2,035	2,093	2,189	1,428	1,430	1,481	1,363
66 All other	678	978	1,345	1,237	1,109	1,039	991	947	1,019	855
67 Nonmonetary international and regional organizations ⁶	800	1,030	3,021	2,830	7,170	4,583	2,648	2,224 ¹	1,907	913

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Type of claim	1984	1985	1986	1987				1988		
				Oct.	Nov.	Dec.	Jan.	Feb. ^r	Mar.	Apr. ^p
1 Total	433,078	430,489	478,650	.....	.....	496,440	.....	.....	478,054	.....
2 Banks' own claims on foreigners	400,162	401,608	444,745	461,224	459,788	458,714	442,141	440,615	440,065	430,068
3 Foreign public borrowers	62,237	60,507	64,095	64,967	69,483	65,329	63,360	62,215	60,553	60,227
4 Own foreign offices ²	156,216	174,261	211,533	218,396	220,479	223,110	217,060	218,420	220,727	210,851
5 Unaffiliated foreign banks	124,932	116,654	122,946	134,104	126,389	127,319	119,773	118,185	117,217	116,413
6 Deposits	49,226	48,372	57,484	63,193	58,052	60,250	54,730	54,963	55,000	55,088
7 Other	75,706	68,282	65,462	70,911	68,337	67,068	65,043	63,222	62,217	61,325
8 All other foreigners	56,777	50,185	46,171	43,756	43,437	42,957	41,947	41,795	41,569	42,577
9 Claims of banks' domestic customers ³	32,916	28,881	33,905	.....	.....	37,726	.....	.....	37,989	.....
10 Deposits	3,380	3,335	4,413	.....	.....	3,672	.....	.....	5,111	.....
11 Negotiable and readily transferable instruments ⁴	23,805	19,332	24,044	.....	.....	26,684	.....	.....	24,399	.....
12 Outstanding collections and other claims	5,732	6,214	5,448	.....	.....	7,370	.....	.....	8,479	.....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,706	.....	.....	23,834	.....	.....	18,800	.....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁵	40,714	38,102	41,434	42,272	37,905	37,919	34,264 ^r	39,500	35,722	.....

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

2. U.S. banks: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity, by borrower and area	1984	1985	1986	1987			1988
				June	Sept.	Dec.	Mar. ^p
1 Total	243,952	227,903	232,295	236,828	236,490	235,092	217,300
<i>By borrower</i>							
2 Maturity of 1 year or less ¹	167,858	160,824	160,555	167,488	166,156	164,075	151,163
3 Foreign public borrowers	23,912	26,302	24,842	24,088	27,157	25,993	24,126
4 All other foreigners	143,947	134,522	135,714	143,400	138,998	138,082	127,037
5 Maturity over 1 year ¹	76,094	67,078	71,740	69,340	70,334	71,017	66,138
6 Foreign public borrowers	38,695	34,512	39,103	39,341	39,470	38,591	35,135
7 All other foreigners	37,399	32,567	32,637	29,999	30,864	32,425	31,003
<i>By area</i>							
8 Maturity of 1 year or less ¹							
9 Europe	58,498	56,585	61,784	68,872	62,228	58,780	50,808
10 Canada	6,028	6,401	5,895	5,603	5,733	5,697	4,839
11 Latin America and Caribbean	62,791	63,328	56,271	55,489	58,439	56,426	55,162
12 Asia	33,504	27,966	29,457	31,155	32,133	36,437	35,793
13 Africa	4,442	3,753	2,882	2,989	2,871	2,845	2,569
14 All other ²	2,593	2,791	4,267	3,380	4,751	3,891	1,992
15 Maturity of over 1 year ¹							
16 Europe	9,605	7,634	6,737	6,479	6,753	6,830	5,962
17 Canada	1,882	1,805	1,925	1,664	1,579	2,661	2,242
18 Latin America and Caribbean	56,144	50,674	56,719	55,580	55,089	53,758	50,938
19 Asia	5,323	4,502	4,043	3,495	3,497	3,666	3,752
20 Africa	2,033	1,538	1,539	1,512	1,622	1,726	2,133
21 All other ²	1,107	926	777	611	1,794	2,375	1,112

