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# FEDERAL RESERVE BULLETIN

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

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# Monetary Policy Report to the Congress

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*Report submitted to the Congress on February 21, 1995, pursuant to the Full Employment and Balanced Growth Act of 1978<sup>1</sup>*

## *MONETARY POLICY AND THE ECONOMIC OUTLOOK FOR 1995*

The U.S. economy turned in a strong performance in 1994. Real gross domestic product increased 4 percent over the four quarters of the year. The employment gains associated with this rise in production outpaced growth of the labor force by a sizable margin, and the unemployment rate thus declined substantially. Price increases picked up in some sectors of the economy in 1994 as labor and product markets tightened, but broader measures of price change showed inflation holding fairly steady: The consumer price index increased about 2¾ percent over the year, the same as the rise during 1993. Signs that growth is moderating have emerged in the past month or so, but the bulk of the evidence suggests that the economy continues to advance at an appreciable pace.

Federal Reserve policy during 1994 and early 1995 was aimed at fostering a financial environment conducive to sustained economic growth. As the economy moved back toward high rates of resource utilization, pursuit of this aim necessitated acting to prevent a buildup of inflationary pressures. Federal Reserve policy had remained very accommodative in 1993 in order to offset factors that had been inhibiting economic growth. By early 1994, however, the expansion clearly had gathered momentum, and maintenance of the prevailing stance of policy would eventually have led to rising inflation that, in turn, would have jeopardized economic and financial stability. Taking account of anticipated lags in the effects of policy changes, the

Federal Reserve began to firm money market conditions last February. The Federal Reserve continued to tighten policy over the course of the year and into 1995, as economic growth remained unexpectedly strong, eroding remaining margins of unused resources and intensifying price increases at early stages of production. Developments in financial markets—for example, easier credit availability through banks and a decline in the foreign exchange value of the dollar—may have muted the effects of the tightening of monetary policy.

Short-term interest rates have increased about 3 percentage points since the start of 1994, with the federal funds rate rising from 3 percent to 6 percent. Other market interest rates have risen between 1½ percentage points and 3 percentage points, on net, with the largest increases coming at intermediate maturities. Through much of the year, intermediate- and long-term rates were lifted by more rapid actual and expected economic growth, fears of a pickup in inflation, and market expectations of additional policy moves. However, a further substantial tightening in November and some tentative signs of moderation in economic activity around year-end and in early 1995 appeared to reduce market concerns about increased inflation pressures and additional Federal Reserve policy actions. As a result, long-term rates declined, on net, from mid-November through mid-February.

The foreign exchange value of the dollar in terms of other Group of Ten (G-10) currencies declined almost 6½ percent last year, even as the economy picked up and interest rates rose. The positive effects on the dollar that would normally have been expected from higher U.S. interest rates were offset in large part by upward movements in long-term interest rates abroad. Indeed, foreign long-term rates increased as much on average as U.S. rates during 1994, owing to much more rapid than expected growth abroad, especially in Europe. Concerns about U.S. inflation may have contributed to the weakness in the dollar in the middle part of last year; late in the year, the dollar rallied for a

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

time, as tighter monetary policy apparently reduced investors' inflation fears. The dollar weakened again, however, in early 1995, perhaps reflecting the emerging indicators of moderating growth in the United States. In addition, financial markets were roiled early this year by severe financial difficulties in Mexico. A sharp depreciation of the peso had adverse effects not only in Mexico but also in a number of other countries, and these developments also may have contributed to the weakness of the dollar.

Despite the rise in U.S. interest rates in 1994, private-sector borrowing, abetted in part by more aggressive lending by intermediaries, picked up in support of increased spending. The debts of both households and businesses grew at their fastest rates in five years. The step-up in growth of private debt was accompanied by changes in its composition. Businesses shifted toward short-term funding sources as bond yields rose, increasing their bank borrowing and commercial paper issuance, while cutting back on new bond issues. Similarly, households turned increasingly to adjustable-rate mortgages as rates on fixed-rate mortgages increased substantially. Banks encouraged the shift of households and businesses to bank borrowing by easing lending standards and not allowing all of the rise in market rates to show through to loan rates. By contrast, federal borrowing was slowed in 1994 by policies adopted in previous years to narrow the federal deficit, as well as by the effects of the strong economy on tax receipts and spending. Taken together, the debt of all nonfinancial sectors expanded  $5\frac{1}{4}$  percent, about the same as the increase of a year earlier and a figure that was in the middle portion of the 1994 monitoring range of 4 percent to 8 percent.

Growth in the broad monetary aggregates remained subdued in 1994. M3 expanded about  $1\frac{1}{2}$  percent, well within its 0 percent to 4 percent target range and slightly more than its increase in 1993. M3 was buoyed by growth of more than 7 percent in large time deposits, as banks turned to wholesale markets to fund credit expansion. For the year, M2 rose only 1 percent, an increase that was at the lower bound of its 1 percent to 5 percent target range. In contrast to 1992 and 1993, the slow growth in M2, and the resulting further substantial increase in its velocity (the ratio of nominal GDP to the money stock), was not a consequence of

unusually large shifts from M2 deposits to bond and stock mutual funds. Rather, it seemed to reflect behavior similar to that in earlier periods of rising short-term market interest rates. During such periods, changes in the rates available on retail deposits usually lag changes in market rates, providing an incentive to redirect savings from these deposits to market instruments. These shifts tend to have an especially marked effect on M1 because yields on its components either cannot adjust or adjust quite slowly to shifts in market rates. M1 growth last year was  $2\frac{1}{4}$  percent; it had been  $10\frac{1}{2}$  percent in 1993. Only continued strong growth in currency, much of which likely reflected increased use abroad, supported M1.

### *Money and Debt Ranges for 1995*

At its most recent meeting, the Federal Open Market Committee (FOMC) reaffirmed the 1995 growth ranges for money and debt that were chosen on a provisional basis last July. The money ranges—1 percent to 5 percent for M2 and 0 percent to 4 percent for M3—are consistent with the Committee members' expectations of a slowing of nominal income growth as the expansion moves to a more sustainable pace but also rest on the anticipation of further increases in the velocities of these aggregates. The velocity of M2 is likely to be boosted by lagged effects of the increases in short-term interest rates during 1994 and early 1995 and possibly by increased flows from M2 deposits into long-term mutual funds, as investor concerns about capital market volatility recede. The M2 range also provides an indication of the longer-run growth that could be expected under conditions of reasonable price stability if that aggregate's velocity resumes its historical pattern of no long-term trend. M3 velocity has been on a steep upward path in

#### 1. Ranges for growth of monetary and debt aggregates<sup>1</sup> Percent

Aggregate	1993	1994	1995
M2 .....	1-5	1-5	1-5
M3 .....	0-4	0-4	0-4
Debt <sup>2</sup> .....	4-8	4-8	3-7

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

2. Monitoring range for debt of domestic nonfinancial sectors.

recent years, but the rate of increase might be expected to slow in the near term. Part of the increase in M3 velocity in the early 1990s resulted from weak growth of bank credit, in part reflecting substantial loan losses and consequent capital impairment, and the contraction of the thrift sector as failed institutions were liquidated. However, the recent strength in bank credit and the end of the contraction in thrift sector credit suggest that M3 growth could pick up, perhaps appreciably, and its velocity could begin to level out. The resumption of a more normal relationship between M3 and nominal income might call for a technical adjustment of the target range for M3 at mid-year or in 1996.

The monitoring range for growth in the debt aggregate in 1995 is 3 percent to 7 percent. This range is 1 percentage point lower than the monitoring range in 1994, reflecting the more moderate path anticipated for expansion in nominal spending and borrowing. Private-sector debt growth will likely remain fairly strong in the coming year, boosted by substantial capital investment as well as merger and acquisition activity. Credit availability is unlikely to constrain private-sector borrowing, as banks continue to be eager to lend and as quality spreads in financial markets remain relatively narrow. The outlook for the federal deficit suggests that Treasury borrowing will be comparable to that in 1994.

The monetary and debt aggregates will continue to be among the variables monitored by the Committee to inform its policy deliberations. Given the uncertainties about the behavior of the velocities of the aggregates, however, the Committee will also need to continue assessing a wide variety of other financial and economic indicators.

### *Economic Projections for 1995*

The members of the Board of Governors and the Reserve Bank presidents, all of whom participate in the deliberations of the Federal Open Market Committee, expect the economy to settle into a pattern of more moderate expansion in 1995, after a burst of growth that has brought rates of resource utilization to the highest levels since the latter part of the 1980s. Most of the Board members and Reserve Bank presidents expect the rise in real

GDP over the four quarters of 1995 to be in a range of 2 percent to 3 percent.

Effects of the past year's increases in interest rates probably will show through more strongly in the coming year, reflecting the typical lags between Federal Reserve policy actions and changes in the pace of economic growth. Residential building, especially of single-family units, is the part of the economy in which those effects are likely to emerge earliest and stand out most clearly, but reactions to the higher rates probably will be showing up in other interest-sensitive sectors as well.

Other influences also will be working to moderate the rate of growth. For example, large increases in real outlays for consumer durables over the past three years, partly financed in recent quarters by unsustainably rapid growth in the volume of consumer credit, probably have exhausted most of the pent-up demand that had accumulated when the economy was sluggish early in the 1990s. Similarly, business investment in new equipment has been rising extremely rapidly for some time and has moved to quite a high level; businesses likely will be shifting to more moderate rates of spending growth before too long. Inventory investment seems likely to moderate as well, as sustained additions to stocks at the pace of recent quarters would almost surely generate an unwanted backup of inventories at some point.

In other areas, however, increased strength may be forthcoming. Nonresidential construction, which often tends to lag other sectors of the economy over the course of the business cycle, now appears

### 2. Economic projections for 1995

Percent

Indicator	Federal Reserve Governors and Reserve Bank presidents		Administration
	Range	Central tendency	
<i>Change, fourth quarter to fourth quarter<sup>1</sup></i>			
Nominal GDP .....	4¾-6½	5-6	5.4
Real GDP .....	2-3¼	2-3	2.4
Consumer price index <sup>2</sup> ..	2¾-3¾	3-3½	3.2
<i>Average level, fourth quarter</i>			
Unemployment rate .....	5¼-6	About 5½	5.5-5.8 <sup>3</sup>

1. Change from average for fourth quarter of preceding year to average for fourth quarter of 1995.

2. All urban consumers.

3. Annual average.



to be picking up steam. In addition, net exports may be a less negative factor in coming quarters than they were in 1994. Many foreign industrial economies entered the new year with considerable forward momentum; that should keep real exports of goods and services on a solid uptrend, even allowing for lower exports to Mexico as a consequence of the peso's devaluation and the likelihood of little or no growth in that country in 1995. Imports, meanwhile, should begin to slow as growth of demand in this country eases.

The Board members and Reserve Bank presidents expect that output growth of the magnitude they anticipate will be accompanied by moderate increases in employment and little change in the unemployment rate. Forecasts of the unemployment rate for the fourth quarter of 1995 are tightly clustered around 5½ percent.

An especially encouraging development in 1994 was that inflation remained relatively quiescent even as the economy moved to high rates of resource utilization. However, the costs of materials and components have been rising rapidly, squeezing profit margins in some sectors, and anecdotal reports of pressures on wages and finished goods prices have proliferated in recent months; increases in average hourly earnings and consumer prices picked up in January. Assessing the prospects, members of the Board of Governors and the Reserve Bank presidents think that the most likely outcome for this year is that inflation will run somewhat higher than in 1994. Such an outcome would be consistent with patterns of price change during earlier periods when the economy was operating at levels of resource utilization like those seen recently. The central tendency of the Federal Reserve officials' CPI forecasts, measured in terms of the change from the final quarter of 1994 to the final quarter of 1995, spans a range of 3 percent to 3½ percent.

The economic prospects anticipated by the governors and Reserve Bank presidents for 1995 appear to be closely in line with those of the Administration. The Administration's forecasts of real GDP growth and inflation are in the middle of the Federal Reserve's central tendency ranges, and the Federal Reserve forecasts of the unemployment rate are centered near the low end of the annual range that was published in the *Economic Report of the President*.

Over the coming year, the Federal Reserve will seek to foster continued economic expansion while avoiding the provision of so much liquidity that the expected near-term step-up in inflation develops sustained momentum. Much progress has been made over the past couple of business cycles in reducing the role that inflation plays in the economic decisions of households and businesses. Moving ahead, the challenge will be to preserve and extend this progress, given that the Federal Reserve can best contribute to long-run prosperity by establishing an environment of effective price stability.

Economic prospects for the long run will be further enhanced if the Congress and the Administration succeed in making further progress in reducing the federal budget deficit. An improved outlook for the federal deficit over the remainder of this decade and beyond could have significant, favorable effects in financial markets, including a shift in long-term interest rates to a trajectory lower than that which would otherwise prevail. Such a shift in long-term rates would be an essential part of a process in which a larger share of the nation's limited supply of savings would be channeled to productivity-improving investment, thereby boosting growth in output and living standards.

#### THE PERFORMANCE OF THE ECONOMY

The economy recorded a third year of strong expansion in 1994. Real GDP grew 4 percent over the four quarters of the year, industrial output rose nearly 6 percent, and the number of jobs on non-farm payrolls increased about 3½ million, the largest gain in ten years. Labor and product markets tightened appreciably. Price pressures intensified in the markets for materials, but broader measures of price change showed inflation holding steady.

As in 1992 and 1993, the economic advance during 1994 was driven mainly by sharp increases in the real expenditures of households and businesses. Consumer purchases of motor vehicles rose further in 1994, and purchases of other consumer durables increased even faster than they had in the two previous years. Residential investment posted a small gain, on net, over the four quarters of the year, despite sharp increases in mortgage interest rates. Business investment in office and computing

equipment slowed from the spectacular pace of 1993 but continued to rise rapidly nonetheless, and business investment in other types of equipment accelerated. Real outlays for nonresidential construction, which had been a weak sector of the economy in previous years, picked up in 1994; outlays for office construction ended a long slide that had stretched well back into the 1980s. Business investment in inventories, which had been quite restrained in previous years of the expansion, increased appreciably in 1994. Much of the inventory buildup apparently was intentional and reflected the desires of firms to stock up in anticipation of continued strength in sales or to build stronger buffers against potential delays in supply.

In contrast to the strength in private expenditures, government purchases of goods and services edged down on net over the four quarters of 1994. Federal purchases of goods and services, which had declined sharply in 1993, fell further in 1994 as a consequence of actions taken in recent years to reduce the size of the federal deficit. Meanwhile, the real purchases of state and local governments rose only modestly. Although the expanding economy has provided states and localities with a stronger revenue base, many of these jurisdictions are striving to hold spending in check; a number of states have chosen to cut taxes.

As in the two previous years, a significant portion of the rise in domestic spending in 1994 went for imports of goods and services, which increased about 15 percent in real terms during the year. Meanwhile, growth of real exports of goods and services picked up noticeably, with gains cumulating to about 10 percent over the year. Foreign economies strengthened in 1994, and the price competitiveness of this country's products in world markets was aided by a subdued rate of rise in production costs and a somewhat lower exchange value of the U.S. dollar.

Labor and product markets tightened in 1994. After ticking up in January of last year in conjunction with the introduction of a new labor market survey, the civilian unemployment rate fell sharply over the remainder of the year, to 5.4 percent in December. The level of the unemployment rate in January of this year—5.7 percent—was a full percentage point below that of a year earlier. In manufacturing, gains in production exceeded the growth of capacity by a sizable margin during 1994, and

the rate of capacity utilization climbed nearly 3 percentage points. Its level in recent months has been essentially in line with the highest level achieved during the economic expansion of the 1980s.

Inflation pressures picked up in some markets in 1994. Prices of raw industrial commodities rose even more rapidly than in 1993, and price increases for intermediate materials accelerated sharply, especially after midyear. However, the inflation impulse in these markets did not carry through with any visible force to the consumer level, probably because unit labor costs, which make up by far the largest part of value added in production and marketing, continued to rise at a modest rate. The employment cost index of hourly compensation in private nonfarm industries actually slowed noticeably from the pace of 1993, and productivity gains in 1994 held close to the pace of the previous year. As for retail prices, 1994 was the fourth year in a row in which the rise in the total CPI has been around 3 percent. The CPI excluding food and energy rose just 2.8 percent over the four quarters of 1994, after an increase of 3.1 percent in 1993; the rate of rise in this index, which is widely used as an indicator of underlying inflation trends, fell almost half from 1990 to 1994.

### *The Household Sector*

Real personal consumption expenditures advanced nearly 3½ percent over the four quarters of 1994, about in line with the average pace of the two previous years. Support for the rise in spending came from rapid income growth, and, according to surveys, sharp increases in consumer confidence. Outlays for durable goods continued to rise especially rapidly, seemingly little affected by rising interest rates. Nor did spending appear to be much affected, in the aggregate, by poor performance of the stock and bond markets, which cut into the real value of household assets. Credit generally was readily available during 1994, and growth of consumer installment debt picked up substantially, to a pace comparable with some of the larger increases that were observed during the expansions of the 1970s and 1980s.