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks^{1,2}

Billions of dollars, end of period

Area or country	1984	1985	1986				1987				1988
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	
1 Total	405.7	385.3	385.6	389.7	389.5	389.6	393.4	382.9	384.4	381.3'	368.6
2 G-10 countries and Switzerland	148.1	146.0	152.8	160.3	159.0	158.0	162.2	157.7	154.7	160.4	156.8
3 Belgium-Luxembourg	8.7	9.2	8.2	9.0	8.5	8.4	9.0	8.3	8.2	10.1	9.4
4 France	14.1	12.1	13.6	15.1	14.7	13.8	13.3	12.5	13.7	13.8	11.5
5 Germany	9.0	10.5	11.2	11.5	12.5	11.7	12.7	11.2	10.5	12.6	11.8
6 Italy	10.1	9.6	8.3	9.3	8.1	9.0	8.6	7.5	6.6	7.3	7.4
7 Netherlands	3.9	3.7	3.5	3.4	3.9	4.6	4.4	7.3	4.8	4.1	3.3
8 Sweden	3.2	2.7	2.8	2.9	2.7	2.4	3.0	2.4	2.6	2.1	2.1
9 Switzerland	3.9	4.4	5.3	5.6	4.8	5.8	5.8	5.7	5.4	5.5	5.1
10 United Kingdom	60.3	63.0	67.4	69.2	70.3	71.9	73.4	71.8	71.4	69.2	70.9
11 Canada	7.9	6.8	6.0	7.0	6.2	5.4	5.1	4.6	4.6	5.6	4.9
12 Japan	27.1	23.9	26.5	27.2	27.4	25.0	26.9	26.3	27.0	30.1	30.3
13 Other developed countries	33.6	29.9	31.1	30.7	29.5	26.2	25.7	25.2	25.9	26.2'	26.0
14 Austria	1.6	1.5	1.5	1.7	1.7	1.7	1.9	1.8	1.9	1.9	1.6
15 Denmark	2.2	2.3	2.5	2.4	2.3	1.7	1.7	1.5	1.6	1.7	1.4
16 Finland	1.9	1.6	1.9	1.6	1.7	1.4	1.4	1.4	1.4	1.3	1.0
17 Greece	2.9	2.6	2.5	2.6	2.3	2.3	2.1	2.0	1.9	2.0	2.3
18 Norway	3.0	2.9	2.7	3.0	2.7	2.4	2.2	2.1	2.0	2.3	2.0
19 Portugal	1.4	1.2	1.0	1.1	1.0	.8	.8	.8	.8	.5'	.4
20 Spain	6.5	5.8	6.4	6.4	6.7	5.8	6.3	6.1	7.4	8.0	9.0
21 Turkey	1.9	1.8	2.1	2.5	2.1	2.0	1.7	1.7	1.5	1.6	1.6
22 Other Western Europe	1.7	2.0	2.4	2.1	1.6	1.4	1.4	1.5	1.6	1.6	1.9
23 South Africa	4.5	3.2	3.1	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8
24 Australia	6.0	5.0	4.9	4.2	4.1	3.5	3.2	3.1	2.9	2.5	2.0
25 OPEC countries ³	24.9	21.3	20.4	20.6	20.0	19.6	20.2	19.0	19.1	17.3	17.2
26 Ecuador	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1	2.0	1.9	1.9
27 Venezuela	9.3	8.9	8.7	8.8	8.7	8.6	8.6	8.4	8.4	8.2	8.1
28 Indonesia	3.3	3.0	3.3	3.0	2.8	2.5	2.4	2.2	2.0	1.9	1.9
29 Middle East countries	7.9	5.3	4.5	5.0	4.6	4.5	5.4	4.4	4.9	3.6	3.7
30 African countries	2.3	2.0	1.8	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	111.8	104.2	102.9	102.0	100.0	99.7	99.3	99.6	96.6	96.7	93.1
<i>Latin America</i>											
32 Argentina	8.7	8.8	8.8	9.2	9.3	9.5	9.5	9.5	9.3	9.4	9.4
33 Brazil	26.3	25.4	25.6	25.5	25.4	25.3	25.5	24.4	24.5	24.1	23.2
34 Chile	7.0	6.9	7.0	7.1	7.2	7.1	7.2	7.2	7.0	6.9	6.5
35 Colombia	2.9	2.6	2.3	2.2	2.0	2.1	2.0	1.9	1.9	2.0	1.9
36 Mexico	25.7	23.9	23.9	24.0	24.0	24.0	23.9	25.3	24.7	23.6	22.2
37 Peru	2.2	1.8	1.7	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1
38 Other Latin America	3.9	3.4	3.3	3.3	3.3	3.1	3.0	3.0	2.8	2.8	2.8
<i>Asia</i>											
39 China											
39 Mainland .....	.7	.5	.6	.6	.6	.4	.9	.6	.3	.3	.4
40 Taiwan	5.1	4.5	4.3	3.7	4.3	4.9	5.5	6.6	5.9	8.2	6.6
41 India .....	.9	1.2	1.2	1.3	1.3	1.2	1.7	1.7	1.9	1.9	2.1
42 Israel	1.8	1.6	1.3	1.6	1.4	1.5	1.4	1.3	1.3	1.0	1.1
43 Korea (South)	10.6	9.2	9.2	8.7	7.3	6.7	6.2	5.6	4.9	4.9	5.3
44 Malaysia	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7	1.6	1.5	1.5
45 Philippines	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4	5.4	5.1	5.1
46 Thailand	1.8	1.4	1.3	1.1	1.0	.9	.8	.7	.7	.7	1.0
47 Other Asia	1.1	1.0	.9	.8	.7	.7	.6	.7	.7	.6	.7
<i>Africa</i>											
48 Egypt	1.2	1.0	.9	.9	.7	.7	.6	.6	.6	.5	.5
49 Morocco .....	.8	.9	.9	.9	.9	.9	.9	.9	.8	.9	.9
50 Zaire .....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.0	.1
51 Other Africa ⁴	2.1	1.9	1.9	1.7	1.6	1.6	.9	1.1	1.0	1.1	1.0
52 Eastern Europe	4.4	4.1	4.0	4.0	3.4	3.2	3.0	3.3	3.3	3.0	2.9
53 U.S.S.R. .....	.1	.1	.3	.3	.1	.1	.1	.3	.5	.4	.3
54 Yugoslavia	2.3	2.2	2.0	2.0	1.9	1.7	1.6	1.7	1.7	1.6	1.7
55 Other	2.0	1.8	1.7	1.7	1.4	1.4	1.3	1.3	1.2	1.1'	.9
56 Offshore banking centers	65.6	62.9	57.5	55.4	60.5	63.2	63.2	60.2	63.1	53.3'	51.2
57 Bahamas	21.5	21.2	21.2	17.1	19.9	22.3	24.0	19.7	25.6	17.3'	15.9
58 Bermuda .....	.9	.7	.7	.4	.4	.7	.8	.6	.6	.6	1.8
59 Cayman Islands and other British West Indies	11.8	11.6	9.2	12.2	12.8	13.6	11.1	12.4	10.7	11.2	10.2
60 Netherlands Antilles	3.4	2.2	2.2	2.4	1.9	1.8	1.7	1.3	1.2	1.2	1.3
61 Panama ⁵	6.7	6.0	4.3	4.2	5.1	4.1	5.4	5.2	4.5	4.5	3.2
62 Lebanon .....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.4	11.4	9.5	10.5	11.2	11.4	12.5	12.3	11.2	11.3
64 Singapore	9.8	9.8	8.4	9.3	9.7	9.4	8.6	8.3	8.1	7.0	7.4
65 Others ⁶ .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated ⁷	17.3	16.9	16.8	16.8	17.2	19.8	19.8	18.0	21.7	24.4	21.4