Real consumer expenditures for durable goods increased about 8 percent in 1994, bringing the cumulative rise in these outlays over the past three



years to nearly 30 percent. The stock of durable goods that households wish to hold apparently continued to rise quite rapidly in 1994, and at least some households probably were still making up for purchases that had been put off earlier in the 1990s when the economy was sluggish and concerns about job prospects were widespread. Real expenditures for motor vehicles moved up an additional 3 percent over the four quarters of 1994, after gains of about 9 percent in each of the two preceding years; increases in sales of vehicles in 1994 might have been a bit stronger still but for capacity constraints and various supply disruptions that sometimes limited the availability of certain models. Real outlays for durable goods other than motor vehicles rose about 11½ percent over the four quarters of 1994, a pickup from the already rapid rates of expansion of the two previous years. Purchases of personal computers and other electronic equipment continued to surge in 1994, and spending on furniture and household appliances moved up further.

Consumer expenditures for nondurables and services exhibited mixed patterns of change in 1994. Real outlays for nondurables increased 3 percent over the year, a pickup from the subdued rate of growth recorded in the previous year and, for this category, a larger-than-average advance by historical standards. By contrast, real expenditures for services increased roughly 2¼ percent, a slightly smaller gain than that of 1993; growth of outlays for services was held down, to some degree, by a decline in real outlays for energy, as warm weather late in 1994 reduced the amount of fuel needed for heating.

Real disposable personal income rose 4¼ percent during 1994. Except for a couple of occasions in previous years when income growth was boosted temporarily by special factors, the rise in real disposable income in 1994 was the largest increase since the 1983–84 period. Growth of wages and salaries accelerated in 1994 in conjunction with the step-up of employment growth. Income from capital also rose: Dividends moved up along with corporate profits, and interest income turned back up after three years of decline. By contrast, transfer payments, the growth of which tends to slow as the economy strengthens, registered the smallest annual increase since 1987. The net income of nonfarm proprietors appears to have about kept

pace with the average rate of growth in other types of income. Farm income rose moderately on an annual average basis, as an increase in the volume of output more than offset the effects of sharp declines in farm output prices that developed over the course of the year.

Consumers' perceptions of economic and financial conditions brightened considerably during 1994. By year-end, the composite measures of consumer confidence that are prepared by the Conference Board and the University of Michigan Survey Research Center had both moved to new highs for the current business expansion. Consumers became more optimistic over the year in regard to both current and future economic conditions. Perceptions of employment prospects also improved, with a growing proportion of respondents saying that jobs were plentiful and a reduced proportion saying that jobs were hard to find. Surveys taken early this year indicate that confidence remains high.

In contrast to most other indicators for the household sector of the economy, household balance sheets—which had strengthened appreciably in previous years—showed no further improvement in 1994. According to preliminary data, the aggregate net worth of households appears to have recorded a relatively small increase in nominal terms over the year, and, in real terms, net worth probably declined slightly. Household assets rose only moderately in nominal terms, and the growth of nominal liabilities picked up somewhat, as a result of the sharp increase in use of consumer credit. Early this year, stock and bond prices have risen, on net, giving some renewed lift to household wealth.

With personal income growing faster than net worth during 1994, the ratio of wealth to income fell over the course of the year. In the past, declines in this ratio sometimes have prompted households to boost the proportion of current income that is saved, in an attempt to restore wealth to more desirable levels, and this same tendency may have been at work, to some extent, in 1994. After dipping in the first quarter of the year to the lowest level of the current expansion, the personal saving rate rose a full percentage point over the remainder of the year, to a fourth-quarter level of 4.6 percent. Even then, however, the saving rate remained quite low by historical standards. Rising levels of income and employment and increased confidence in the outlook apparently convinced consumers to push

ahead with increases in outlays, most notably those on consumer durables. In addition, although improvement in household balance sheets apparently flagged, signs of outright stress in household financial conditions were not much in evidence: Delinquency rates on mortgages and other household loans generally remained quite low relative to their historical ranges.

Residential investment held up remarkably well in 1994 in the face of sharp increases in mortgage interest rates. Preliminary data indicate that, in real terms, these investment outlays were up about 2 percent, on net, over the four quarters of the year, after gains of 17 percent and 8 percent, respectively, in 1992 and 1993. Although starts and sales of single-family houses fell back from the exceptionally high peaks that were reached briefly in late 1993, they remained at elevated levels. In total, 1.20 million single-family units were started in 1994, topping, very slightly, the highest annual total of the 1980s. Sales of existing homes were about the same as the previous annual peak, set in 1978, and although sales of new homes remained well short of previous highs, their annual total was closely in line with the brisk pace of 1993. Only in the past month or so have indications of a weakening in housing activity started to show up more consistently in the incoming data.

Declines in the starts and sales of single-family houses in early 1994 basically reversed the huge gains of late 1993. Whatever tendency there may have been for these indicators to exhibit at least a temporary setback after a period of unusual strength was probably reinforced by the initial reactions of builders and homebuyers to increases in mortgage interest rates that had begun in the final quarter of 1993. Exceptionally severe winter weather in the Northeast and Midwest early in 1994, coming on the heels of favorable conditions in late 1993, probably also helped to account for the sharpness of the downturn. In any event, starts of single-family homes ticked back up a bit in the second quarter of the year, sales of existing homes flattened out, and the rate of decline in sales of new homes slowed.

In the second half of the year, the signals were mixed: Sales of existing homes trended down at a moderate pace during this period; however, single-family starts and sales of new single-family homes changed little, on net, from the second quarter to

the fourth quarter. Sizable gains in employment and income and rising optimism about the future of the economy apparently helped to blunt the effects of increases in interest rates during the second half of the year. In addition, the availability of a widening variety of alternative mortgage instruments and, perhaps, some easing of loan qualification standards may have permitted some buyers who otherwise would not have been able to obtain financing to go ahead with their purchases.

Late in 1994 and in early 1995, a softer tone seems to have taken hold in key indicators of single-family housing activity. Sales of new homes tailed off toward the end of last year, and the ratio of the number of unsold homes to the number of sales, which had turned up early in 1994, continued to rise. The ratio in December was slightly to the high side of the long-run average for this series. Starts of new single-family houses, which had increased in November and December, fell sharply in January, to a level noticeably below the lower bound of the range of monthly readings reported during 1994.

Various measures of house prices showed small-to-moderate increases in 1994. The median transaction prices of new and existing homes that were sold in the first half of the year were roughly  $3\frac{1}{2}$  percent above the level of a year earlier, and a similar rise was reported during that period in price indexes that adjust for changes in the quality and regional mix of homes that are sold. After mid-year, the four-quarter changes in transaction prices slowed, but the rate of rise in the quality-adjusted indexes picked up somewhat. All told, prices have been firmer in the past couple of years than they were earlier in the 1990s.

After falling to exceptionally low levels in late 1992 and early 1993, construction of multifamily housing units increased throughout 1994. Although the level of activity in this part of the housing sector was not especially high, gains during the year were large in percentage terms: Starts of these units moved up about 65 percent from the fourth quarter of 1993 to the fourth quarter of 1994, at which point they were more than double the lows of a couple years ago. The national average vacancy rate for multifamily rental units remained relatively high in 1994, but markets in some areas of the country had tightened enough to make construction of new multifamily units economically

attractive. Reauthorization in August 1993 of a tax credit on low-income housing units also provided some incentive for new construction. The financing of multifamily projects was facilitated through more ready availability of credit and increased equity investment.

### *The Business Sector*

Robust expansion was evident in 1994 in most of the economic indicators for the business sector of the economy. Real output of nonfarm businesses increased about 4¼ percent over the four quarters of the year, nearly matching the large gain of 1993. For a second year, business investment in fixed capital advanced exceptionally rapidly. Inventory investment also picked up appreciably, spurred by large, sustained increases in sales. Business finances remained on a sound footing: Investment expenditures continued to be financed predominantly with internal funds, and signs of financial stress were largely absent.

Industry entered 1994 with considerable momentum, and expansion was maintained at a rapid pace throughout the year. Industrial production rose nearly 6 percent over the four quarters of 1994, a rate of expansion exceeded in only one of the past ten years. The production of business equipment advanced especially rapidly, buoyed by rising investment in the domestic economy and further large increases in exports of capital goods. Production of intermediate products—which consist mainly of supplies used in business and construction—also moved up substantially during 1994, as did the output of materials, especially those used as inputs in the production of durable goods. The industrial sector also appears to have had a strong start in 1995, as industrial production rose 0.4 percent in January.

The rate of capacity utilization in industry increased about 2½ percentage points over the twelve months of 1994. In manufacturing, the operating rate rose about 3 percentage points during the year. By year-end, utilization rates in some industries had moved to exceptionally high levels. Most notably, the average operating rate among manufacturers engaged in primary processing (basically, the producers of materials) had climbed to the highest level since the end of 1973, surpassing, by

small margins, the peaks of the late 1970s and late 1980s.

After rising 23½ percent over the four quarters of 1993, corporate profits increased another 4 percent over the first three quarters of 1994. The profits earned by nonfinancial corporations from their domestic operations increased about 7½ percent over the first three quarters of 1994, after a gain of 21½ percent in 1993. Although the 1994 gain in these profits was partly the result of increased volume, profits per unit of output also rose. In the second and third quarters, before-tax profits of nonfinancial corporations amounted to nearly 11 percent of the gross domestic output of those businesses—the highest that this measure of the profit share has been since the late 1970s. A shift in the capital structure of corporations toward reduced reliance on debt, as well as cyclical recovery of the economy, has helped to push the profit share to this high level. In contrast to the experience of nonfinancial corporations, the profits of private financial institutions from their domestic operations fell about 7 percent on net over the first three quarters of the year, as net interest margins narrowed. The decline reversed some of the large rise in profits that these institutions had reported in 1993.

Business fixed investment increased 13 percent in real terms over the four quarters of 1994, after a gain of 16 percent during 1993. Outlays for office and computing equipment, which had registered an astonishing gain in 1993, slowed in 1994, but the rise in these outlays still amounted to nearly 20 percent in real terms. Meanwhile, the growth of real expenditures for most other types of business equipment picked up.

Business investment in motor vehicles rose about 18½ percent over the four quarters of 1994. With the gains of 1994 coming on the heels of big increases in each of the two previous years, annual business outlays for vehicles reached a level about one-third higher than the peak year of the 1980s. Outlays for communications equipment also scored an especially big gain in 1994, more than 25 percent in real terms. Business purchases of industrial equipment advanced about 13 percent during 1994, one of the larger gains of the past two decades. By contrast, commercial aircraft once again was a notable area of weakness; the investment cycle in that sector has been sharply out of phase with



those of most other industries, owing to persistent excess capacity and poor profitability in the airline business.

Business investment in nonresidential structures rose about 4 percent during 1994, after an increase of 1½ percent in 1993 and declines in each of the three years preceding 1993. Investment in industrial structures rose for the first time since 1990, more than likely a response to high—and rising—rates of capacity utilization. Investment in office buildings also turned up in 1994, after a long string of declines that, in total, had brought spending on these structures down about 60 percent from the peak of the mid-1980s; declining vacancy rates and a firming of property values provided additional evidence of improvement in this sector of the economy in 1994. The investment data for other types of structures showed a mix of pluses and minuses: Expenditures on commercial structures other than offices moved up further, after large gains in 1992 and 1993; however, outlays for drilling declined for a fourth year, to the lowest level since the early 1970s.

Because a large share of the growth in business fixed investment in recent years has gone for items that depreciate relatively quickly—computers being a prime example—net additions to the stock of productive capital have not been as impressive as the data on gross investment expenditures might seem to indicate. Nonetheless, with the further increase in gross investment in 1994, net additions to the capital stock appear to have become more substantial. Still unclear is the degree to which these increases in the capital stock will ultimately translate into higher rates of increase in output per worker and faster rates of increase in living standards; as discussed in more detail below, the trend of growth in labor productivity, which is affected by the amount and quality of capital that workers have available, seems to have picked up in recent years but by a relatively small amount.

Business investment in inventories picked up sharply in 1994. Earlier in the expansion, firms had refrained from building stocks, even as the economy strengthened. Increased reliance on “just-in-time” systems of inventory control reduced the level of stocks that firms needed to maintain their normal operations, and, with a degree of slack still present in the economy, businesses usually were able to obtain goods quickly from their suppliers

and thus were probably reluctant to hold stocks in house. At the end of 1993, the level of real inventories in the nonfarm business sector was only 2 percent larger than it had been at the start of the recovery in early 1991.

Circumstances changed in 1994, however. Markets tightened as demand continued to surge, and supplies became more difficult to obtain on a timely basis. Anticipation of further growth in demand and increased concern about possible bottlenecks apparently prompted businesses to begin investing more heavily in inventories. Some firms may also have been trying to stock up on materials in advance of anticipated price increases. For the year as a whole, accumulation of nonfarm inventories was more than twice what it had been in 1993. This additional accumulation brought to a halt the previous downtrend in the ratio of nonfarm inventories to business sales, but the ratio remained quite low by the standards of the past quarter-century.

Inventory accumulation in the farm sector of the economy also picked up in 1994. Stocks of farm products had been drawn down in 1993, when farm production fell sharply because of floods in the Midwest and droughts in some other regions of the country. However, crop conditions in 1994 were unusually favorable throughout the year, and the output of some major crops climbed to levels considerably above previous peaks. With the demand for farm output rising much less rapidly than production, inventories of crops increased sharply. Livestock production also rose appreciably in 1994; inventories of livestock, which consist mainly of the cattle and hogs on farms and ranches, continued to expand.

### *The Government Sector*

Federal purchases of goods and services, the part of federal spending that is included in GDP, fell 6.2 percent in real terms over the four quarters of 1994. Real outlays for defense remained on a sharp downtrend, and nondefense outlays, which had risen rapidly early in the 1990s, declined moderately for a second year.

Total federal outlays, measured in nominal dollars in the unified budget, increased 3.7 percent in fiscal 1994, after a rise of 2.0 percent the previous fiscal year. These increases are among the smallest of recent decades. Nominal outlays for defense

fell again in fiscal 1994. In addition, the growth of outlays for income security (a category that includes the expenditures on unemployment compensation and welfare benefits) slowed further as the economy continued to strengthen. Increases in social security outlays also slowed somewhat in fiscal 1994; the rise was about 1 percentage point less than that of nominal GDP. Outlays for Medicaid slowed as well, but the rate of rise in those expenditures continued to exceed the growth of nominal GDP by a large margin.

Federal receipts were up 9 percent in fiscal 1994, the largest rise in several years. With rapid expansion of the economy giving a strong boost to almost all types of income, the major categories of federal receipts all showed sizable gains. Combined receipts from individual income taxes and social insurance taxes increased a bit more than 7 percent in fiscal 1994, after moving up 5.4 percent in the previous fiscal year. Receipts from taxes on corporate profits increased nearly 20 percent, slightly more than the gain of 1993.

The federal budget deficit declined to \$203 billion in fiscal 1994, an amount that was equal to 3.1 percent of nominal GDP. Earlier in the 1990s, when the economy was sluggish, the federal deficit had climbed to a cyclical peak of 4.9 percent of nominal GDP. The previous cyclical low in the ratio of the deficit to nominal GDP, 2.9 percent, was reached in fiscal 1989. Since fiscal 1989, defense spending as a share of GDP has dropped appreciably, but this source of deficit reduction has been essentially offset by increased outlays for health and social insurance. Thus, the ratio of total federal outlays to GDP has changed little, on net; it was about 22 percent in both fiscal 1989 and fiscal 1994. The ratio of federal receipts to nominal GDP was about 19 percent in both of those fiscal years.

The stronger economy of recent years has provided state and local governments with a growing revenue base and a broadening set of fiscal options. Some governments have responded to these developments by cutting taxes, in most cases by small amounts. Effective tax rates of state and local governments appear to have edged down a bit, on average, over the four quarters of 1994, and nominal receipts apparently rose somewhat less rapidly than nominal GDP over that period.

Many states and localities also have been trying to restrain the growth of expenditures, but success

on that score has been difficult to achieve because of increased outlays for entitlements and rising demand for many of the public services that traditionally have been provided by state and local governments. Transfers of income from state and local governments to persons rose about 9 percent in nominal terms over the four quarters of 1994, roughly the same as the rise during 1993 but less than the increases of previous years; from 1988 to 1992, the average compound rate of growth in these transfers was about 15 percent a year. In categories other than transfers, increases in spending have been fairly restrained in recent years; nominal purchases of goods and services (which account for about 80 percent of the total expenditures of state and local governments) have been trending up less rapidly than nominal GDP since the early 1990s.

In real terms, the 1994 rise in purchases of goods and services by state and local governments amounted to just 2 percent. Compensation of employees, which accounts for about two-thirds of total state and local purchases, increased 1½ percent in real terms over the four quarters of 1994, a gain that was roughly in line with the growth of state and local employment over that period. Construction outlays declined slightly in real terms during 1994, as gains over the final three quarters of the year were not sufficient to offset a first-quarter plunge. Nonetheless, real outlays for structures remained at high levels; a strong uptrend in construction expenditures over the past ten or twelve years has more than reversed a long contraction that began in the latter half of the 1960s and bottomed out in the first half of the 1980s.

The deficit in the combined operating and capital accounts of all state and local governments (a measure that excludes the surpluses in state and local social insurance funds) amounted to about 0.6 percent of nominal GDP in calendar 1994, little changed from the corresponding figure for 1993 and down only slightly from a cyclical peak of 0.8 percent in 1991. The recent cyclical peak in this measure was larger than the peaks reached in recessions of the 1970s and 1980s, and declines in the deficit during this expansion have not been as large as the declines that occurred during other recent expansions. Historically, the combined operating and capital accounts of state and local governments have been in deficit more often than they have been

in surplus; as a share of nominal GDP, the annual surpluses and deficits since World War II have averaged out to a deficit of 0.3 percent.

### *The External Sector*

When adjusted for differing rates of increase in consumer prices, the trade-weighted average foreign exchange value of the U.S. dollar declined 5½ percent against the currencies of the other G-10 countries in 1994. This depreciation was slightly smaller than the almost 6½ percent nominal depreciation of the dollar, as U.S. inflation exceeded foreign inflation by a small amount. An index of exchange rates that also includes the currencies of several of the major U.S. trading partners in Latin America and East Asia showed about the same degree of real depreciation as did the index for the currencies of the G-10 countries. In the first few weeks of 1995, the dollar has weakened, on balance, in nominal terms against the currencies of the G-10 countries, but it has moved up in terms of the Mexican peso.

Growth of real GDP in the major foreign industrial countries rebounded sharply during 1994, significantly exceeding the pace of recovery widely expected at the start of the year. In the United Kingdom and Canada, where recovery was already well established, growth continued to be vigorous. In Germany, France, and other continental European countries, where activity had been sluggish during 1993, strong expansion of real GDP resumed and strengthened as the year progressed. Recovery was evident in Japan as well, but the pace of expansion there remained somewhat subdued relative to that of the other industrial countries. Although most of these economies clearly had moved past the troughs of their recessions, considerable slack remained. As a result, consumer price inflation remained low and, in some cases, fell further. On average, in the ten major foreign industrial countries, consumer prices rose 2 percent during the year, even less than the price increase in the United States.

Economic growth in the major developing countries in 1994 continued at about the strong pace of 1993. In Asia, the newly industrializing economies grew rapidly, as external demand was sustained by lagged effects of depreciation of their currencies

against the yen and by recovery in the industrial countries. Growth in China, although still quite rapid, was somewhat slower than that in 1992–93, as credit conditions were tightened somewhat further and various controls were imposed to damp demand.

In Mexico, real GDP growth rose markedly during the second and third quarters of 1994 from its near-zero rate in 1993, in part because of fiscal stimulus. However, the economic policy program put in place at the end of the year in response to the peso crisis is likely to restrain growth once again in the coming year. The Mexican macroeconomic stabilization program is designed to maintain wage restraint, reduce government spending and development bank lending, and result in significant improvement in the current account deficit in 1995. The program includes guidelines on increases in wages, guidelines on increases in final energy product prices to consumers and to industry, net cuts in public expenditures, and a reduction of lending by development banks. Mexico has committed to maintain the current floating exchange rate regime, and the Bank of Mexico has agreed to restrain the growth of money. Structural reform measures include continued privatization and lessened restrictions on foreign investment. Further measures could be required if inflation and the exchange rate do not respond as projected.

The nominal U.S. trade deficit in goods and services increased to about \$110 billion in 1994, compared with \$75 billion in 1993. Imports grew noticeably faster than exports, as U.S. growth about equaled that of U.S. trading partners and as the lagged effects of dollar appreciation during 1993 continued to be felt. The current account deficit averaged about \$150 billion at an annual rate over the first three quarters. Net investment income moved from a small positive to a moderately negative figure in 1994, reflecting recovery of foreign earnings on direct investment in the United States and the effects of higher interest rates on high and rising U.S. net external indebtedness.

Based on initial estimates for the fourth quarter, exports of goods and services grew 10 percent in real terms during 1994. Computer exports continued to rise rapidly in real terms, about 30 percent for the year; this gain contributed significantly to the double-digit growth in total exports. After declining in 1993, agricultural exports bounced



back last year; the much-improved harvest of 1994 eased supply constraints that previously had been limiting shipments of farm products. Other categories of merchandise exports averaged more than 8 percent real growth during the year, as the pace of activity in the economies of U.S. trading partners improved significantly. Geographically, the increase in U.S. merchandise exports was accounted for by increased shipments both to developing countries in Latin America and Asia and to Canada and Japan.

Imports of goods and services rose about 15 percent in real terms over the four quarters of 1994, reflecting the vigorous growth of U.S. income during the year. Imports of computers continued to expand extremely rapidly in real terms. Of the other import categories, imports of machinery and automotive products were particularly buoyant. Import prices rose about 4 percent in 1994, influenced by depreciation of the U.S. dollar, increases in world commodity prices, and a rebound in oil prices, which had declined in 1993 and early 1994.

In the first three quarters of 1994, recorded net capital inflows were substantially larger than those of 1993, an increase that coincided not only with the growing current account deficit, but also with a sharp swing in unrecorded transactions in the U.S. international accounts, from a positive figure in 1993 to a negative one in the first three quarters of 1994.<sup>2</sup>

Among the recorded capital flows, increases in foreign official assets in the United States were substantial in 1994 but were somewhat smaller than in 1993. In particular, the large reserve accumulations in 1993 by certain developing countries in Latin America experiencing massive private capital inflows were not repeated in 1994.

U.S. net purchases of foreign securities, particularly bonds, fell sharply from record 1993 levels. Private foreign net purchases of U.S. securities also fell, but only slightly. Rising interest rates on bonds denominated in dollars and many other major cur-

rencies produced capital losses for U.S. holders of long-term bonds and resulted in flows out of U.S. global bond funds. In the first three quarters of 1994, U.S. investors made heavy net purchases of stocks in Japan; Japan alone accounted for more than one-third of all U.S. net foreign stock purchases. In developing countries, those that received the largest net equity inflows from U.S. investors in 1993 (Hong Kong, Mexico, Argentina, Brazil, and Singapore) were less favored by investors in 1994, while interest picked up in a wide assortment of other developing countries, including South Korea, Chile, Indonesia, China, India, and Peru.

The first three quarters of 1994 also witnessed a revival of foreign direct investment in the United States while U.S. direct investment abroad remained at near-record levels. The direct investment inflow was swelled by takeovers of U.S. companies and by the revival of profits and reinvested earnings reported by affiliates of foreign companies in the United States.

### *Labor Markets*

Employment rose substantially in 1994. The total number of jobs in the nonfarm sector of the economy increased 3.5 million over the twelve months ended in December, after a gain of 2.3 million during 1993.<sup>3</sup> About a quarter of a million of the rise in jobs during 1994 was in the government sector, mostly at the local level. Job growth in the private nonfarm sector amounted to 3.2 million, the largest gain since 1984. Increases in employment at nonfarm establishments were sizable in each quarter of 1994. A further gain in payroll employment, smaller than the average increase of the past year, was reported in January of this year; however, total labor input rose considerably faster than employment in January as the workweek lengthened.

Producers of goods boosted employment more than half a million in 1994. The job count in construction increased about 300,000 over the year; employment at general building contractors rose

2. In effect, recorded net capital inflows in the first three quarters of 1994 were larger than necessary to balance the rising current account deficit. Moreover, outflows of currency to foreigners, an item that is not reflected in recorded transactions and, therefore, is a part of unrecorded net inflows in the international accounts, increased substantially in 1994, suggesting that the other unrecorded outflows of capital may have been even larger than the published data on errors and omissions indicate.

3. The Bureau of Labor Statistics has announced that the level of nonfarm payroll employment in March 1994 will be raised 760,000 when revised estimates are released this summer. The revision may lead to larger estimates of job growth in both 1993 and 1994.

briskly for a second year, as did the number of jobs at firms involved in special trades related to construction. The number of jobs in manufacturing increased about 275,000 during 1994, after five years of decline. Producers of durables accounted for most of the rise in manufacturing employment; among these producers, job gains were widespread. Employment at factories that produce nondurables rose slightly in total, as advances in some industries—such as printing and publishing and rubber and plastics—were partly offset by continued secular declines in the number of jobs in industries such as apparel, tobacco, and leather goods. The average workweek in manufacturing, which had stretched out in 1992 and 1993 when factory employment was declining, lengthened further in 1994, rising to new highs for the postwar period. The high fixed costs that are associated with adding new workers probably continued to be an important factor in firms' decisions to rely still more heavily on a longer workweek as a way to boost labor input. Growth of factory output surpassed the rise in labor input by a sizable amount in 1994, a reflection of substantial gains in productivity that were realized in this sector of the economy in the most recent year.

Employment in the private service-producing sector rose nearly  $2\frac{3}{4}$  million during 1994, after a gain of 2 million in 1993. The number of jobs in retail trade increased about 800,000 over the year. Auto dealers, stores that sell building materials, and those that sell general merchandise were among the retail outlets that reported impressive gains. Hiring at eating and drinking places also moved up briskly; after three years of slow growth around the start of the decade, hiring at these establishments has increased substantially in each of the past three years. Employment at firms that supply services to other businesses rose about 710,000 in 1994, even more than in 1993. Once again, job growth within this category was especially rapid at personnel supply firms—those that essentially lease the services of their workers to other employers, often on a temporary basis. Employment at businesses that supply health services increased a quarter of a million in 1994, about the same as the gain in 1993; hiring at hospitals has flattened out over the past couple of years, but elsewhere in the health sector job growth has continued at a rapid clip.

Strength also was evident in 1994 in data from the monthly survey of households. After ticking up in January 1994, when a redesigned household survey was implemented and new population estimates were introduced, the civilian unemployment rate turned back down in February and declined in most months thereafter. The rate increased last month, to 5.7 percent, but was still a full percentage point below that of a year earlier.<sup>4</sup> Appreciable net declines in unemployment rates have been reported over the past year for nearly all occupational and demographic groups.

Data on the reasons why individuals are unemployed seem to be tracing out patterns fairly similar to those seen in previous business cycles. Most notably, the number of persons who are unemployed because they lost their last job has declined sharply, on net, over the past year. The number of individuals in this category had soared earlier in the 1990s, when the economy was struggling to gain momentum and many large companies were restructuring their operations. However, with the more recent decline, the number of these "job losers," measured as a percentage of the labor force, has moved back toward the lows of the late 1980s. Much of the decline in the number of job losers this past year has been among workers who were permanently separated from their previous jobs. The number of persons unemployed for reasons other than the loss of a job (that is, the sum of "job leavers" and new entrants or re-entrants unable to find work) has also declined over the past year. As in other business cycles, the number of these individuals, measured relative to the size of the labor force, has been displaying a cyclical pattern considerably more muted than that of job losers.

Growth of the civilian labor force—which consists of the individuals who are employed and those who are seeking employment but have not yet found it—picked up a bit in the second half of 1994 and in early 1995. However, even with these

4. Research undertaken by the Bureau of Labor Statistics suggests that the unemployment rate would have run about two-tenths of a percentage point lower in 1994 but for the changes that were introduced in January of last year. Other series from the household survey were also affected by the introduction of the new survey and the revised population estimates; therefore, data for the period starting in January 1994 are not directly comparable with those for the period ended in December 1993.

increases, the cumulative rise in the labor force in the current business expansion has been relatively small compared with the gains recorded in other recent expansions; growth of the working-age population has been slower this decade than it was in the expansions of the 1970s and 1980s, and the share of the population participating in the labor force, which trended up in earlier expansions, has changed little, on net, during this one.

According to preliminary data, output per hour of labor input in the nonfarm business sector increased 1.4 percent over the four quarters of 1994, after a rise of 1.8 percent in 1993 and still larger gains in 1992 and 1991. Over the business cycle, productivity gains typically are largest in the early years of expansion, and, in that regard, the recent experience does not appear to be unusual. Abstracting from cyclical variation, the trend of productivity growth in recent years seems to have picked up somewhat from the unusually sluggish pace that prevailed through much of the 1970s and 1980s, but, at the same time, the pickup has not been nearly so large as some anecdotal reports might appear to suggest. For example, from late 1988 to late 1994, an interval of time that is long enough to capture all the phases that productivity goes through during the business cycle, the average rate of rise in output per hour in the nonfarm business sector amounted to slightly more than 1¼ percent, up only modestly from an average rate of rise of about ¾ percent during most of the 1970s and 1980s.<sup>5</sup>

The rate of increase in hourly compensation moved down another notch in 1994. The employment cost index for private industry, a measure of hourly labor costs that comprises both wages and benefits, rose 3.1 percent during the twelve months

ended in December 1994, after increases of 3.6 percent in 1993 and 3.5 percent in 1992. The rise in the wage component of compensation was slightly less than that of 1993, and the rate of increase in hourly benefits slowed appreciably. Increases in benefits were restrained, in large part, by another year of deceleration in health care costs and a further slowing in workers' compensation insurance costs. The rise in nominal compensation per hour in 1994 was the smallest yearly increase in the fifteen-year history of the series, the previous low of 3.2 percent having come midway through the expansion of the 1980s. Toward the end of that decade, as bidding for labor resources intensified, increases in compensation moved up for a time to around 5 percent a year.

Unit labor costs in the nonfarm business sector rose 2.0 percent over the four quarters of 1994, after an increase of just 0.6 percent over the four quarters of 1993. In manufacturing, a sector of the economy in which productivity has advanced quite rapidly in recent years, a rise in output per hour of 4.6 percent during 1994 more than offset a modest increase in hourly compensation, and unit labor costs declined noticeably for a second year.

### *Price Developments*

Although price increases picked up in some parts of the economy in 1994, the broader measures of price change continued to yield readings that were quite favorable. The rise in the total CPI was about 2¾ percent in 1994, the same as the increase during 1993. The CPI excluding food and energy also rose about 2¾ percent over the four quarters of 1994, after increasing slightly more than 3 percent in 1993. The producer price index for finished goods increased 1¼ percent during 1994, after edging up just ¼ percent during the previous year. As in 1992 and 1993, the past year's increases in all these price indexes were among the lowest readings of the past quarter-century. Measures of inflation expectations held steady in 1994, but continued to show readings that were somewhat higher, on average, than the actual rates of price increase. Price data for January of this year were less favorable than those of 1994: The total CPI moved up 0.3 percent last month, and the CPI excluding food and energy jumped 0.4 percent, the largest monthly rise in that measure since late 1992.

5. Whether even this small degree of improvement in the productivity trend will stand up through future revisions of the data is not clear. For example, among the many difficult issues that are involved in the measurement of productivity is the choice of an appropriate set of prices to be used in valuing the output of goods and services. Currently, aggregate output is tallied by using the prices of 1987, but some major changes in relative prices have taken place since then, the most notable of which is a huge decline in the price of office and computing equipment. Using the prices of a more recent year to gauge real output would result in less weight being given to office and computing equipment and, in turn, a smaller contribution from this rapidly growing category to growth of real output. All else equal, the growth of productivity would also be negatively affected by switching to the prices of a more recent year.



The pickup of price increases last year was confined largely to markets for materials. Prices of primary industrial inputs, which had moved up sharply during 1993, continued to surge in 1994, and price increases for intermediate materials accelerated as the year progressed. Prices of imports also picked up somewhat, influenced by the depreciation in the exchange value of the dollar; as was true in the domestic economy, the largest price increases for imported goods were those for materials. Gains in productivity apparently enabled manufacturers of finished goods to absorb these increases in the costs of domestically produced and imported materials without raising their own prices very much.

Early this year, materials prices continued to surge. The producer price index for crude materials other than food and energy jumped 3 percent in January, to a level about 17½ percent above that of a year earlier. Further along in the production chain, the PPI for intermediate materials other than food and energy rose 1 percent last month; the index has moved up 6 percent during the past twelve months, the largest such rise since the late 1980s, when the twelve-month rate of increase in intermediate materials prices topped out at slightly more than 7 percent. By contrast, the PPI for finished goods other than food and energy again showed only a modest increase in January. Since mid-January, the prices of a number of industrial commodities have backed away from earlier highs, but, given the volatility that these prices sometimes exhibit, the experience of a few weeks may not signal the emergence of a new trend.

In the CPI, the prices of commodities other than food and energy rose 1½ percent over the four quarters of 1994, about the same as the rise of 1993. Prices of new cars and new trucks, responding to strong demand and, at times, shortages in the supply of some models, moved up faster than prices in general; prices of used cars rose especially rapidly for a third year. The prices of tobacco products, which had fallen sharply in 1993 when producers made steep one-time price reductions, turned back up in 1994, rising moderately over the four quarters of the year. By contrast, prices of home furnishings changed little over the year, and the CPI for apparel fell noticeably. In January 1995, the CPI for goods other than food and energy jumped 0.4 percent; this rise followed a string

of months in which the index had increased very slowly.

The CPI for non-energy services, a category that accounts for about half of the total CPI, rose slightly less than 3½ percent over the four quarters of 1994, after an increase of about 3¾ percent in 1993. The increase in these prices in 1994 was just a bit more than half the rise that was recorded in 1990, when CPI inflation hit its most recent peak. Prices of medical services continued to slow in 1994, and airline fares, which have been an especially volatile category in the CPI in recent years, fell appreciably after having risen sharply the previous year. However, auto finance charges turned up, and the rate of rise in owners' equivalent rent, a category that has a weight of nearly 20 percent in the total CPI, rose slightly faster over the four quarters of 1994 than it had during the corresponding period of 1993. Like the prices of goods, the CPI for non-energy services accelerated sharply in January of this year.