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches

from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986				
				Dec.	Mar.	June	Sept.	Dec. ⁷
1 Total	25,346	29,357	27,825	25,850	27,551	28,953	28,339	27,586
2 Payable in dollars	22,233	26,389	24,296	21,996	23,361	24,466	24,018	22,213
3 Payable in foreign currencies	3,113	2,968	3,529	3,854	4,190	4,487	4,321	5,372
<i>By type</i>								
4 Financial liabilities	10,572	14,509	13,600	12,371	13,232	14,148	12,839	11,575
5 Payable in dollars	8,700	12,553	11,257	9,886	10,496	11,249	10,127	8,090
6 Payable in foreign currencies	1,872	1,955	2,343	2,485	2,737	2,899	2,712	3,485
7 Commercial liabilities	14,774	14,849	14,225	13,479	14,318	14,805	15,500	16,011
8 Trade payables	7,765	7,005	6,685	6,447	6,985	7,139	7,389	7,394
9 Advance receipts and other liabilities	7,009	7,843	7,540	7,032	7,333	7,666	8,111	8,617
10 Payable in dollars	13,533	13,836	13,039	12,110	12,865	13,218	13,891	14,124
11 Payable in foreign currencies	1,241	1,013	1,186	1,368	1,453	1,587	1,609	1,887
<i>By area or country</i>								
Financial liabilities								
12 Europe	5,742	6,728	7,700	8,138	8,484	9,765	9,188	7,842
13 Belgium-Luxembourg	302	471	349	270	232	257	230	202
14 France	843	995	857	661	758	822	615	415
15 Germany	502	489	376	368	463	402	386	583
16 Netherlands	621	590	861	704	693	669	641	1,014
17 Switzerland	486	569	610	646	663	655	636	480
18 United Kingdom	2,839	3,297	4,305	5,199	5,414	6,698	6,394	4,956
19 Canada	764	863	839	399	431	441	407	357
20 Latin America and Caribbean	2,596	5,086	3,184	1,961	2,366	1,744	961	845
21 Bahamas	751	1,926	1,123	614	669	398	280	278
22 Bermuda	13	13	4	4	0	0	0	0
23 Brazil	32	35	29	32	26	22	22	25
24 British West Indies	1,041	2,103	1,843	1,163	1,545	1,223	581	475
25 Mexico	213	367	15	22	30	29	17	13
26 Venezuela	124	137	3	0	0	2	3	0
27 Asia	1,424	1,777	1,815	1,805	1,882	2,131	2,204	2,428
28 Japan	991	1,209	1,198	1,398	1,480	1,751	1,734	2,042
29 Middle East oil-exporting countries ²	170	155	82	8	7	7	7	8
30 Africa	19	14	12	1	3	1	2	4
31 Oil-exporting countries ³	0	0	0	1	1	0	0	1
32 All other ⁴	27	41	50	67	67	66	76	98
Commercial liabilities								
33 Europe	3,245	4,001	4,074	4,494	4,521	4,987	4,973	5,629
34 Belgium-Luxembourg	62	48	62	101	85	111	56	125
35 France	437	438	453	351	379	422	437	449
36 Germany	427	622	607	722	591	594	679	916
37 Netherlands	268	245	364	460	372	339	350	437
38 Switzerland	241	257	379	387	484	557	556	558
39 United Kingdom	732	1,095	976	1,346	1,309	1,380	1,475	1,660
40 Canada	1,841	1,975	1,449	1,393	1,352	1,253	1,263	1,285
41 Latin America and Caribbean	1,473	1,871	1,088	890	1,089	1,037	1,050	862
42 Bahamas	1	7	12	32	28	13	22	19
43 Bermuda	67	114	77	132	297	245	223	165
44 Brazil	44	124	58	61	82	88	40	46
45 British West Indies	6	32	44	48	88	63	44	20
46 Mexico	585	586	430	213	185	160	231	189
47 Venezuela	432	636	212	217	224	203	176	162
48 Asia	6,741	5,285	6,046	5,098	5,818	5,921	6,516	6,564
49 Japan	1,247	1,256	1,799	2,051	2,468	2,480	2,422	2,579
50 Middle East oil-exporting countries ^{2,5}	4,178	2,372	2,829	1,686	1,948	1,870	2,109	1,956
51 Africa	553	588	587	622	520	524	571	584
52 Oil-exporting countries ³	167	233	238	197	170	166	151	135
53 All other ⁴	921	1,128	982	981	1,019	1,083	1,128	1,085