In 1994, for a fourth year, neither food prices nor energy prices provided much impetus to the inflation process. The consumer price index for food rose a shade more than 2½ percent over the four quarters of 1994, about the same as the rise of 1993. Food prices in 1994 were restrained, in part, by sharp declines in the prices of domestically produced farm products, which, in turn, were pulled down by the huge increases in crop and livestock production noted previously. With beef and pork prices declining over the year, the CPI for meats, poultry, fish, and eggs changed little in total. Retail prices of dairy products rose only a small amount. Prices of foods that are more heavily influenced by the costs of nonfarm inputs also showed only small to moderate advances in 1994: The increase in the CPI for prepared foods amounted to about 2½ percent, slightly less than the previous year's increase, and, for a third year, the rise in the price index for food away from home was less than 2 percent. Coffee was the only item in the CPI for food to show sustained price acceleration; freeze damage to the crop in Brazil caused world prices of raw coffee to surge and led to a price rise of more than 50 percent at retail over the four quarters of 1994. Fresh vegetable prices, which tend to be especially sensitive to short-run supply developments, took a jump toward year-end after Hurricane Gordon had damaged crops in

Florida, but the run-up was partly reversed last month.

The CPI for energy rose about  $1\frac{1}{2}$  percent during 1994, after edging down  $\frac{1}{2}$  percent in 1993. Gasoline prices increased  $4\frac{1}{2}$  percent over the four quarters of 1994, reversing the decline of the previous year. Much of the increase in gasoline prices came in the third quarter and followed, with a short lag, a second-quarter rise in crude oil prices, which were moving back up from the low levels of late 1993 and early 1994. Prices of other energy products exhibited brief periods of rapid increase, but sustained upward pressures in these prices did not materialize. Fuel oil prices shot up temporarily early in 1994, when stocks were pulled down for a time by cold weather in the Midwest and the Northeast; later in the year, however, stocks were replenished and the earlier price increases were more than reversed. Natural gas prices followed a pattern similar to the price of fuel oil, rising sharply in the first quarter of the year but falling back thereafter, to a fourth-quarter level that was about  $2\frac{1}{4}$  percent lower than that of a year earlier. Electricity prices rose only slightly during the year. In January of this year, energy prices were up moderately in the CPI.

With the favorable inflation performance of the past year, the average rate of rise in the total CPI since the business cycle trough in early 1991 has been 2.9 percent at an annual rate. Excluding food and energy, the rate of rise has been 3.3 percent at an annual rate. Inflation rates lower than these have not been sustained through the first few years of any business expansion since that of the 1960s, when both the CPI and the CPI excluding food and energy showed average rates of increase of less than 1.5 percent during the first four years after the business cycle trough of early 1961. Average rates of price increase during the current expansion have been much smaller than those reported during the expansion that began in the mid-1970s. They also have been somewhat smaller than those reported during the first few years of the expansion that began in late 1982, a period when price increases were braked in part by unusually steep declines in oil prices. In measuring the progress that has been made toward bringing the economy closer to the goal of long-run price stability, the ratcheting down of the rate of price advance from cycle to cycle since the 1970s is perhaps an even more meaning-

ful indicator than the favorable trends in the annual price data of recent years.

## MONETARY AND FINANCIAL DEVELOPMENTS

With the economy generally strong, financial markets in 1994 and early 1995 have been characterized by somewhat more rapid growth in private debt and by higher interest rates. The increase in interest rates reflected, in part, the policy actions of the Federal Reserve. Concerned about inflationary pressures resulting from rapid economic growth and dwindling margins of available resources, the Federal Reserve firmed policy on seven occasions. These actions were taken to foster a financial environment more likely to be consistent with sustained economic growth and low inflation. In total, the policy tightenings raised the federal funds rate by a cumulative 3 percentage points between early February 1994 and early February 1995. Other short-term rates rose by similar amounts. Over this span, the Board of Governors hiked the discount rate on four occasions by a total of  $2\frac{1}{4}$  percentage points.

Longer-term rates increased  $1\frac{1}{2}$  percentage points to 3 percentage points on balance since January 1994, with the largest increases posted at intermediate maturities. In addition to the policy actions, these rates were boosted through much of 1994 by greater-than-expected underlying strength in the economy and the resulting higher demand for credit, as well as by upward revisions to expectations in financial markets about the policy tightenings that would be required to counter an incipient increase in inflation. Since late last fall, however, the extent of Federal Reserve actions, along with incoming data suggesting some moderation in the pace of expansion, have calmed inflation fears and trimmed estimates of the eventual rise in short-term interest rates. As a consequence, longer-term rates have retraced some of their earlier upward movements.

Increases in intermediate- and long-term rates over the course of the year caused significant capital losses for some investors. Well-publicized losses at a number of investment funds in the first half of the year, along with substantial portfolio reallocations in view of the changed economic and financial outlook, may have contributed to

increased financial market volatility at that time. On the whole, however, risk premiums remained modest, and volatility ebbed over the course of the year. Late in the year, the tax-exempt securities market dipped following the bankruptcy of Orange County that resulted from mounting losses in its investment fund, but the effects, beyond those on the fund's investors, proved to be small and short-lived.

One consequence of the higher and more volatile long-term interest rates was a shift in business borrowing away from the capital markets and toward shorter-term sources, such as banks. This shift, which reversed the move toward long-term financing that occurred as bond yields fell in 1992 and 1993, was marked by the first annual increase in bank business loans in several years. Consumer lending also accelerated in 1994, as the improved economic outlook encouraged increased use of consumer credit. Higher interest rates likely held down household mortgage debt growth, in that the resulting decline in refinancing activity limited the ability of households to "cash out" some of the equity in their homes. Higher rates also encouraged households to shift to adjustable-rate mortgages, which offered lower initial interest costs. The debt of all nonfinancial sectors increased  $5\frac{1}{4}$  percent in 1994, about the same increase as in 1993, as the pickup in business and household borrowing was offset by lower growth in government debt. The effects of the strong economy on government expenditures and receipts, policy moves to reduce the federal deficit, and retirements of tax-exempt securities that had been advance-refunded all contributed to the slowdown in government borrowing.

Banks funded much of the pickup in their loans with nondeposit funds and, in the second half of the year, with sales of securities. As a result, the doubling of loan growth was not reflected in significantly stronger expansion of the monetary aggregates. M3, which was boosted by relatively heavy issuance of large CDs, rose  $1\frac{1}{2}$  percent, a somewhat larger increase than in 1993. With banks pricing savings and small time deposits unaggressively as market interest rates rose, M2 grew 1 percent over the year, somewhat below its  $1\frac{3}{4}$  percent pace in 1993. The increase in market interest rates relative to rates on transaction deposits slowed the growth of M1 to just  $2\frac{1}{4}$  percent from the double-digit increases posted in 1992 and 1993.

The foreign exchange value of the dollar declined in terms of the other G-10 currencies last year, even as the U.S. economy expanded briskly and interest rates rose. In part, the weakness was the result of unexpectedly strong growth abroad, especially in Europe, where the recovery in many countries was more rapid than had been anticipated. As a result, long-term interest rates in many of the other G-10 countries increased by amounts similar to rates in the United States. Heightened concerns about inflation prospects in the United States may also have contributed to the weakness of the dollar. Indeed, the dollar rebounded late in the fall when tighter monetary policy evidently eased those concerns. The dollar declined, however, in early 1995 amid the signs of slower U.S. growth and concerns about the implications for the United States of turmoil in Mexican financial markets.

### *The Course of Policy and Interest Rates*

In early 1994, short-term interest rates remained at the very low levels reached in late 1992, with the federal funds rate fluctuating around 3 percent—roughly in line with the rate of inflation. The Federal Reserve had maintained an accommodative policy stance throughout 1993. This stance was unusual so far into the expansion phase of a business cycle, but it was believed to be necessary because of a number of extraordinary factors that seemed to be inhibiting growth. These factors included efforts by households, firms, and financial intermediaries to repair strained balance sheets, business restructuring activities, and the fiscal contraction associated, in part, with the downsizing of defense industries.

During the recovery and expansion, however, considerable progress had been made by households and businesses in decreasing their debt-service burdens, and lending institutions had succeeded in rebuilding their capital positions. By late 1993, the economy was expanding rapidly, and incoming data early last year suggested that much of that momentum had likely carried over into 1994. In the circumstances, continued accommodative policy risked pushing the demands on productive resources to levels that ultimately would be associated with increased inflation. Consequently,



the FOMC, at its meeting in early February 1994, agreed that policy should be moved to a less stimulative stance.

The pace at which the adjustment to policy should be made was less clear: A rapid shift in policy stance would minimize the risk of allowing inflation pressures to build, while a more gradual move would allow financial markets time to adjust to the changed environment. Although many market participants seemed to anticipate a firming move fairly soon, it would be the first tightening in many years, and some investors would undoubtedly reconsider their portfolio strategies, possibly causing sharp movements in bond and stock prices. In addition, a slower initial shift would allow more time to assess the strength of the economy and the effects of the change in policy.

In the event, the Committee tightened policy gradually through the winter and early spring. Pressures on reserve positions were increased by relatively small amounts in February, March, and April; once market participants seemed to have made substantial adjustments to the new direction of policy, a larger tightening move was implemented in May. Taken together, the four policy actions raised the federal funds rate about 1¼ percentage points. The May policy action was accompanied by an increase of ½ percentage point in the discount rate, voted by the Board of Governors.

Other interest rates moved up between 1 percentage point and 2 percentage points as a result of these policy moves, with the largest increases coming at intermediate maturities. Besides the effect of the policy actions, longer-term rates were boosted by incoming data suggesting continued robust growth, which heightened market concerns about a pickup in inflation and expectations of further tightening by the Federal Reserve. In addition, uncertainty about the timing and magnitude of future policy actions, as well as the capital losses that followed the tightenings, encouraged investors to shorten the maturity of their investments and reduce their degree of leverage. The resulting portfolio adjustments likely contributed to increased market volatility and may have intensified the upward pressure on longer-term interest rates.

Incoming data in the late spring and early summer suggested that the economy continued to expand significantly, led by sales of business equip-

ment, a rebound in nonresidential construction following bad weather earlier in the year, and a pickup in inventory investment. Inflation was of growing concern, as commodity prices increased rapidly, and measures of slack suggested that the economy was entering a range in which pressures on broad price indexes might begin to build. In part reflecting this concern, long-term rates moved up, and the dollar weakened. Given the relatively large policy action in May, however, the Committee decided to take no action at the July meeting and to wait for more information on the performance of the economy. The Committee saw the possible need for tighter policy, however, and issued an asymmetric directive to the Federal Reserve Bank of New York suggesting that policy would respond promptly to evidence of increased inflation pressures.

In the interval between the Committee meetings in early July and mid-August, the economy continued to expand robustly, and, coming into the August meeting, it appeared that the markets expected a small further increase in reserve pressures. At its meeting, the Committee agreed that a prompt further tightening move was needed to provide greater assurance that inflationary pressures in the economy would remain subdued, and the members chose a tightening action somewhat larger than had been expected by the markets. A rise of ½ percentage point in the discount rate, voted by the Board of Governors, was allowed to show through fully to the federal funds rate. Short-term market rates rose following the policy move, while long-term yields declined slightly, perhaps as a result of downward revisions to expectations of future tightening.

In advance of the meeting in late September, most market rates increased as incoming economic data were seen in the market as raising the likelihood of higher inflation and the resulting need for tighter reserve conditions. The data suggested that the economy had not yet been greatly affected by the tightening in monetary policy: Employment was growing strongly, and final sales, especially of consumer goods, appeared to have firmed. Manufacturing activity had continued to expand rapidly, boosted in part by an increase in motor vehicle production. Given the uncertain duration of lags between changes in monetary policy and the resulting effects on the economy, however, it was not clear whether the effects of the earlier interest rate

increases were smaller than had been expected or were still in train. Another possibility was that the underlying momentum of the expansion was greater than had been evident earlier. Given these uncertainties, the Committee took no immediate tightening action at its September meeting. As in July, however, the Committee agreed to an asymmetric directive suggesting that the likely direction of any move over the intermeeting period was toward additional restraint.

Broad measures of inflation remained moderate through the fall in spite of continued substantial economic growth in an economy that was running close to its estimated potential. Nonetheless, strong economic data and continued upward pressure on prices at earlier stages of production apparently heightened investors' inflation concerns, as well as expectations of future policy tightenings. Consequently, most market interest rates rose appreciably between the September and November meetings, with the largest increases occurring at intermediate maturities. At the November meeting, the Committee members agreed that the stance of policy was not sufficiently restrained given the clear risks of higher inflation. As a result, they chose a sizable firming of monetary policy, tightening reserve conditions in line with the increase of  $\frac{3}{4}$  percentage point in the discount rate approved by the Federal Reserve Board.

The yield curve flattened appreciably in response to the larger-than-expected policy action. The increase in the federal funds rate pushed up most short-term interest rates. Long-term rates increased initially, but in late November and early December these rates more than reversed the earlier increases. Evidently, market participants ultimately interpreted the substantial policy tightening as demonstrating the Committee's intention to take the actions necessary to contain inflation at relatively low levels. By contrast, intermediate-term rates increased over the weeks following the November meeting as a variety of incoming data indicated that the economy's growth had accelerated further in the fourth quarter and additional tightenings might be required to slow growth to a more sustainable pace. By the time of the December meeting, rates on two-year Treasury notes were only a little below those on thirty-year Treasury bonds, although both yields remained well above short-term rates.

Financial markets were focused in early December on the failure of an investment fund run by Orange County, California, and the subsequent bankruptcy of the county itself. The municipal securities market bore the brunt of these developments, with rates rising for a time relative to those on comparable Treasury issues. The failure had a substantial effect on the finances of the municipalities that had invested in the fund. In addition, investors had to consider the likelihood of other state and local governments having similar investment difficulties. Over the following days and weeks, however, only a few other problem situations emerged, and they were on a much smaller scale.

In the period leading up to the December meeting, incoming data continued to show robust growth and subdued inflation. The Committee felt that the effects on economic activity of the policy actions during the year, and especially the substantial tightening moves in the second half of the year, were not yet visible, owing to the lags in the effects of monetary policy on the economy. As a result, the Committee decided to take no further policy action at the meeting, and to await additional information on the underlying strength in the economy and the effects of the earlier policy actions. This decision was reinforced by concerns that the financial markets might be somewhat unsettled owing both to the usual year-end adjustments and to uncertainty about the effects and incidence of the sizable market losses sustained by some investors over the year. In view of the substantial strength evident in the incoming data, however, the Committee again chose an asymmetric directive pointing toward further restraint.

In advance of the Committee meeting at the end of January, broad measures of inflation remained modest, although anecdotal reports suggested that some firms intended to raise prices early in the new year. Incoming data on production and employment continued to be upbeat, with healthy growth reported in virtually all industries and regions. Some indicators, however, raised the possibility of a slowing in the pace of the expansion. Nonetheless, output growth in the fourth quarter was the fastest of the year, and the Committee felt that, with output and employment at or even beyond estimates of their sustainable levels, the risks of rising inflation were still considerable. As a result,

the Board of Governors voted an increase of  $\frac{1}{2}$  percentage point in the discount rate, and the Committee agreed to allow the increase to be fully reflected in the federal funds rate. Because it had been widely anticipated in the financial markets, other interest rates and the foreign exchange value of the dollar were little affected by the policy action. Interest rates turned down subsequently, as additional information on the economy seemed to reinforce the possibility that a slowdown was in process.

At the same meeting, the Committee also formally adopted two practices that had been followed on a provisional basis during 1994. First, the Committee voted to continue to announce any change in the stance of policy on the day the decision is made. These announcements, which had followed each of the policy tightenings agreed to in 1994, are intended to minimize any confusion and uncertainty about the stance of policy. In addition, a public announcement ensures that all financial market participants have the same access to information regarding changes in monetary policy. Second, the Committee agreed to continue releasing the transcripts of Committee meetings with a five-year delay. The published minutes of Committee meetings, which are available soon after the subsequent meeting, provide a relatively complete summary of the arguments presented and the reasons for a policy choice. The transcripts provide additional information, however, that may be of use to those interested in the details of the policy process. The Committee decided that a five-year delay struck an appropriate balance between the right of interested members of the public to obtain this added detail and the Committee's need to debate policy issues openly and without the sort of restraint that more rapid disclosure might generate.

### *Credit and Money Flows in 1994*

The debt of all nonfinancial sectors grew  $5\frac{1}{4}$  percent in 1994, somewhat below the middle of its monitoring range of 4 percent to 8 percent, and about the same increase as that of a year earlier. More rapid growth of private-sector debt was offset by slower growth of public-sector debt. As long-term rates rose well above their late 1993 lows, private-sector borrowing shifted toward shorter-

term sources of funds. In part as a result of this shift, financial intermediaries supplied a larger share of new debt than they had for several years. Much of the depository credit growth was funded with nondeposit funds, however, and growth in the broad monetary aggregates, which consist primarily of deposits, remained subdued.

Debt growth both in the federal and in the state and local government sectors slowed last year. Growth of federal government debt was smaller because of the narrowing of the federal budget deficit. The outstanding volume of state and local government debt actually declined as bonds that previously had been refunded in advance of their earliest call date were retired. Much of the bulge in tax-exempt issues in 1993 had been for the advance refunding of higher-cost debt issued in the 1980s. These offerings subsided early in 1994, as the amount of bonds eligible for advance refunding dwindled and borrowing costs rose.

Household debt growth increased modestly in 1994, as an acceleration in consumer credit was partly offset by slower growth in mortgage debt. The pickup in consumer debt reflected, in part, increased demand for consumer durables. In addition, responses to Federal Reserve surveys of banks indicated that many respondents were more willing to extend credit to households last year, which may have led them to ease terms and standards on consumer loans. Indeed, spreads between consumer loan rates and market rates narrowed significantly last year, as increases in loan rates lagged those in market interest rates. Consumer credit may also have been boosted somewhat by the increased use of credit cards offering rebates or other incentives. Rising mortgage rates in 1994 greatly reduced the volume of mortgage refinancings from the very high levels reached in 1993. The refinancings had contributed to an increase in mortgage debt because some households had taken the opportunity afforded by refinancing to cash out a portion of the equity in their properties. Higher rates on fixed-rate mortgages also induced many borrowers to shift to adjustable-rate mortgages that carried much lower initial rates. Concessional starting rates and the growing use of adjustable-rate contracts with initial fixed-rate periods lasting several years also may have contributed to this shift. Over the last few months of the year about half of all new home mortgages were of the adjustable-rate variety. The



shift to adjustable-rate mortgages and the sluggish adjustment of consumer loan rates mitigated the effect of higher market interest rates on household debt-service burdens.

The debt of nonfinancial businesses expanded in 1994 after three years of stagnation. Earlier efforts to restructure balance sheets by increasing equity capital and refinancing higher-cost credit appeared to leave businesses in a better position to increase debt in 1994, as the sector's debt-service burden had fallen about one-third from its peak five years earlier. A decline in equity issuance, perhaps resulting from the lackluster performance of the stock market, may also have boosted business borrowing. Business financing needs were strengthened by increased spending on capital and inventories, as well as merger and acquisition activity. The total value of mergers and acquisitions increased substantially last year, and the share of such activity requiring cash payments to shareholders—rather than swaps of shares—rose sharply, although it remained below the levels reached in the late 1980s.

Rising and more volatile long-term interest rates encouraged businesses to rely more heavily on short-term debt in 1994. This shift was reinforced by changes in supply conditions in various markets. Capital losses early in the year likely caused some of those supplying long-term funds to become more cautious; for example, some savers backed away from bond mutual funds. At the same time, banks were loosening terms on business loans as well as easing their underwriting standards. Banks attributed the easing of loan terms and standards to increased competition for business customers from other banks and also from nonbank lenders. The competitive posture of banks likely reflected, in part, the high level of profits earned by banks in recent years and the resultant strengthening of their balance sheets. As a result of these factors, bank business loans increased more than 9 percent, their first annual increase in several years. Other sources of short-term business finance, including commercial paper and finance company loans, also expanded over the year.

The effect of the pickup in business and consumer loans on bank credit growth was partially offset by slower growth in bank securities holdings. Early in the year, banks purchased a significant volume of government securities, and reported

levels of other securities holdings were boosted by an accounting change.<sup>6</sup> Much of this growth was reversed later in the year, however, as banks used sales of securities to fund loan growth. Reported securities growth was also damped by declining securities prices.<sup>7</sup>

In 1994 thrift sector credit expanded for the first time in several years, as the Resolution Trust Corporation virtually completed its liquidation of insolvent thrift institutions. In part, the increase in thrift sector credit also likely reflected the shift by households toward adjustable-rate mortgages. Thrift institutions and banks find holding adjustable-rate mortgages less risky than holding fixed-rate mortgages, and so adjustable-rate loans are less likely to be securitized and sold.

With bank credit growth picking up and thrift sector credit rising, growth of depository credit in 1994 nearly matched that of total nonfinancial debt. Thus, the share of credit provided by these intermediaries stabilized last year after having declined substantially since 1988. Despite the growth in depository credit, the broad monetary aggregates continued to expand sluggishly. Domestic banks funded much of their credit expansion from non-deposit sources, such as borrowings from their foreign offices, that are not included in the monetary aggregates. Funds from these sources are not subject to deposit insurance premiums, which may help account for their recent rise. The broadest monetary aggregate, M3, did pick up a bit as banks turned, in part, to large time deposits to fund asset growth. M3 expanded about 1½ percent, well above the lower bound of its 0 percent to 4 percent annual range and a somewhat larger increase than that in 1993. Growth in large time deposits topped 7 percent for the year, marking the first annual increase in this component since 1989. Much of the increase in large time deposits was in senior bank notes, which are not subject to deposit insurance premiums.

6. New Financial Accounting Standards Board rules, effective at the start of the year, limited the ability of banks to net off-balance-sheet items for reporting purposes. The new rules affected items such as swaps and options, the cash values of which are reported on balance sheets in the other securities category.

7. A Financial Accounting Standards Board rule implemented at the start of the year required each bank to divide its investment account securities into those that it intended to hold to maturity, which could be reported at book value, and those that were available for sale, which had to be marked to market.

M2 grew 1 percent in 1994—the lower bound of its annual range. The slow growth reflected, in part, relatively sluggish upward adjustment of retail deposit rates. Rates on savings accounts and other checkable deposits (OCDs), including NOW accounts, responded about as slowly as they have in the past to the increase in market rates, while the response of rates on small time deposits was sluggish relative to historical norms. Evidently, banks believed that generating increased retail deposits would be more expensive than raising wholesale funds given that higher retail rates would have to be paid on existing liquid deposits and on time deposits as they were rolled over, as well as on any new deposits. Increasing retail deposits would also require higher advertising, administrative, and deposit insurance costs.

In contrast to the previous several years, M2 behavior in 1994 was roughly consistent with its long-run historical relation with movements in nominal income and opportunity costs as traditionally defined—that is, the difference between rates on short-term instruments (for example, Treasury bills) and those offered on retail balances. This consistency suggests that, unlike the past few years, the slow growth in M2 last year was not the

result of portfolio shifts toward bond and equity mutual funds. Indeed, the growth in M2 plus long-term mutual funds ran slightly below the 1 percent pace of M2 growth. Net sales of equity mutual funds continued at a high level in 1994, although the pace of sales slowed somewhat late in the year. Equity fund sales were partly offset, however, by outflows from bond mutual funds in the last three quarters of the year. Apparently, falling bond prices and greater market uncertainty, and, perhaps, reports of derivatives losses at some funds, led households to scale back their holdings of bond mutual funds in favor of investments that posed less risk of capital loss. With deposit rates lagging, however, these outflows did not translate into faster M2 growth. Some of the withdrawals from bond funds may have been invested directly in Treasury securities. Reflecting such portfolio shifts, net noncompetitive tenders for Treasury bills, which had been negative in 1993, totaled more than \$16 billion last year, and net noncompetitive tenders for Treasury notes also increased substantially.<sup>8</sup>

8. The Treasury permits noncompetitive bids at its auctions to make it easier for smaller, less sophisticated bidders to participate.

### 3. Growth of money and debt Percent

Period	M1	M2	M3	Domestic nonfinancial debt
<i>Year<sup>1</sup></i>				
1980 .....	7.4	8.9	9.6	9.1
1981 .....	5.4 (2.5 <sup>2</sup> )	9.3	12.4	9.9
1982 .....	8.8	9.2	9.9	9.6
1983 .....	10.4	12.2	9.9	11.8
1984 .....	5.5	8.1	10.9	14.4
1985 .....	12.0	8.7	7.6	14.1
1986 .....	15.5	9.3	8.9	13.5
1987 .....	6.3	4.3	5.7	10.2
1988 .....	4.3	5.3	6.3	9.0
1989 .....	.6	4.8	3.8	8.0
1990 .....	4.2	4.0	1.7	6.5
1991 .....	7.9	2.9	1.2	4.6
1992 .....	14.3	2.0	.5	4.7
1993 .....	10.5	1.7	1.0	5.2
1994 .....	2.3	1.0	1.4	5.3
<i>Quarter (annual rate)<sup>3</sup></i>				
1994: 1 .....	5.5	1.8	.6	5.3
2 .....	2.6	1.7	1.3	5.6
3 .....	2.4	.8	2.0	4.4
4 .....	-1.2	-4	1.7	5.5

1. From average for fourth quarter of preceding year to average for fourth quarter of year indicated.

2. Adjusted for shifts to NOW accounts in 1981.

3. From average for preceding quarter to average for quarter indicated.

Consistent with its historical behavior, M1 growth slowed sharply last year in response to widening differentials between market interest rates and those offered on transaction deposits. M1 expanded only  $2\frac{1}{4}$  percent—down substantially from the double-digit increases recorded the previous two years. Following the typical pattern, demand deposits and OCDs were especially responsive to the rise in short-term interest rates. On balance, demand deposits edged up only  $\frac{1}{2}$  percent, compared with growth of  $13\frac{1}{4}$  percent in 1993, as higher market rates encouraged deposit holders to economize on these non-interest-earning assets. In addition, the turnaround reflected the decline in home mortgage refinancing activity last year: Demand deposits had been boosted in 1993 because prepayments of securitized mortgages were held primarily in such deposits for a time before they were distributed. The rates offered on OCD accounts adjusted slowly to higher market rates last year, encouraging households to shift funds into higher-yielding assets. OCD growth also was depressed by the introduction of sweep account programs at some large banks. In these programs, the portion of customers' OCD balances in excess of a predetermined level are swept into money market deposit accounts at the end of each day.

Those submitting noncompetitive tenders are assured of receiving the security, and the yield on the security they obtain is the average issue rate established at the auction. The level of net noncompetitive tenders during a period is the dollar volume of securities purchased under noncompetitive tenders less the volume of repayments of maturing securities that had been purchased under noncompetitive tenders.

#### 4. Net sales of shares in long-term mutual funds<sup>1</sup>

Millions of dollars (monthly average)

Period	Total	Equity funds	Bond funds
<i>Year</i>			
1991 .....	10,820	3,821	7,000
1992 .....	16,844	7,268	9,576
1993 .....	23,445	11,832	11,634
1994 .....	9,674	11,073	-1,399
<i>Quarter</i>			
1994: 1 .....	17,438	13,744	3,694
2 .....	10,128	10,935	-808
3 .....	9,826	11,166	-1,340
4 .....	1,306	8,447	-7,141

1. Gross sales of shares less redemptions.

SOURCE: Investment Company Institute.

In contrast to transaction deposits, the currency component of M1 continued to register strong growth last year. Currency increased  $10\frac{1}{4}$  percent, the same rise as 1993 and close to the record increase in 1990. As has been the case since 1990, much of the currency growth appeared to reflect rapid expansion in U.S. currency circulating abroad. Informal reports suggest that foreign demand was particularly strong in 1994 in Russia and the other former Soviet republics.

#### Foreign Exchange Developments

The trade-weighted foreign exchange value of the dollar in terms of the other G-10 currencies declined nearly  $6\frac{1}{2}$  percent on balance from December 1993 to December 1994. After displaying some strength at the start of 1994, the weighted-average foreign exchange value of the dollar fell about 10 percent from February through early November. Although U.S. growth continued to be stronger than expected, market perceptions about the strength of economic activity in the other industrial countries were also revised sharply higher as the year progressed. These changed perceptions led market participants to raise their expectations of market interest rates abroad, which, together with increased concerns over potential inflation pressures in the U.S. economy, put downward pressure on the dollar against most foreign currencies. The dollar rebounded somewhat at the end of the year as the greater-than-expected tightening action by the Federal Reserve in November reassured market participants that U.S. inflation risks were being addressed. In early 1995, however, with U.S. growth appearing to moderate and the turmoil in Mexican financial markets raising concerns about possible implications for the United States, the dollar declined on balance, nearly reaching its fall 1994 low.

Long-term interest rates in major foreign industrial countries generally rose during the year. On average, yields on foreign government issues with maturities of ten years increased 200 basis points in the twelve months to December, about the same as in the United States. In Japan, where the evidence for a buoyant recovery remained somewhat mixed, long-term rates rose less. In contrast to



long-term rates, foreign short-term rates were little changed on average and even declined slightly in several countries, including France and Germany. Major exceptions were Canada, where short-term market rates rose about 300 basis points, and the United Kingdom, where they rose 100 basis points. In both countries, official lending rates were increased during the year to contain inflation risks in the face of vigorous economic growth. During the first few weeks of this year, foreign long-term rates on average rose slightly further, but they have since retraced most of that rise.

During 1994, the dollar depreciated 8 percent in terms of the mark and declined by similar amounts in terms of the other currencies in the exchange rate mechanism (ERM) of the European Monetary System. The German economy expanded over the year, and the growth of the targeted monetary aggregate, M3, remained above target until the very end of the year. Market participants trimmed their expectations of further declines in official Bundesbank lending rates, and German long-term interest rates rose. The dollar depreciated by lesser amounts in terms of sterling and the lira, both of which had been withdrawn from the ERM in 1992. The persistent strength of the U.K. recovery raised concerns of renewed inflation pressures there, and the political uncertainties in Italy and, to a lesser extent, in the United Kingdom held back market enthusiasm for the two currencies.

The dollar also depreciated about 8 percent in terms of the yen during the year. At times, the dollar-yen rate fluctuated in response to developments in U.S.-Japanese trade talks. The dollar reached a historic low of 96.11 yen in November and was very weak against the German mark as well, and the Federal Reserve joined the U.S. Treasury in intervention purchases of dollars against yen and marks at that time. Subsequently, the dollar rebounded somewhat in terms of the yen and European currencies. In early 1995 the dollar weakened further, especially against the mark, in part because that currency attracted funds from markets upset by the peso crisis.

In contrast to its experience in terms of the ERM currencies and the yen, the dollar appreciated in terms of the Canadian dollar nearly 4½ percent during 1994. The relative weakness of the Canadian currency appeared to reflect pressures arising

from the increases in U.S. short-term rates, concerns over the large fiscal deficits of the central government and the provinces, and, at times, perceived risks associated with possible secession by Quebec. In the first few weeks of 1995, the Canadian dollar weakened further, as markets apparently became more concerned about the large outstanding Canadian federal and provincial debt and the persistent federal government deficit. As a result, market interest rates have risen further, and the Bank of Canada has moved up overnight rates several times, including an increase to match the upward shift in the U.S. federal funds rate following the most recent FOMC meeting. In response, the Canadian dollar strengthened but, more recently, has given up some of these gains.

The dollar depreciated nearly 5 percent in 1994 against the currencies of major U.S. trading partners in Latin America and East Asia when adjusted for relative changes in consumer prices. The dollar appreciated sharply against the Mexican peso, however, first in March and more significantly during the final two weeks of the year and in early 1995.

In response to continuing downward pressures on the peso and sizable losses of international reserves over the course of 1994, the Bank of Mexico announced on December 20 a 13 percent change in the lower bound of the range that it unilaterally had set for the peso-dollar exchange rate. The peso immediately fell to the new lower limit, from about 3.5 to 4 pesos per dollar, and reserve losses continued. As a consequence, the Bank of Mexico on December 22 permitted the peso to float and activated the North American Swap Facility, which provides up to \$6 billion of short-term funds to the Bank of Mexico, evenly split between the Federal Reserve and the Treasury, and an additional C\$1 billion from the Bank of Canada.

During the following days the peso remained volatile on exchange markets, fluctuating in a range between 5 and nearly 6 pesos to the dollar. On January 2, a package was announced totaling \$18 billion in international financial support for Mexico, including an increase from \$6 billion to \$9 billion in the swap facilities extended by the United States (again split between the Federal Reserve and the Treasury), an additional C\$500 million in the swap facility of the Bank of Canada, \$5 billion in credit supported by other

central banks acting through the Bank for International Settlements (BIS), and \$3 billion in credit from commercial banks. On January 6 the IMF began talks with Mexico on a standby arrangement in support of Mexico's economic reform program, and on January 12, against the background of increased turbulence in international capital markets, the Clinton Administration, with the support of the bipartisan leadership of the Congress, announced a proposal to provide \$40 billion in guarantees on securities to be issued by Mexico in an effort to restore investor confidence.