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 States¹

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986	1987			
				Dec.	Mar.	June	Sept.	Dec.
1 Total	34,911	29,901	28,876	33,519	34,103	31,644	31,390	30,072 ^f
2 Payable in dollars	31,815	27,304	26,574	30,989	31,303	28,518	28,695	26,817 ^f
3 Payable in foreign currencies	3,096	2,597	2,302	2,530	2,800	3,126	2,696	3,255 ^f
<i>By type</i>								
4 Financial claims	23,780	19,254	18,891	23,424	24,149	21,691	21,055	19,544 ^f
5 Deposits	18,496	14,621	15,526	17,283	17,407	14,871	15,827	13,617 ^f
6 Payable in dollars	17,993	14,202	14,911	16,726	16,573	13,666	14,954	12,238 ^f
7 Payable in foreign currencies	503	420	615	557	833	1,205	873	1,378 ^f
8 Other financial claims	5,284	4,633	3,364	6,141	6,742	6,820	5,228	5,927 ^f
9 Payable in dollars	3,328	3,190	2,330	4,792	5,400	5,551	4,114	4,778 ^f
10 Payable in foreign currencies	1,956	1,442	1,035	1,349	1,342	1,269	1,114	1,149
11 Commercial claims	11,131	10,646	9,986	10,095	9,954	9,953	10,335	10,528 ^f
12 Trade receivables	9,721	9,177	8,696	8,902	8,898	8,910	9,394	9,526 ^f
13 Advance payments and other claims	1,410	1,470	1,290	1,192	1,056	1,043	942	1,001
14 Payable in dollars	10,494	9,912	9,333	9,471	9,330	9,301	9,626	9,801 ^f
15 Payable in foreign currencies	637	735	652	624	624	652	709	727
<i>By area or country</i>								
<i>Financial claims</i>								
16 Europe	6,488	5,762	6,929	8,827	9,403	9,958	9,473	9,003 ^f
17 Belgium-Luxembourg	37	15	10	41	15	6	23	6
18 France	150	126	184	138	172	154	169	330
19 Germany	163	224	223	111	163	92	98	64
20 Netherlands	71	66	161	151	132	140	157	282
21 Switzerland	38	66	74	185	77	98	44	76
22 United Kingdom	5,817	4,864	6,007	7,957	8,491	9,268	8,783	8,035 ^f
23 Canada	5,989	3,988	3,260	3,965	3,782	3,330	2,885	2,837 ^f
24 Latin America and Caribbean	10,234	8,216	7,846	9,209	9,550	7,553	7,502	6,757 ^f
25 Bahamas	4,771	3,306	2,698	2,628	3,951	2,588	2,518	1,865
26 Bermuda	102	6	6	6	3	6	2	7
27 Brazil	53	100	78	73	71	103	102	53
28 British West Indies	4,206	4,043	4,571	6,078	5,150	4,404	3,687	4,378 ^f
29 Mexico	293	215	180	174	164	167	173	172
30 Venezuela	134	125	48	21	20	20	18	19
31 Asia	764	961	731	1,316	1,189	776	1,105	825 ^f
32 Japan	297	353	475	999	931	439	737	545 ^f
33 Middle East oil-exporting countries ²	4	13	4	7	7	6	10	10
34 Africa	147	210	103	85	84	58	71	65
35 Oil-exporting countries ³	55	85	29	28	19	9	14	7
36 All other ⁴	159	117	21	22	140	16	20	58
<i>Commercial claims</i>								
37 Europe	3,670	3,801	3,533	3,718	3,703	3,855	4,121	4,004
38 Belgium-Luxembourg	135	165	175	133	145	137	168	175
39 France	459	440	426	410	417	437	413	588
40 Germany	349	374	346	447	451	532	551	549
41 Netherlands	334	335	284	173	165	182	199	139
42 Switzerland	317	271	284	217	196	187	205	184
43 United Kingdom	809	1,063	898	998	1,070	1,072	1,227	981
44 Canada	829	1,021	1,023	928	927	929	904	901
45 Latin America and Caribbean	2,695	2,052	1,753	1,981	1,944	1,882	1,852	2,093 ^f
46 Bahamas	8	8	13	28	11	14	12	19
47 Bermuda	190	115	93	170	157	153	125	159
48 Brazil	493	214	206	235	217	202	227	222
49 British West Indies	7	7	6	51	18	12	13	45
50 Mexico	884	583	510	411	445	347	367	369
51 Venezuela	272	206	157	234	171	201	189	294
52 Asia	3,063	3,073	2,982	2,751	2,707	2,645	2,783	2,877 ^f
53 Japan	1,114	1,191	1,016	881	926	952	1,022	1,146 ^f
54 Middle East oil-exporting countries ²	737	668	638	565	529	455	436	451
55 Africa	588	470	437	495	432	379	407	401 ^f
56 Oil-exporting countries ³	139	134	130	135	141	123	124	144
57 All other ⁴	286	229	257	222	240	262	268	252