Subsequently, the peso weakened further as support within the Congress for the guarantee proposal appeared to decline. The Mexican stock market also continued to slide, and short-term peso interest rates rose sharply. In late January the peso reached a new low of 6.55 pesos to the dollar amid signs that problems in Mexico were having effects on financial markets in other countries. In particular, equity markets in Argentina and Brazil had declined in volatile trading. More generally, investors appeared to be retreating from investments in a variety of emerging market economies, some of which have substantial current account deficits, while others maintain fixed exchange rates that pose the risk of becoming overvalued. On January 31 the Administration withdrew the request for approval of the guarantee program and, with the

support of the bipartisan leadership of the Congress, announced a new plan to provide \$20 billion to support financial stabilization in Mexico using the resources of the Exchange Stabilization Fund (ESF) and, in the short run, the Federal Reserve. On February 1, the Federal Reserve's swap line with the Bank of Mexico was increased further to \$6 billion as part of this package. The package will consist of short-term swaps, which will be provided by the Federal Reserve and the ESF, and swaps with maturities of three to five years and securities guarantees with maturities of five to ten years provided by the ESF. Repayment will be assured from the proceeds of exports of Mexican oil. Additional multilateral support for Mexico included an increase from \$7.8 billion to \$17.8 billion in the funds provided by the International Monetary Fund under a standby arrangement that was approved on February 1 and an increase from \$5 billion to \$10 billion in the short-term credit supported by the central banks of a number of major industrial countries acting through the BIS.

The peso rebounded during the week following the announcement of the January 31 program and, on net, has since held most of that gain in volatile trading. Through mid-February, the dollar on balance has appreciated substantially against the peso since December 19, the day before the peso's devaluation. □

# Treasury and Federal Reserve Foreign Exchange Operations

*This quarterly report describes Treasury and System foreign exchange operations for the period from October through December 1994. It was prepared by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager for Foreign Operations, System Open Market Account. Carol Osler was primarily responsible for preparation of the report.<sup>1</sup>*

During the fourth quarter of 1994, the dollar fell 0.1 percent against the German mark but rose 0.5 percent against the Japanese yen and 1.0 percent on a trade-weighted basis.<sup>2</sup> On November 2, the U.S. monetary authorities purchased \$800 million against the German mark and an equal amount against the Japanese yen, and Treasury Secretary Lloyd Bentsen issued a statement affirming the Administration's support for a stronger dollar. On November 3, the U.S. monetary authorities intervened again, this time purchasing \$500 million against the German mark and an equal amount against the Japanese yen. In other operations, the U.S. and Mexican monetary authorities activated their \$6 billion swap facility after Mexico announced, before the market opened on December 22, that the peso would be allowed to float.

## THE DOLLAR DECLINES DURING OCTOBER

Having closed the previous period at DM1.5510, the dollar traded fairly steadily against the German mark. Against the Japanese yen, the dollar rose briefly from ¥99.10, its close at the end of the

previous quarter after a partial trade agreement between the United States and Japan was announced on October 1. Soon thereafter, however, the dollar started to decline against both currencies.

Early in the period, continued signs of robust growth in the U.S. economy led market participants to question the Federal Reserve's decision not to raise rates at its September 27 meeting, and concern that the stance of monetary policy was inadequate to contain price pressures began to grow. At the same time, market participants perceived short-term and long-term U.S. rates as too low relative to comparable foreign rates and found in these differentials an explanation for the dollar's weakness during the year and a reason for further dollar weakness.

Against the mark, the dollar started to decline sharply on October 13. This decline occurred as expectations rose that the coalition government of Chancellor Helmut Kohl would be returned to office in Germany's October 16 federal elections and as German bond and stock markets rallied. The dollar's downward movement accelerated as it breached a number of important technical points. From its closing level of DM1.5405 on October 12, the dollar fell to DM1.4937 on October 17. After this abrupt decline, market discomfort with the level of U.S. interest rates grew more pronounced and market participants began to express the view that the U.S. Administration was becoming less concerned about the dollar. At the same time, the dollar also began to decline against the yen, particularly as a result of heavy dollar sales by Japanese exporters.

By October 25, the dollar had declined to ¥96.40 and a period low of DM1.4860. The release on October 28 of gross domestic product data containing encouraging news about the U.S. price deflator provided a brief respite, but as November began, pressure on the dollar intensified once again.

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

2. The dollar's movements on a trade-weighted basis in terms of other Group of Ten (G-10) currencies are measured using an index developed by staff at the Board of Governors of the Federal Reserve System.

*U.S. MONETARY AUTHORITIES ENTER THE MARKET TO BUY DOLLARS AGAINST THE MARK AND THE YEN*

On the morning of Wednesday, November 2, the dollar fell to a new postwar low of ¥96.11 and was trading at DM1.4910. Shortly after 11:00 a.m., the Federal Reserve Bank of New York's Foreign Exchange Desk entered the market, purchasing dollars for the U.S. monetary authorities. During the course of the day, the Desk purchased \$800 million against the mark and \$800 million against the yen.

As the intervention began, Treasury Secretary Bentsen issued the following statement:

I believe that recent movements in the dollar are inconsistent with the fundamentals of a strong investment-led recovery in the United States and the greatly enhanced ability of U.S. firms to compete around the world. This Administration is committed to sound economic policies that expand the economy's capacity and sustain recovery with low inflation. Continuation of recent foreign exchange trends would be counterproductive for the United States and the world economy. A stronger dollar will reduce inflation pressures, improve American living standards, and promote investment. We will continue to monitor developments closely in cooperation with our G-7 (Group of Seven) partners.

Later that day Bundesbank President Hans Tietmeyer expressed support for the U.S. operation, saying "I welcome the fact that the American monetary authorities have clearly expressed their interest in a stronger dollar and want to back this with an appropriate policy. This statement (by Secretary Bentsen) is likely to contribute to bringing the value of the dollar on markets more into line with the fundamental data." After reaching intraday highs of DM1.5220 and ¥98.00, the dollar closed at DM1.5149 and ¥97.60.

Shortly after 11:00 a.m. on Thursday, November 3, with the dollar trading at DM1.5145 and ¥97.65, the Desk intervened a second time on behalf of the U.S. monetary authorities. During the course of the day, the Desk purchased \$500 million against the mark and \$500 million against the yen. The dollar reached intraday highs of DM1.5260 and ¥98.30 before closing at DM1.5185 and ¥97.73.

On both days of intervention, the yen operations of the U.S. monetary authorities were coordinated with the operations of the monetary authorities of

another country. All the dollar purchases of the U.S. monetary authorities were divided equally between the Federal Reserve and the Exchange Stabilization Fund (ESF) of the Department of the Treasury.

*THE DOLLAR CONTINUES TO STRENGTHEN DURING NOVEMBER*

After the intervention, the dollar continued to rise against the mark as market participants became increasingly confident that the Federal Reserve would raise official U.S. interest rates at the November 15 meeting of the Federal Open Market Committee (FOMC). On November 9, in Asian and early European trading hours, the dollar rose abruptly in response to the results of the previous day's U.S. elections, in which the Republican party took control of both the House and the Senate. From its closing levels the day before, the dollar rose nearly two pfennigs to DM1.5265 and about half a yen to ¥97.70 by the time the New York market opened on November 9, then traded around these levels for the rest of the day.

By the eve of the November 15 FOMC meeting, the dollar had risen further, reaching DM1.5441 and ¥98.28. In the event, the Federal Reserve's decision to raise the federal funds and discount rates 75 basis points surprised many market participants, who had generally expected the Federal Reserve to raise rates only 50 basis points. The dollar spiked higher in response. The perceived aggressiveness of the action also encouraged some market participants to anticipate additional tightening in December.

The dollar's rally continued through the end of November, as the notable widening of short-term

1. Foreign exchange holdings of U.S. monetary authorities at period-end

Millions of dollars

Item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
German marks .....	13,405.2	7,500.6
Japanese yen .....	8,510.0	11,801.0
<b>Total .....</b>	<b>21,915.2</b>	<b>19,301.6</b>

NOTE. Figures may not sum to totals because of rounding.



interest rate differentials encouraged market participants to accumulate dollar positions. Market behavior began to reflect the perception that the Federal Reserve would bring short-term interest rates to levels that were high enough to restrain incipient inflationary pressures. Indeed, the dollar rose on stronger-than-expected U.S. data on consumer confidence, third-quarter GDP, and November nonfarm payrolls. Market participants also came to view U.S. rates as sufficiently high to compensate investors for the continued risk of dollar decline. For example, three-month U.S. rates, which had only moved above equivalent German rates in September, had come to surpass German rates by about 100 basis points. For foreign exchange market participants, the stability and subsequent decline of long-term U.S. bond yields during late November also helped to support the dollar because these developments suggested good demand for long-term U.S. paper. The dollar closed the month at DM1.5692 and ¥98.90, up 4.4 percent and 2.1 percent respectively over its values at the end of October.

#### *THE DOLLAR TRADES QUIETLY AGAINST THE MARK AND YEN DURING MOST OF DECEMBER*

The dollar's rise came to an end in early December and, with the volume of transactions reduced by the holiday season, the currency traded for most of the month around the DM1.57 and ¥100 levels. Expectations among some market participants that the Federal Reserve would raise interest rates in late December—a view partly based on Chairman Greenspan's December 7 testimony before Congress, in which he characterized U.S. growth as stronger than expected—helped support the dollar. At the same time, however, strong German GDP data for the third quarter and volatility in U.S. interest rate markets, caused by the liquidation of the financing positions of the Orange County investment pool and of other portfolios, appeared to limit the dollar's upside. At its December 20 meeting, the Federal Reserve left U.S. interest rates unchanged, a decision that had no immediate impact on the dollar. By the end of the period, however, the dollar was nearly three pfennigs and about half a yen lower, with most of the decline

coming on December 28 in thin market conditions. The dollar closed the quarter at DM1.5490 and ¥99.55.

#### *THE CANADIAN DOLLAR DECLINES STEADILY*

After opening at C\$1.3450, the Canadian dollar weakened steadily against the U.S. currency and finished the quarter at C\$1.4025, down 4.2 percent. International investors were discouraged from purchasing Canadian dollars by short-term interest rate differentials that, for much of the period, favored the U.S. currency, especially after the mid-November rise in U.S. short-term rates. These investors also expressed concern about large Canadian government budget deficits at the federal and provincial levels, and about political uncertainty stemming from Quebec's quest for sovereignty.

#### *MEXICAN AUTHORITIES ALLOW THE PESO TO FLOAT*

Over the quarter, the peso declined 30 percent against the dollar from its initial level of 3.3930 new pesos (NP) per dollar. The move began as a gradual depreciation within the permissible range set by the government. The peso remained within its band through November and for a few weeks past President Zedillo's December 1 inauguration, despite considerable financial market pressures and increasing concern among market participants about possible inconsistencies within the Mexican economic strategy. The view increasingly took hold

2. Net profits or losses (–) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates  
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of Sept. 30, 1994 .....	4,973.4	4,356.7
Realized profits and losses, Sept. 30, 1994–Dec. 31, 1994 ...	313.7	270.9
Valuation profits and losses on outstanding assets and liabilities as of Dec. 31, 1994 .....	4,577.6	4,054.1

NOTE. Data are on a value-date basis.

## 3. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility, Dec. 31, 1994	Drawings during period
Austrian National Bank .....	250	0 ↑ ↓
National Bank of Belgium .....	1,000	
Bank of Canada .....	2,000	
National Bank of Denmark .....	250	
Bank of England .....	3,000	
Bank of France .....	2,000	
Deutsche Bundesbank .....	6,000	
Bank of Italy .....	3,000	
Bank of Japan .....	5,000	
Bank of Mexico .....	3,000	
Netherlands Bank .....	500	
Bank of Norway .....	250	
Bank of Sweden .....	300	
Swiss National Bank .....	4,000	
Bank for International Settlements		
Dollars against Swiss francs .....	600	0 ↓
Dollars against other authorized European currencies .....	1,250	
<b>Total .....</b>	<b>32,400</b>	<b>0</b>

that, even at the lower limit of the band, the peso was overvalued given Mexico's past inflation and a current account deficit estimated at nearly 8 percent of the country's GDP. Nevertheless, investors remained hopeful that Mexico would not ultimately be required to change its exchange rate policy.

From the start of the quarter through Monday, December 19, the peso declined 2 percent to reach 3.4632. On the morning of December 20, the Mexican financial authorities, in agreement with representatives of labor and business, changed the peso's lowest permissible value against the dollar by 0.53 pesos, to NP4.0016 from NP3.4712 the previous day. Market participants reacted negatively, and the peso was quickly pushed to its new limit. The peso's value against the dollar dropped 12.5 percent on the day. With pressure on the peso continuing unabated, the Mexican financial authorities announced before the market opened on December 22 that "the supply and demand for

currency would freely determine the exchange rate until the exchange market stabilized." It was also announced that Mexican and U.S. monetary authorities had jointly activated a pre-existing swap facility of \$6 billion. The peso closed the day at NP4.70, 15.7 percent below its close on December 20.

During the rest of December the peso remained volatile as foreign investors continued to reduce their peso exposure. The peso closed the year at NP4.85 per dollar.

### TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE RESERVES

The U.S. monetary authorities intervened twice during the period, purchasing a total of \$2,600 million against German marks and Japanese yen. This amount was divided equally between the Federal Reserve and the Treasury Department's Exchange Stabilization Fund (ESF). The Federal Reserve and the ESF realized profits of \$313.7 million and \$270.9 million respectively on this intervention activity. These profits are based on historical cost-of-acquisition exchange rates.

At the end of the period, the current values of the foreign exchange reserve holdings of the Federal Reserve and the ESF were \$21.9 billion and \$19.3 billion respectively. The U.S. monetary authorities regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and have a high degree of liquidity and credit quality. A portion of the balances is invested in securities issued by foreign governments. As of December 31, the Federal Reserve and the ESF held, either directly or under repurchase agreement, \$9.2 billion and \$12.5 billion respectively in foreign government securities. □

# Industrial Production and Capacity Utilization for January 1995

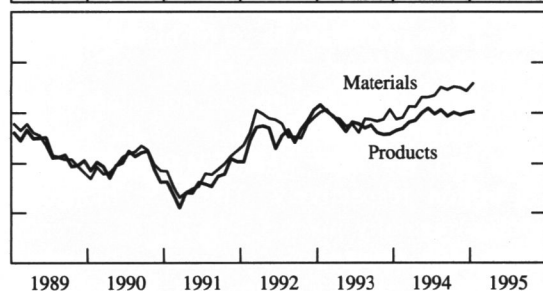
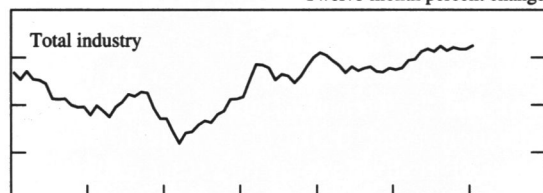
*Released for publication February 14*

Industrial production rose 0.4 percent in January, about half as much as in November and December. The slowing was widespread in manufacturing.

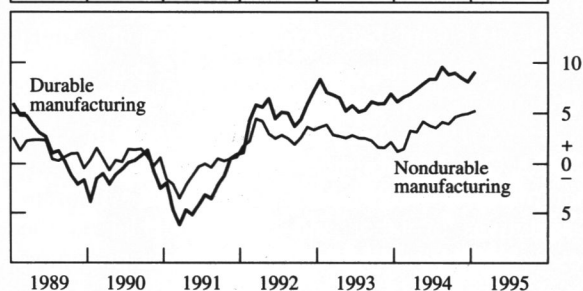
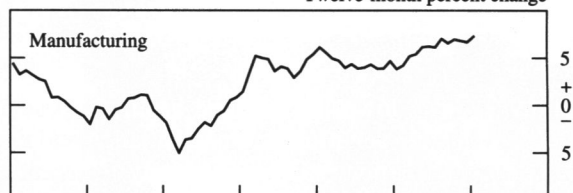
In contrast, with the arrival of more normal winter temperatures, the output at utilities rose after some recent weakness. Industrial production in January was at 121.9 percent of its 1987 average and 6.2 percent higher than it was in January 1994.