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1986	1987	1988	1987			1988			
			Jan. - Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^P
U.S. corporate securities										
STOCKS										
1 Foreign purchases	148,114	249,072	62,390	30,237	13,626	13,627	12,916	16,343	18,041	15,091
2 Foreign sales	129,395	232,849	61,839	27,784	20,325	16,630	12,891	16,720	18,449	13,779
3 Net purchases, or sales (-)	18,719	16,223	551	2,452	-6,699	-3,004	25	-377	-407	1,312
4 Foreign countries	18,927	16,271	569	2,438	-6,651	-2,943	56	-345	-438	1,295
5 Europe	9,559	1,886	-426	138	-5,948	-2,329	-226	-324	-357	481
6 France	459	905	-133	58	-541	-393	-96	-29	-7	-1
7 Germany	341	-74	305	380	-183	-149	67	-37	171	104
8 Netherlands	936	890	-381	-40	-169	32	-72	59	-223	-145
9 Switzerland	1,560	-1,163	-416	294	-1,574	-743	-114	-253	-32	-17
10 United Kingdom	4,826	539	-171	-624	-3,407	-959	-136	-130	-333	429
11 Canada	816	1,048	161	252	169	111	147	-167	-60	241
12 Latin America and Caribbean	3,031	1,314	444	-512	-561	-50	-143	261	100	227
13 Middle East ¹	976	-1,360	-909	569	-83	-448	104	-251	-786	24
14 Other Asia	3,876	12,896	1,175	2,014	-28	-160	156	70	577	372
15 Africa	297	123	13	7	11	-6	7	-18	5	19
16 Other countries	373	365	111	-30	-211	-61	12	85	84	-70
17 Nonmonetary international and regional organizations	-208	-48	-17	15	-48	-61	-32	-33	31	17
BONDS ²										
18 Foreign purchases	123,169	105,823	24,838	9,158	5,716	6,773	5,024	6,453	7,785	5,576
19 Foreign sales	72,520	78,128	21,191	7,275	5,386	5,461	5,193	6,039	5,566	4,392
20 Net purchases, or sales (-)	50,648	27,695	3,647	1,883	330	1,313	-169	414	2,218	1,184
21 Foreign countries	49,801	26,955	4,389	1,874	72	913	458	532	2,214	1,185
22 Europe	39,313	22,176	2,669	922	409	550	272	263	1,476	658
23 France	389	194	129	55	-34	-13	51	13	57	7
24 Germany	-251	-8	787	-98	-26	17	61	118	260	347
25 Netherlands	387	269	74	36	-16	1	-13	-1	30	58
26 Switzerland	4,529	1,651	-26	136	-39	-203	-56	60	-14	-15
27 United Kingdom	33,900	19,934	1,599	1,012	371	751	333	49	989	228
28 Canada	548	1,296	191	305	68	114	29	-29	87	104
29 Latin America and Caribbean	1,476	2,473	638	524	-15	292	-22	316	245	100
30 Middle East ¹	-2,961	-551	-156	42	-92	-20	-164	-76	144	-61
31 Other Asia	11,270	1,606	1,080	65	-254	-25	347	88	270	376
32 Africa	16	16	-16	24	-10	3	0	-22	3	4
33 Other countries	139	-61	-17	-9	-33	0	-4	-8	-10	5
34 Nonmonetary international and regional organizations	847	740	-742	10	257	400	-627	-119	5	-1
Foreign securities										
35 Stocks, net purchases, or sales (-)	-1,853 ¹	1,127	-511	2,089	704	841	517	-678	-722	373
36 Foreign purchases	49,149 ¹	95,208	23,196	12,974	7,592	4,897	4,989	5,717	6,693	5,797
37 Foreign sales	51,002 ¹	94,082	23,707	10,885	6,889	4,055	4,472	6,395	7,415	5,424
38 Bonds, net purchases, or sales (-)	-3,685	-7,601	-4,073	-2,566	-1,929	-1,379	-1,324	-1,433	-1,179	-137
39 Foreign purchases	166,992	199,121	60,823	18,119	17,753	12,433	12,812	15,858	16,561	15,593
40 Foreign sales	170,677	206,722	64,897	20,684	19,682	13,812	14,136	17,291	17,740	15,730
41 Net purchases, or sales (-), of stocks and bonds	-5,538 ¹	-6,474	-4,584	-477	-1,225	-538	-807	-2,111	-1,902	236
42 Foreign countries	-6,493 ¹	-6,618	-4,766	289	-1,125	-224	-873	-2,131	-1,943	180
43 Europe	-18,026 ¹	-11,972	-3,002	-926	-1,582	-381	-319	-1,626	-1,541	484
44 Canada	-876	-4,065	-2,074	-37	-498	107	-654	-648	-366	-406
45 Latin America and Caribbean	3,476	828	737	-152	329	2	126	-64	138	538
46 Asia	10,858	9,322	-720	1,330	421	159	-197	37	-152	-407
47 Africa	52	89	74	16	3	10	9	3	48	14
48 Other countries	-1,977	-820	219	59	201	-121	163	169	-70	-43
49 Nonmonetary international and regional organizations	955	144	182	-767	-101	-314	65	20	41	56

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 securi-

ties sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1986	1987	1988	1987			1988			
			Jan.- Apr.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^p
Transactions, net purchases or sales (-) during period ¹										
1 Estimated total ²	19,388	25,755	30,296	-1,232	6,380	2,675	4,645	12,083	9,962	3,607
2 Foreign countries ²	20,491	31,057	31,487	-5,497	7,676	4,290	5,740	12,832	9,014	3,901
3 Europe ²	16,326	23,611 ^r	15,957	-954	6,340	1,282	4,321	5,878	3,471	2,287
4 Belgium-Luxembourg	-245	653	1,211	165	-2	-103	469	242	454	47
5 Germany ²	7,670	13,295	6,934	31	1,820	1,121	3,045	1,397	919	1,574
6 Netherlands	1,283	-911	492	-707	314	-76	-337	334	378	117
7 Sweden	132	233	-373	4	182	51	-61	26	-245	-93
8 Switzerland ²	329	1,925	-83	-609	-297	-522	118	-1,188	643	344
9 United Kingdom	4,546	3,955	4,125	-642	3,163	1,200	-101	4,373	-244	97
10 Other Western Europe	2,613	4,479	3,623	804	1,158	-391	1,179	678	1,570	196
11 Eastern Europe	0	-19	28	0	3	1	9	16	-3	5
12 Canada	881	4,534	1,421	-389	679	720	356	559	372	133
13 Latin America and Caribbean	926	-2,146	1,124	-117	472	-141	219	630	199	75
14 Venezuela	-96	150	34	-63	35	1	0	-1	20	15
15 Other Latin America and Caribbean	1,130	-1,096	770	-227	367	167	184	320	169	97
16 Netherlands Antilles	-108	-1,200	320	173	69	-309	36	311	10	-36
17 Asia	1,345	4,707	13,108	-5,304	1,476	2,429	772	5,921	5,458	957
18 Japan	-22	877	12,991	-5,272	1,757	2,020	2,979	4,996	4,330	687
19 Africa	-54	-56	-9	2	-29	49	-38	25	5	0
20 All other	1,067	407	-114	1,263	-1,260	-48	110	-182	-491	449
21 Nonmonetary international and regional organizations	-1,104	-5,301	-1,190	4,265	-1,296	-1,615	-1,095	-748	948	-295
22 International	-1,430	-4,387	-1,284	4,326	-1,492	-1,620	-1,023	-879	953	-334
23 Latin American regional	157	3	1	0	0	0	8	-2	-5	0
Memo										
24 Foreign countries ²	20,491	31,057	31,487	-5,497	7,676	4,290	5,740	12,832	9,014	3,901
25 Official institutions	14,214	31,188	23,526	2,466	1,854	1,794	5,118	7,169	8,141	3,098
26 Other foreign ²	6,283	-135	7,962	-7,965	5,822	2,497	622	5,663	873	804
Oil-exporting countries										
27 Middle East ³	-1,529	-3,111	90	-695	-891	368	-809	-296	578	618
28 Africa ⁴	5	16	1	-1	-1	-1	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Apr. 30, 1988		Country	Rate on Apr. 30, 1988		Country	Rate on Apr. 30, 1988	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.0	Dec. 1987	France ¹	7.25	Jan. 1988	Norway	8.0	June 1983
Belgium	6.5	Mar. 1988	Germany, Fed. Rep. of ...	2.5	Dec. 1987	Switzerland	2.5	Dec. 1987
Brazil	49.0	Mar. 1981	Italy	12.0	Aug. 1987	United Kingdom ² .....	.....	.....
Canada	9.12	May 1988	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	3.25	Jan. 1988			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts

or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per year, averages of daily figures

Country, or type	1985	1986	1987	1987		1988				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
				1 Eurodollars	8.27	6.70	7.07	7.41	7.86	7.11	6.73	6.74	7.05	7.40
2 United Kingdom	12.16	10.87	9.65	8.87	8.71	8.84	9.18	8.83	8.25	8.00
3 Canada	9.64	9.18	8.38	8.70	8.95	8.75	8.58	8.63	8.90	9.07
4 Germany	5.40	4.58	3.97	3.92	3.65	3.40	3.29	3.38	3.37	3.51
5 Switzerland	4.92	4.19	3.67	3.65	3.51	2.09	1.48	1.61	1.83	2.23
6 Netherlands	6.29	5.56	5.24	4.99	4.65	4.24	3.98	3.97	3.98	4.07
7 France	9.91	7.68	8.14	8.66	8.48	8.19	7.54	7.89	7.99	7.81
8 Italy	14.86	12.60	11.15	11.36	11.25	10.47	10.80	11.11	10.54	10.57
9 Belgium	9.60	8.04	7.01	6.93	6.57	6.49	6.19	6.09	6.08	6.05
10 Japan	6.47	4.96	3.87	3.90	3.90	3.88	3.82	3.82	3.80	3.80

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES¹

Currency units per dollar

Country/currency	1985	1986	1987	1987	1988				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Australia/dollar ²	70.026	67.093	70.136	71.06	71.11	71.40	73.29	74.80	77.74
2 Austria/schilling	20.676	15.260	12.649	11.500	11.635	11.920	11.767	11.744	11.912
3 Belgium/franc	59.336	44.662	37.357	34.186	34.576	35.473	35.126	34.962	35.381
4 Canada/dollar	1.3658	1.3896	1.3259	1.3075	1.2855	1.2682	1.2492	1.2353	1.2373
5 China, P.R./yuan	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.598	8.0954	6.8477	6.3043	6.3562	6.4918	6261	6.4207	6.4938
7 Finland/markka	6.1971	5.0721	4.4036	4.0462	4.0391	4.1159	4.0483	4.0064	4.0297
8 France/franc	8.9799	6.9256	6.0121	5.5375	5.5808	5.7323	5.6893	5.6704	5.7348
9 Germany/deutsche mark	2.9419	2.1704	1.7981	1.6335	1.6537	1.6963	1.6770	1.6710	1.6935
10 Greece/drachma	138.40	139.93	135.47	129.46	131.92	135.56	134.60	133.86	135.75
11 Hong Kong/dollar	7.7911	7.8037	7.7985	7.7726	7.7872	7.7978	7.8028	7.8166	7.8156
12 India/rupee	12.332	12.597	12.943	12.934	13.040	13.065	12.979	13.158	13.315
13 Ireland/punt ²	106.62	134.14	148.79	162.63	160.64	156.87	159.33	159.81	157.78
14 Italy/lira	1908.90	1491.16	1297.03	1203.74	1216.88	1249.62	1240.67	1240.99	1258.81
15 Japan/yen	238.47	168.35	144.60	128.24	127.69	129.17	127.11	124.90	124.79
16 Malaysia/ringgit	2.4806	2.5830	2.5185	2.4944	2.5400	2.5812	2.5689	2.5743	2.5847
17 Netherlands/guilder	3.3184	2.4484	2.0263	1.8382	1.8584	1.9051	1.8837	1.8749	1.8987
18 New Zealand/dollar ²	49.752	52.456	59.327	64.664	65.818	66.386	66.239	66.143	68.889
19 Norway/krone	8.5933	7.3984	6.7408	6.3820	6.3538	6.4167	6.3337	6.2140	6.1875
20 Portugal/escudo	172.07	149.80	141.20	133.77	135.87	138.84	137.48	136.77	138.44
21 Singapore/dollar	2.2008	2.1782	2.1059	2.0127	2.0261	2.0185	2.0133	2.0044	2.0109
22 South Africa/rand	2.2343	2.2918	2.0385	1.9525	1.9755	2.0529	2.1330	2.1428	2.2114
23 South Korea/won	861.89	884.61	825.93	798.34	791.31	776.85	757.37	745.31	739.44
24 Spain/peseta	169.98	140.04	123.54	110.80	112.34	114.36	112.38	110.80	112.04
25 Sri Lanka/rupee	27.187	27.933	29.471	30.644	30.825	30.859	30.892	30.939	30.993
26 Sweden/krona	8.6031	7.1272	6.3468	5.9473	5.9749	6.0524	5.9497	5.8892	5.9091
27 Switzerland/franc	2.4551	1.7979	1.4918	1.3304	1.3466	1.3916	1.3863	1.3823	1.4111
28 Taiwan/dollar	39.889	37.837	31.756	29.004	28.628	28.665	28.687	28.695	28.666
29 Thailand/baht	27.193	26.314	25.774	25.249	25.235	25.324	25.232	25.171	25.170
30 United Kingdom/pound ²	129.74	146.77	163.98	182.88	180.09	175.82	183.30	187.82	186.95
MEMO									
31 United States/dollar ³	143.01	112.22	96.94	88.70	89.29	91.08	89.73	88.95	89.74

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

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Special Tables begin on next page.