## Industrial production indexes

Twelve-month percent change

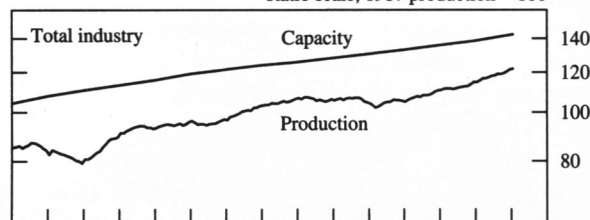


Twelve-month percent change

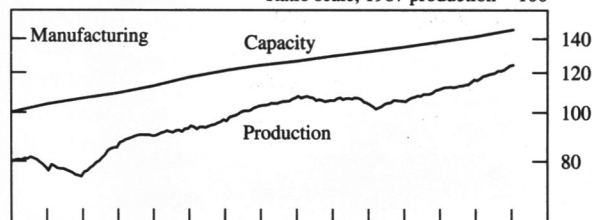


## Capacity and industrial production

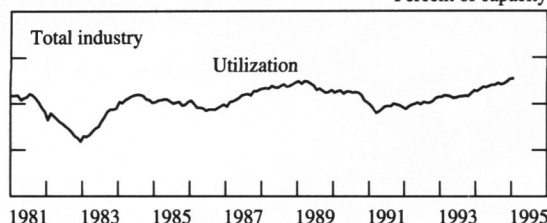
Ratio scale, 1987 production = 100



Ratio scale, 1987 production = 100

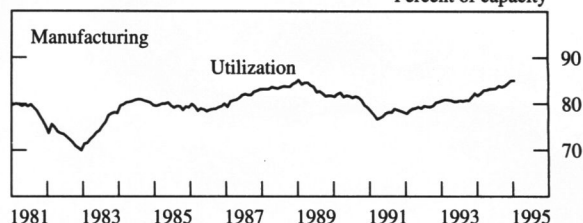


Percent of capacity



1981 1983 1985 1987 1989 1991 1993 1995

Percent of capacity



1981 1983 1985 1987 1989 1991 1993 1995

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

## Industrial production and capacity utilization, January 1995

Category	Industrial production, index, 1987 = 100								
	1994			1995	Percentage change				
					1994 <sup>1</sup>			1995	Jan. 1994 to Jan. 1995
	Oct. <sup>r</sup>	Nov. <sup>r</sup>	Dec. <sup>r</sup>	Jan. <sup>p</sup>	Oct. <sup>r</sup>	Nov. <sup>r</sup>	Dec. <sup>r</sup>	Jan. <sup>p</sup>	
Total .....	119.5	120.4	121.4	121.9	.4	.8	.9	.4	6.2
Previous estimate .....	119.4	120.3	121.4	...	.4	.7	1.0	...	...
Major market groups									
Products, total <sup>2</sup> .....	116.9	117.6	118.5	118.9	.4	.6	.8	.4	5.1
Consumer goods .....	113.0	113.9	115.0	115.4	.0	.8	1.0	.3	3.6
Business equipment .....	150.9	151.4	153.1	154.5	1.0	.3	1.1	.9	10.1
Construction supplies .....	109.7	109.7	110.6	110.7	1.1	.0	.8	.1	7.5
Materials .....	123.4	124.6	125.9	126.4	.4	1.0	1.1	.4	7.9
Major industry groups									
Manufacturing .....	121.5	122.6	123.8	124.2	.5	1.0	1.0	.3	7.3
Durable .....	128.0	129.2	131.0	131.9	.6	.9	1.4	.6	9.0
Nondurable .....	114.2	115.3	115.9	115.7	.4	1.0	.5	-.2	5.2
Mining .....	99.2	98.4	99.9	100.2	-.9	-.8	1.5	.3	2.4
Utilities .....	117.2	116.9	116.0	117.6	.5	-.2	-.7	1.3	-2.2
Capacity utilization, percent									MEMO Capacity, per- centage change, Jan. 1994 to Jan. 1995
Average, 1967-94	Low, 1982	High, 1988-89	1994	1994			1995		
			Jan.	Oct. <sup>r</sup>	Nov. <sup>r</sup>	Dec. <sup>r</sup>	Jan. <sup>p</sup>		
Total .....	82.0	71.8	84.9	82.7	84.4	84.8	85.4	85.5	
Previous estimate .....	...	...	...	...	84.3	84.7	85.4	...	...
Manufacturing .....	81.3	70.0	85.2	81.8	83.8	84.4	85.0	85.1	3.1
Advanced processing .....	80.7	71.4	83.5	80.1	82.1	82.4	83.0	83.2	3.6
Primary processing .....	82.5	66.8	89.0	85.9	88.3	89.4	90.2	89.7	2.1
Mining .....	87.4	80.6	86.5	87.7	89.0	88.3	89.6	89.9	.0
Utilities .....	86.7	76.2	92.6	89.5	86.4	86.1	85.4	86.4	1.2

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.

1. Change from preceding month.

2. Contains components in addition to those shown.

r Revised.

p Preliminary.

Capacity utilization edged up 0.1 percentage point, to 85.5 percent, its highest level since October 1979.

When analyzed by market group, the data show that the output of both durable and nondurable consumer goods slowed noticeably. The production of durable consumer goods rose 0.6 percent, compared with 2.2 percent in December; the production of automotive products, which had risen a total of more than 5 percent over the preceding two months, advanced 0.7 percent. The output of other consumer durables rose 0.6 percent, half as much as in December; in particular, the output of appliances fell back. The production of consumer nondurables gained 0.3 percent as declines in clothing, paper products, and gasoline partly offset gains in residential utilities,

foods and tobacco products, and drugs and medicines.

The production of business equipment increased 0.9 percent, a growth rate roughly in line with those of the past few months and the past year. With the notable exception of the commercial aircraft industry, the advances in business equipment continued to be quite broadly based. The output of defense and space equipment, which had recovered a bit in November and December, edged down 0.1 percent; the cumulative drop over the past twelve months was 7.3 percent.

The output of construction supplies edged up, while that of business supplies fell 0.4 percent because paper business supplies and job printing had weakened somewhat. The production of materials, which had risen about 1 percent in November



and again in December, increased 0.4 percent. The output of durable goods materials and energy materials rose roughly 0.7 percent, while nondurable materials declined nearly as much. Within durable goods materials, the production of semiconductors and inputs for consumer goods rose again, but the output of steel fell.

When analyzed by industry group, the data show that manufacturing output rose 0.3 percent, to a level 7.3 percent higher than that of January 1994. The production in nondurable manufacturing industries declined 0.2 percent; among these, the output of only the chemicals and tobacco products industries rose noticeably. The strength in durable manufacturing continued to be centered in machinery, equipment, and motor vehicles. The output of steel and lumber fell back after gains in December, while the long decline in aerospace and miscellaneous transportation equipment resumed.

Factories operated at 85.1 percent of capacity, still just below the recent cyclical peak reached in January 1989. Although the utilization rate in the primary-processing industries fell 0.5 percentage point, to 89.7 percent, it remained above the cyclical high reached in January 1989 and equaled the high of November 1978. Utilization for advanced-processing industries rose 0.2 percentage point, to 83.2 percent, but remained 0.3 percentage point below the January 1989 high.

With the end of unusually mild weather, operating rates at utilities rebounded 1 percentage point, to 86.4 percent, a level still below the 1994 average of 87.2 percent. Operating rates at mines rose, with gains in coal, metal ores, stone and earth minerals, and oil and gas well drilling. □

## Statements to the Congress

*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, January 5, 1995*

I am pleased to be here today with the other members of the President's Working Group on Financial Markets to discuss issues involving municipal, corporate, and individual users of derivative products and highly leveraged investment strategies. Over the past year, losses by some institutions, including corporations and governmental units, have attracted considerable attention. Much of this attention has been on so-called "derivative" instruments, although that term is poorly defined, and it is by no means clear that these losses have been attributable solely, or in some cases, even primarily, to financial instruments that would typically be called derivatives.

We need to view these issues in a broad context. The decline in the value of many portfolios has been a consequence of the rise in interest rates over the past year. This rise was a by-product of a strong economic expansion and of the efforts by the Federal Reserve to foster conditions that will sustain the expansion. Many investors and borrowers had established positions that were especially vulnerable to higher rates. These positions were taken during a prolonged period of recession and subpar economic growth in which interest rates were relatively low and declining and the yield curve was steeply upward sloped. Furthermore, interest rate volatility was relatively low throughout this period. This unusual environment encouraged some investors to adopt riskier positions to boost the returns they were getting or to reduce the costs of borrowing. These positions often rested on the presumption that the unusual configuration of yields and subdued volatility would persist. Even experienced investors forgot the axiom that all investment yields in excess of the short-term riskless rate of interest are, by definition, risky.

That derivatives have been implicated in many recent losses should not be surprising. Losses to

holders of bonds amounted to many hundreds of billions of dollars in 1994. Derivatives transfer risk from one market participant to another, and in such a market they inevitably will be involved in large gross losses. Of necessity, they also accounted for large gross gains because contracts tend to cancel each other, net, but the gains are less newsworthy.

Although the convenience and low cost of using derivative instruments to meet portfolio objectives may have facilitated some investors reaching for more unconventional and possibly riskier strategies, it would be a serious mistake to respond to these developments by singling out derivative instruments for special regulatory treatment. Such a response would create artificial incentives to structure transactions on the basis of regulatory rules rather than of the economic characteristics of the transactions themselves. For example, restrictions on investments in derivative instruments could be circumvented by investing in other financial instruments that provide similar returns and entail similar risks, though presumably at somewhat higher transaction costs. A shift to the use of less efficient instruments as a substitute for derivatives would mean greater cost to hedgers as well as speculators and a net loss in market efficiency.

You have raised several issues regarding derivatives, leverage, and related issues. As I have described in detail in previous testimony and correspondence with members of the Congress, the Federal Reserve has been addressing many of these issues in its role as supervisor of state member banks and bank holding companies. In the remainder of my testimony today, I would like to focus on one aspect of the market for financial transactions that has drawn considerable attention in the wake of recent losses—the relationship between dealers in financial markets and their customers.

Markets function most efficiently when both parties to financial transactions are free to enter into transactions at their own discretion, unhampered by any perceived need to serve the interests of their counterparties. To date, losses in the financial markets have not led to broader systemic problems. Moreover, both

dealers and their customers, somewhat shaken by the volatility of recent markets, are responding to these events by exercising greater caution. If discipline from incurring losses from mistakes were mitigated, vigilance would be relaxed, the market's natural adaptive response would be blunted, and the value of decentralized market decisions as allocators of scarce capital resources would be reduced. I believe that we should start with the principle that parties to financial transactions are responsible for their own decisions and only use regulation to adjust the balance of responsibilities between the parties cautiously after the benefit has been clearly established.

We are not saying that financial markets should operate without rules or that any and all behavior in the sales or marketing of transactions is acceptable. Misrepresentation or fraud in financial transactions cannot be tolerated. Moreover, in some cases, a dealer in financial transactions may assume responsibilities beyond the role of a mere counterparty. For example, a dealer that provides its customers with advisory services may have a duty to ensure that its advice is not tainted by its own profit or loss in any transactions it undertakes with those customers.

In addition, there may be cases in which certain customers can, in principle, use complex instruments to reduce risk or enhance yield but, in practice, cannot reasonably be expected to understand the instruments and the risks sufficiently well to achieve these objectives without assistance. For such customers, a way must be found to ensure that transactions are used effectively for the purposes for which they are intended. The approaches to ensuring safe and efficient use of the financial markets by the unsophisticated vary and include restricting their access to certain markets, providing guidance for their investment and risk management practices, encouraging them to obtain independent advice, encouraging diversification of their portfolios, and shifting some of the risk of loss from the unsophisticated customers to the dealer by establishing special responsibilities for dealers' transactions with their less sophisticated customers. Each of these approaches has its own costs and benefits; the approach that may appear easiest, however—placing additional responsibilities on the dealer community—may entail considerable indirect costs to the economy in terms of interfering with liquid and efficient markets. Rules that create a duty on the part of dealers in derivative instruments to ensure that these transactions are being appropriately used by their customers

may serve as a means for customers to shift the risks of the transaction back to the dealer retroactively through legal actions. If such legal risks are exacerbated, dealers will likely charge an additional premium to compensate them for the uncertainties of future legal claims, and some dealers may move their activities offshore or withdraw from the market—in any case causing their investments to incur higher costs.

With these considerations in mind, the Federal Reserve, in its role as a supervisor of banking institutions, has recently taken several actions that bear on relationships between dealers and their customers. The Board has had long-standing risk-management guidance for banks that are users of sophisticated instruments. In the wake of losses on investments in structured notes, the Board recently reiterated the applicability of this guidance to investments in such instruments. Although the Board has suggested steps that institutions should take to control their risk from financial market transactions, it has not prohibited the use of any types of transactions and leaves the institution responsible for choosing specific transactions.

The Board has also issued guidance for banks that act as dealers in sophisticated risk-management instruments. The primary purpose of this guidance is to assure that dealing in financial market transactions is conducted safely and soundly. The guidance encourages dealers to ensure that the counterparties understand the nature of, and the risks inherent in, the agreed transactions. When the counterparties are unsophisticated, either generally or with respect to a particular type of transaction, the guidance encourages additional steps to ensure that counterparties are made aware of the risks attendant in the specific type of transaction. The guidance notes that counterparties are ultimately responsible for the transactions that they choose to enter into, but when a bank recommends specific transactions for an unsophisticated counterparty, the guidance encourages the bank to ensure that it has adequate information regarding its counterparty on which to base its recommendation.

In an action consistent with this guidance, the Federal Reserve recently entered into a written supervisory agreement with Bankers Trust Corporation. The agreement focuses on Bankers Trust's policies and procedures for marketing practices and affiliate transactions in its leveraged derivative transaction

business. Basically, the agreement reflects our conclusion that Bankers Trust had not put in place adequate procedures and controls to ensure that its employees' dealings with its customers met applicable standards and would not damage the company's business by detracting from its reputation as a reliable financial intermediary. This action was specific to Bankers Trust and was based on a particular group of the transactions in which Bankers Trust had engaged and the practices followed in these transactions. Thus, the provisions of the Bankers Trust agreement should not be taken as new general guidelines for the derivatives dealers. Rather, this action should be viewed as implementing existing guidance in the context of this institution's particular circumstances. Each institution needs to have effective procedures and controls tailored to that institution's own products and practices.

Finally, as you are aware, the Government Securities Act Amendments of 1993 gave the Board the authority to adopt sales practice rules for state member banks that are government securities brokers or dealers. Many of the recent losses in the financial markets, particularly losses by governmental entities, have involved investments in securities issued by government-sponsored enterprises, which are defined as government securities for the purposes of this act. Although we have no evidence of sales practice abuses involving these securities by state member banks, we are currently exploring with the other bank regulators the possible adoption of sales practice rules for these dealers. In this process, we will be carefully assessing the benefits of adopting rules that parallel the rules currently under development for nonbank brokers and dealers. □

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*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before a Joint Hearing of the Senate and House Committees on the Budget, January 10, 1995*

I am pleased to appear here today to address some of the most important issues involved in producing the budget of the U.S. government. The views I will be expressing are my own and not necessarily those of the Federal Reserve Board.

The budget process has improved significantly in recent years. The caps on discretionary spending and the pay-as-you-go rules have restrained deficit-expanding programs far better than many had anticipated. Budget scoring is crucial to this process. Unless estimates of the outlays and revenues from budget initiatives are credible, the current system cannot work effectively. This joint hearing of the Congress's budget committees, unprecedented in my experience, attests to the importance of budget scoring.

Accurate estimates of the effects of tax and spending policies on the budget are difficult to make, some more than others. In particular, concern has been raised that current methods are too "static." As other witnesses have indicated, current scoring procedures already allow for some response in the spending, saving, and investment behavior of individuals and firms. Indeed, although it is difficult to measure, the budget-scoring process has become increasingly dy-

namic over the years, and estimating techniques have improved. What is still generally not taken into account, however, is the effect of fiscal initiatives on macroeconomic variables like gross domestic product, total labor compensation, and aggregate investment. Concerns that current estimating procedures do not fully track the effects of changes in behavior on aggregate economic activity, and hence on overall budget receipts and outlays, are justified. The current method is admittedly incomplete, especially for policy initiatives with broad economic impacts.

One central issue with respect to a more dynamic scoring is whether cyclical, aggregate demand effects of fiscal changes should be taken into account—or only permanent effects on aggregate supply. There are a number of ways of looking at this, but I would suggest that including aggregate demand effects would be confusing, if not misleading, in many contexts. Among other things, the scope for realizing such demand effects on economic activity would be a function of the particular phase of the business cycle and could be viewed in a sense as transitory. Particularly when we are addressing the problem of the long-run structural deficit, the focus should be on how fiscal actions affect the potential of the economy to produce greater output and taxable income on a sustained, ongoing basis. Thus, if a more dynamic scoring were to be adopted, I would recommend limiting the analysis to appropriate supply-side effects.



Apart from that consideration, full dynamic estimates of individual budget initiatives should be our goal. Unfortunately, the analytical tools required to achieve it are deficient. In fact, the goal ultimately may be unreachable. The estimation of full dynamic effects requires a model that both captures microeconomic and macroeconomic processes and produces reliable long-run forecasts of economic outcomes. Unfortunately, no such model exists. Indeed, no model currently in use can predict macroeconomic developments without substantial ad hoc adjustments that effectively override the internal structure of the model. We should not assume that models can capture the long-run dynamic effects of specific tax and outlay changes any better than they can forecast the economy.

Even current procedures require relatively sophisticated techniques to determine the budget consequences of particular tax and outlay programs. Changes in the tax structure alter economic incentives in ways that may be extraordinarily complex. For entitlement programs, one has to assess, for example, how greater public awareness of the existence of such a program will affect participation and how behavior will change to take advantage of the entitlement. The disappointing history of projections for Medicare and Medicaid attests to the difficulty of pinning down such responses. The assumptions required for realistic estimates, in many instances, constitute little more than informed guesses, largely because accurate information is scarce and our understanding of human behavior is limited. Not surprisingly, objective analysts often reach quite different conclusions about the impact of a specific outlay or tax program, even without trying to trace the feedback effects on the budget estimates from resulting changes in GDP and other macroeconomic variables.

This does not mean we have no judgments about the dynamic effect of various policy proposals. Martin Feldstein and others have already made useful contributions to our understanding of the long-run effects of the tax structure on work, saving, and federal revenues. Thus, we may know, or suspect, the direction of a long-run response. But our knowledge of its magnitude and timing is imprecise. For example, although the empirical evidence is admittedly mixed, I strongly suspect that the elimination of, or a major reduction in, the rate of taxation on capital gains would entail little, if any, loss of total tax revenue over the long run. However, it is currently not possible to estimate

with any degree of precision the impact of such a proposal on the deficit within the horizon of the current budget process.