4.31 Pro forma balance sheet for priced services of the Federal Reserve System

Millions of dollars

Item	March 31, 1988	March 31, 1987
<i>Short-term assets</i> ¹		
Imputed reserve requirement on clearing balances	222.0	227.0
Investment in marketable securities	1,628.0	1,665.0
Receivables	58.4	55.2
Materials and supplies	6.0	4.8
Prepaid expenses	9.0	8.1
Net items in process of collection	675.7	4,157.1
Total short-term assets	2,599.1	6,117.3
<i>Long-term assets</i> ²		
Premises	258.7	209.3
Furniture and equipment	119.4	113.6
Leases and leasehold improvements	3.0	3.1
Prepaid pension costs	23.4	—
Total long-term assets	404.5	325.9
Total assets	3,003.6	6,443.2
<i>Short-term liabilities</i>		
Clearing balances and balances arising from early credit of uncollected items	2,525.7	6,049.1
Short-term debt	73.4	68.2
Total short-term liabilities	2,599.1	6,117.3
<i>Long-term liabilities</i>		
Obligations under capital leases	1.2	1.4
Long-term debt	120.8	103.2
Total long-term liabilities	122.0	104.6
Total liabilities	2,721.1	6,221.9
Equity	282.5	221.3
Total liabilities and equity ³	3,003.6	6,443.2

Details may not add to totals because of rounding.

1. *Short-term assets.* The accounts "imputed reserve requirement on clearing balances" and "investment in marketable securities" reflect the Federal Reserve's treatment of clearing balances that depository institutions maintain on deposit with the Reserve Banks. For balance sheet and income statement presentation, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances that respondent institutions hold with them. These respondent balances are subject to a reserve requirement established by the Federal Reserve, which must be satisfied either with vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced-service purposes are subject to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due-from-bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The amount of "net items in the process of collection" represents float as of the balance sheet date and is the difference between the value of items in the process of collection (including checks, coupons, securities, wire transfers, and automated clearinghouse (ACH) transactions) and the value of deferred-availability items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float incurred by the Federal Reserve during the period valued at the federal funds rate. Conventional accounting procedures would call for inclusion on a balance sheet of the gross amount of

items in the process of collection and of deferred-availability items. However, because the gross amounts have no implications for income, costs, or the private sector adjustment factor (PSAF), and because the inclusion of these amounts could lead to distortions and misinterpretations of the assets employed in the provision of priced services that must be financed, only the net amount is shown. That amount represents the assets that involve a financing cost.

2. *Long-term assets.* Long-term assets reflected on the balance sheet have been allocated to priced services using a direct determination basis. That method uses the Federal Reserve's Planning and Control System to ascertain directly the value of assets used solely in priced service operations, and to apportion the value of jointly used assets between priced and nonpriced services. In addition, an estimate of the assets of the Board of Governors directly involved in the development of priced services is included in long-term assets in the premises account.

The category "long-term assets" also includes an allocation of prepaid pension costs associated with priced services. The Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87—Employers' Accounting for Pensions, effective January 1, 1987. In accordance with the statement's terms, the Reserve Banks recognized a credit to expenses and an increase in this long-term asset account.

3. *Liabilities and equity.* A matched-book capital structure for those assets that are not "self-financing" has been used to determine the liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt and equity of the bank holding companies used in the PSAF model.

4.32 Pro forma income statement for priced services of the Federal Reserve System¹

Millions of dollars

Item	Quarter ending March 31		Nine months ending September 30	
	1988	1987	1987	1986
<i>Income</i> ²				
Services provided to depository institutions	163.2	158.0	484.3	465.4
<i>Expenses</i> ³				
Production expenses	130.5	127.6	375.3	368.0
Income from operations	32.7	30.4	109.0	97.5
<i>Imputed costs</i> ⁴				
Interest on float	11.2	6.7	17.2	15.5
Interest on debt	4.1	4.0	12.1	10.0
Sales taxes	2.1	1.6	5.0	5.5
FDIC insurance .....	.4	.5	1.4	1.1
Income from operations after imputed costs	14.9	17.6	73.3	65.5
<i>Other income and expenses</i> ⁵				
Investment income	29.1	27.9	86.9	86.2
Earnings credits	27.3	26.5	83.9	80.1
Income before income taxes	16.8	19.0	76.3	71.5
Imputed income taxes ⁶	5.4	7.2	25.9	26.9
Net income	11.4	11.8	50.4	44.6
Targeted return on equity ⁶	8.2	7.3	22.0	20.5

Details may not add to totals because of rounding.

1. The income statement reflects income and expenses for priced services. Included in these amounts are imputed float costs, imputed financing costs, and income related to clearing balances.

2. *Income.* Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account, or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. *Production expenses.* Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Included in this amount is the reduction in expenses because of implementation of Financial Accounting Standards Board Statement No. 87 (see note 2, table 4.31). In the first quarter of 1988 this reduction amounted to \$4.7 million. Also included are the expenses of the staff of the Board of Governors working directly on the development of priced services, which amounted to \$0.4 million in the first quarter for both 1988 and 1987.

4. *Imputed costs.* Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs cover float incurred on checks, book-entry securities, noncash collection, ACH transactions, and wire transfers.

The following table reports the Federal Reserve's daily average float performance and float recovery for the first quarter of 1988 in millions of dollars:

Total float	1,159.8
Unrecovered float	45.8
Float subject to recovery	1,114.0
Sources of float recovery	
Income on clearing balances	133.9
As of adjustments	454.4
Direct charges	242.8
Per-item fees	282.9

In the table, unrecovered float includes float generated in providing services to government agencies or in other central bank services. Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a CIPC deduction for float when calculating the reserve requirement; this income then reduces float required to be recovered through other means. As of adjustments to the institution's reserve or clearing balance, or valuing the float at the federal funds rate and billing the institution directly, are ways of recovering midweek closing float and interterritory check float from depositing institutions. The float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the first quarter of 1988.

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private business firm.

5. *Other income and expenses.* The category "Other income and expenses" is comprised of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the total clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the required portion of clearing balances, and are adjusted for the net effect of reserve requirements on clearing balances.

6. *Income taxes and return on equity.* Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 25 largest bank holding companies.

The targeted return on equity represents the after-tax rate of return on equity based on the bank holding company model that the Federal Reserve would have earned had it been a private business firm.

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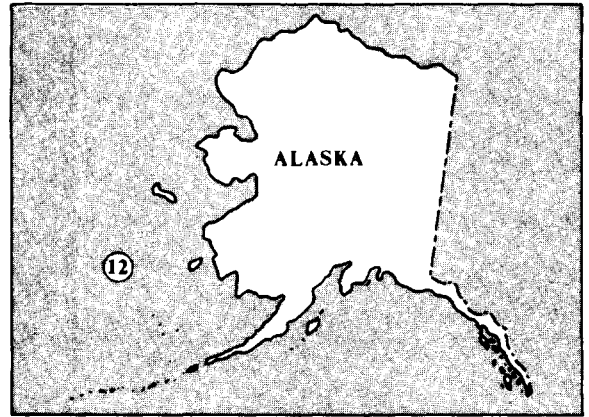
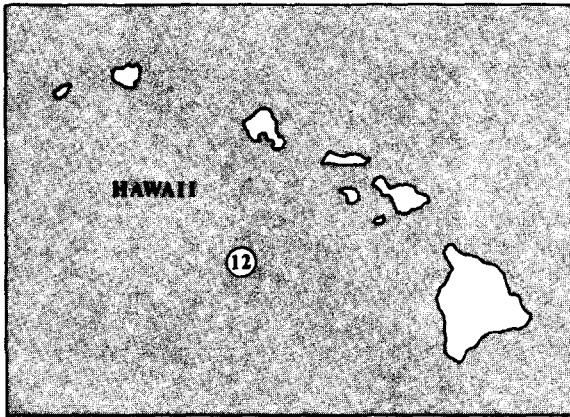
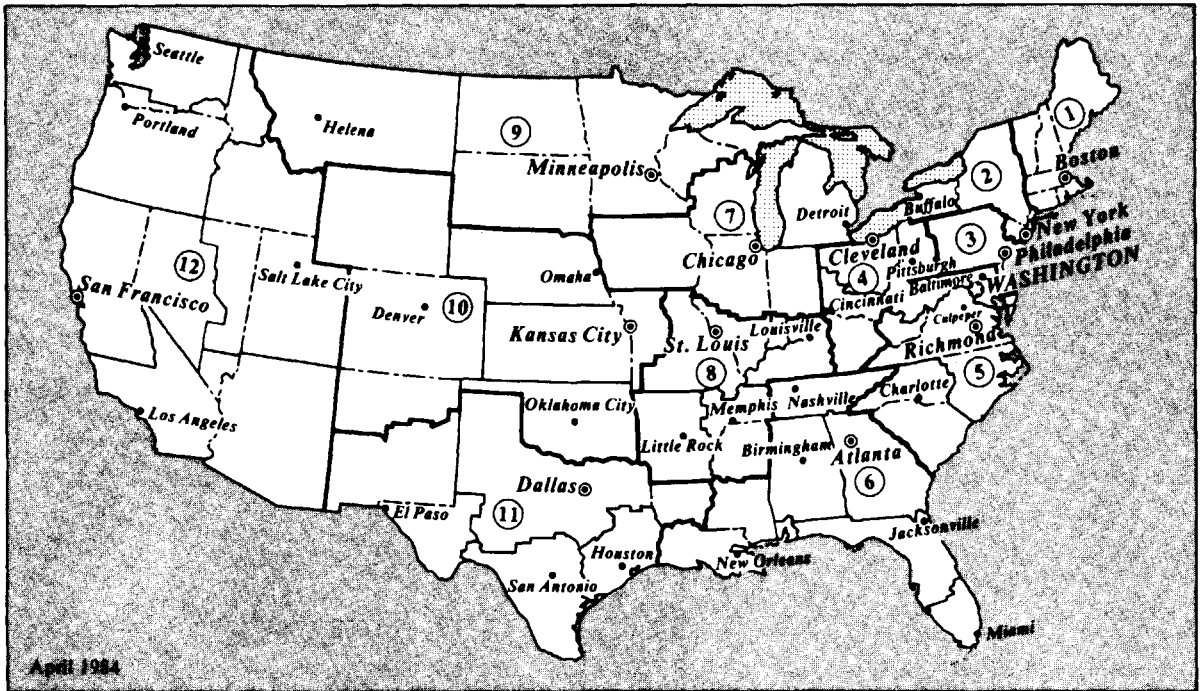
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LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

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⊙ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

· Federal Reserve Bank Facility