If, as many advocate, outlays are reduced well below current service levels in the years ahead, the debate over scoring will likely move off center stage. This will occur because the outlay cuts will free up significant revenues for tax cuts, regardless of whether the current or a more dynamic scoring is employed. And, if total revenues turn out to be greater than current procedures project, deficits will trend lower than estimated. If we inadvertently produce a budget surplus by such miscalculations, the implications will be positive for long-run economic growth. More to the point, if we fail to achieve adequate reductions in outlays, budget scoring will not substitute for hard political choices.

Clearly, our political process has a bias toward deficit spending. Accordingly, we should be especially cautious about adopting technical scoring procedures that might be susceptible to overly optimistic assessments of the budgetary consequences of fiscal actions. Currently, real long-term interest rates remain relatively high, partly because of the expected growth of budget deficits later in this decade and thereafter. Upward revisions to market expectations of deficits resulting from a perception that tax and outlay choices were being driven by optimistic scoring would only exacerbate this trend, with negative consequences for financial stability and economic growth. In current circumstances, the risks of more conservative assessments, which might overstate the loss in revenues, for example, seem modest. Moreover, should the budget deficit turn out smaller than expected, the resultant favorable effect on real interest rates would tend to stimulate private investment.

We must avoid resting key legislative decisions on controversial estimates of revenues and outlays. Should financial markets lose confidence in the integrity of our budget-scoring procedures, the rise in inflation premiums and interest rates could more than offset any statistical difference between so-called static and more dynamic scoring.

In summary, the current, relatively straightforward scoring system has served us well in many regards. In particular, its very straightforwardness may limit the possibilities for major estimating differences. Nevertheless, current scoring does fail to reflect potentially important long-term structural supply-side benefits and accordingly unfavorably biases the choice of

fiscal programs. At a minimum, these supply-side effects should be estimated. Thus, even if not officially scored, they might influence policy choices. The Congress may choose to pass a tax cut with highly favorable supply-side effects on the economy and be willing to cut spending to accommodate it. In any event, in the longer run, we should seek to find a way to embody such effects in our official scoring.

Let me reiterate that, although scoring is a major factor in the budget process, process does not mean much if real deficit control is not achieved. I do not intend to get into the deeper programmatic issues involved in deficit reduction—and I probably could not add very much to the knowledge of these committees in that regard. I would, however, like to comment briefly on the sensitivity of deficits to the particular cost-of-living measure used to index entitlement programs and the income tax structure. Many difficulties have arisen in the past and doubtless will continue to arise in the future. For example, as you may know, the Bureau of Labor Statistics made a significant change in how it calculates the consumer price index (CPI) in 1983, when it shifted from a method in which the price index for housing was constructed as if each household were paying the current home price and mortgage rate on its residence to one that is a more realistic measure of the cost of home occupancy. Because of the run-up in house prices and interest rates between the late 1960s and early 1980s, the official CPI rose about 9 percent more than indicated by the newer, superior measure. By the time the index was changed, this overstatement had added substantially to the level of outlays in the large

indexed federal programs—social security, Supplemental Security Income, veterans' pensions, military retirement, and civilian pensions. Once the additional interest outlays required to finance the cumulatively higher federal debt are added in, a rough estimate suggests that, all else equal, the deficit for fiscal year 1994 would have been smaller by \$50 billion if the overindexing had not occurred.

Although little can be done to remedy errors of the past, greater efforts should be made in the future to ensure that the indexing of spending and tax programs accurately reflects trends in the cost of living. In that regard, concerns have been raised that, for a variety of reasons, the official CPI may currently be overstating the increase in the true cost of living by perhaps  $\frac{1}{2}$  percent to  $1\frac{1}{2}$  percent per year. To be sure, the overstatement may be a little less for retirees, whose spending patterns differ from those of younger age groups and who are the main recipients of indexed federal benefits. But even for this group, it doubtless remains significant. Thus, when the Congress reviews the methods of indexing spending programs and taxes, attention should be given to the biases in the price indexes that are used. Removing the bias in the CPI would have a very large impact on the deficit. For example, if the annual inflation adjustments to indexed programs and taxes were reduced 1 percentage point—and making the admittedly strong assumption that there are no other changes in the economy—the level of the deficit will be lower by about \$55 billion in the fifth year, including the effects of lower debt levels. The cumulative five-year savings, I might add, would approximate \$150 billion. □

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*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Finance, U.S. Senate, January 25, 1995*

I am pleased to be able to appear here today, to offer my thoughts on the economic backdrop for your policy discussions.

The U.S. economy has recorded some notable achievements over the past few years, but there is nonetheless much left to be accomplished. The fiscal decisions made by the Congress in the next several months will play a critical role in determining the economic welfare of our citizens over the years—indeed, the decades—to come.

I perhaps should begin with a brief review of the current condition of the economy. There is no question that the past year was one of remarkable progress along many dimensions of macroeconomic performance. The official estimates for the fourth quarter are not yet available, but it is clear that real gross domestic product expanded about 4 percent over the course of 1994—the best gain in some time, and one that surpassed most expectations. Importantly, we saw an accelerated expansion of employment as well. Cumulatively, payrolls have now increased roughly 6 million over the past couple of years, belying in dramatic fashion the notion that had developed earlier in this decade that our economy had lost its job-

generating ability. With the rapid growth of employment, the national unemployment rate has fallen sharply, to less than 5½ percent this past month.

The economic gains have been broad. They have encompassed almost all major segments of industry and all parts of the country. The expansion in recent quarters has been paced by growth of business investment and exports, and, as a consequence, we have seen not only a continuation of robust increases in service sector employment but also a significant upturn in job creation in the manufacturing sector. Manufacturing output increased 6.8 percent last year, and *measured* factory employment rose almost 300,000. I say “measured” because it has been true for some time now that manufacturers have relied to an increasing degree on workers supplied by temporary help firms, which are recorded separately in the service industry. But it is clear that last year saw a significant gain in the overall factory work force. Moreover, I would note the reports in the recent “Beige Book” survey assembled by our regional Reserve Banks that manufacturers now are expressing a greater inclination to add workers directly to their payrolls. This is a sign of the greater confidence that firms now have that future levels of activity will remain high.

Geographically, contractions in some sectors such as defense and finance have left their negative imprint on certain locales, but rising activity and improving job opportunities have characterized most areas of the country. Notably, California—accounting for roughly one-eighth of the nation’s economy—appears to be in the process of turning around. Unemployment rates have fallen in all regions and are now lower in most than they were at the peak of the last business cycle expansion. Moreover, the gains in employment have benefited all major demographic segments of the labor force as well.

Of crucial importance to the sustainability of these gains, they have been achieved without a deterioration in the overall inflation rate. The consumer price index (CPI) rose 2.7 percent last year, the same as in 1993. Inflation at the retail level, as measured by the CPI, has been a bit less than 3 percent for three years running now—the first time that has occurred since the early 1960s. This is a signal accomplishment, for it marks a move toward a more stable economic environment in which households, businesses, and governmental units can plan with greater confidence and operate with greater efficiency. When we consider

the probable upward bias of the CPI, it would appear that we have gotten close to achieving effective price stability, though we are not there yet.

In 1994, we had a difficult reversal in monetary policy to navigate. The overhang of debt and the strains that emerged among our financial intermediaries, especially out of the commercial real estate collapse of the late 1980s, required a heavy dose of monetary ease beginning in 1989 to alleviate a significant credit crunch. The danger of overstaying that policy of ease was clear, particularly as we moved through 1993, but the right time to change course was difficult to determine. Judging from the developments of the past year, it appears that our policy reversal last February was timely—but we will not know for sure except in retrospect.

As I have stated many times in congressional testimony, I believe firmly that a key ingredient in achieving the highest possible levels of productivity, real incomes, and living standards is the achievement of price stability. Thus, I see it as crucial that we extend the recent trend of low and, hopefully, declining inflation in the years ahead. The prospects in this regard are fundamentally good, but there are reasons for some concern, at least with respect to the nearer term. Those concerns relate primarily to the fact that resource utilization rates already have risen to high levels by recent historical standards. The current unemployment rate, for example, is comparable to the average of the late 1980s, when wages and prices accelerated appreciably. The same is true of the capacity utilization rate in the industrial sector.

Clearly, one factor in judging the inflationary risks in the economy is the potential for expansion of our productive capacity. If “potential GDP” is growing rapidly, actual output can also continue to grow rapidly without intensifying pressures on resources. In this regard, many commentators, myself included, have remarked that there is something of a more-than-cyclical character to the evident improvement of America’s competitive capabilities in recent years. Our dominance in computer software, for example, has moved us back to a position of clear leadership in advanced technology after some faltering in the 1970s. But, although most analysts have increased their estimates of America’s long-term productivity growth, it is still too soon to judge whether that improvement is a few tenths of a percentage point annually, or even more, perhaps moving us much closer to the more vibrant pace that characterized the

early post-World War II period. It is fair to note, however, that the fact that labor and factory utilization rates have risen as much as they have in the past year or so does argue that the rate of increase in potential is appreciably below the 4 percent growth rate of 1994.

Knowing in advance our true growth potential obviously would be useful in setting policy because history tells us that economies that strain labor force and capital stock limits tend to engender inflationary instabilities, which undermine growth. Moreover, in such an environment asset prices can begin to rise unsustainably, contributing to an unstable financial and economic environment. It is true, however, that in modern economies output levels may not be so rigidly constrained in the short run as they used to be when large segments of output were governed by facilities such as the old open hearth steel furnaces that had rated capacities that could not be exceeded for long without breakdown. Rather, the appropriate analogy is a flexible ceiling that can be stretched when pressed, but as the degree of pressure increases, the extent of flexibility diminishes. It is possible for the economy to exceed "potential" for a time without adverse consequences by extending workhours, by deferring maintenance, and by forgoing longer-term projects. Moreover, as world trade expands, access to foreign sources of supply augments to a degree the flexibility of domestic productive facilities for goods and some services.

Aggregative indicators, such as the unemployment rate and capacity utilization, may be suggestive of emerging inflation and asset price instability problems. But, they cannot be determinative. History shows clearly that given levels of resource utilization can be associated with a wide range of inflation rates. Accordingly, policymakers must monitor developments on an ongoing basis to gauge when economic potential actually is beginning to become strained—irrespective of where current unemployment rates or capacity utilization rates may lie. If we are endeavoring to fend off instability before it becomes debilitating to economic growth, direct evidence of the emerging process is essential. Consequently, one must look beyond broad indicators to gauge the inflationary tendencies in the economy.

In this context, aggregate measures of pressure in labor and product markets do seem to be validated by finer statistical and anecdotal indications of tensions. In the manufacturing sector, for example, purchasing

managers report slower supplier deliveries and increasing shortages of materials. Indeed, firms appear to have been building their inventories of materials in recent months so as to ensure that they will have adequate supplies on hand to meet their production schedules. These pressures have been mirrored in a sharp rise over the past year in the prices of raw materials and intermediate components. There are increasing reports that firms are considering marking up the prices of final goods to offset those increased costs. In the labor market, anecdotal reports of "shortages" of workers have become more common—as indicated, for example, in our Beige Book last week—and there are vague signs of upward pressures on wages. To be sure, increased wages are a good thing if they can be achieved without commensurate acceleration in prices, but they are not beneficial if they are merely a part of a general pickup in inflation. A hopeful sign in this regard, however, is that to date the trends in money and credit expansion have remained subdued. They do not suggest that what I have referred to elsewhere as the "financial tinder" needed to support an ongoing inflation process is in place.

That kind of ongoing process also would be expected to involve a different expectational climate than seems to prevail today. Despite the marked improvement in consumer confidence overall, the survey readings on consumers' views of whether jobs are easy to get fall far short of the previous cyclical peak in 1989. Moreover, there is evidence that the number of people voluntarily leaving their jobs is subnormal currently. This suggests that the deep-seated fear of job insecurity has not fully dissipated despite ample evidence of strong job growth recently.

Some analysts attribute this phenomenon to workers' concerns about losing health insurance and, for some, pension coverage if they change jobs. Whatever the cause, the lingering sense of insecurity doubtless has been a factor damping wage growth and overall labor costs. Because the latter, on a consolidated basis, account for roughly two-thirds of overall costs in our economy, slower wage growth combined with strong cyclical productivity growth has restrained increases in unit labor costs and hence in prices of final goods and services.

As overall output growth of necessity slows in an environment of high resource utilization, however, so will cyclical productivity growth. Moreover, if labor market tightness assuages fears of job insecurity, pressures to raise wages will intensify and unit labor



costs could accelerate. In the later stages of previous business cycles, profit margins were squeezed, but some of the increases in the underlying unit labor cost were nonetheless passed through into final goods prices and inflation picked up. Thus far in the current cycle, any tendency toward the emergence of this kind of process has been muted by a prevailing concern among firms that, despite capacity pressures, enough slack and subdued unit costs remain in the system to foster competitive inroads on those who try to price above the market. But this form of discipline may also become less effective as pressures on resources persist. Consequently, it may be that these pressures will lead to some deterioration in the price picture in the near term, but any such deterioration should be contained if the Federal Reserve remains vigilant.

The actions of the Congress and the Administration in the fiscal sphere will also be important in maintaining public confidence that inflation will be subdued. There can be no doubt that the persistence of large federal budget deficits represents in the minds of many individuals a potential risk. Although we clearly have avoided it in recent years, history is replete with examples of fiscal pressures leading to monetary excesses and then to greater inflation. Currently, I strongly suspect that investors here and abroad are exacting from issuers of dollar-denominated debt an extra inflation risk premium that reflects not their estimate of the most likely rate of price level increase over the life of the obligation but the possibility that it could prove to be significantly greater. This inflation

risk premium is costly because it raises the hurdle that must be surpassed when looking at the expected returns on possible investment projects.

But the influence of the fiscal imbalance of the federal government on capital formation is broader than that. The federal deficit drains off a large share of a regrettably small pool of domestic private saving, thus contributing further—and perhaps to an even greater degree—to the elevation of real rates of interest in the economy. Admittedly, there is some uncertainty about the causes of what seem to be relatively high real long-term rates around the world, as was noted by leaders of the largest industrial nations at their summit meeting last year. But the vast majority of analysts would agree that in the United States the current sizable federal deficits, and the projected growth of those deficits over the decades ahead, are a significant element in the story.

In sum, the recent performance of the macroeconomy has been encouraging. But much of the improvement is in the nature of cyclical developments, and we all have our work cut out for us if we are to extend these gains and foster long-term trends that enhance the welfare of all of our citizens. The central role of the Federal Reserve today is to ensure that our economy remains on a sustainable, noninflationary path. For the Congress, a crucial focus should be continuing the process of fiscal consolidation and rectifying the secular shortfall in domestic saving that is limiting the growth of our nation's productive potential. □

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*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. Senate, January 26, 1995*

I am pleased to be able to appear here today to offer my thoughts on the economic and fiscal backdrop for your policy discussions.

The U.S. economy has recorded some notable achievements over the past few years, but there is nonetheless much left to be accomplished. The fiscal decisions made by the Congress in the next several months will play a critical role in determining the economic welfare of our citizens over the years—indeed, the decades—to come.

I perhaps should begin with a brief review of the current condition of the economy. In 1994, we had a difficult reversal in monetary policy to navigate. The overhang of debt and the strains that emerged among our financial intermediaries, especially out of the commercial real estate collapse of the late 1980s, required a heavy dose of monetary ease beginning in 1989 to alleviate a significant credit crunch. The danger of overstaying that policy of ease was clear, particularly as we moved through 1993, but the right time to change course was difficult to determine. Judging from the developments of the past year, it appears that our policy reversal last February was timely—but we will not know for sure except in retrospect.

There is no question that the past year was one of remarkable progress along many dimensions of mac-

roeconomic performance. The official estimates for the fourth quarter are not yet available, but it is clear that real gross domestic product expanded 4 percent over the course of 1994—the best gain in some time and one that surpassed most expectations. Importantly, we saw an accelerated expansion of employment as well. Cumulatively, payrolls have now increased roughly 6 million over the past couple of years, belying in dramatic fashion the notion that had developed earlier in this decade that our economy had lost its job-generating ability. With the rapid growth of employment, the national unemployment rate has fallen sharply, to less than 5½ percent this past month.

Of crucial importance to the sustainability of these gains, they have been achieved without a deterioration in the overall inflation rate. The consumer price index (CPI) rose 2.7 percent last year, the same as in 1993. Inflation at the retail level, as measured by the CPI, has been a bit less than 3 percent for three years running now—the first time that has occurred since the early 1960s. This is a signal accomplishment, for it marks a move toward a more stable economic environment in which households, businesses, and governmental units can plan with greater confidence and operate with greater efficiency. When we consider the probable upward bias of the CPI, it would appear that we have made considerable progress toward achieving price stability.

I have stated many times in congressional testimony that I believe firmly that a key ingredient in achieving the highest possible levels of productivity, real incomes, and living standards is the achievement of price stability. Thus, I see it as crucial that we extend the recent trend of low and, hopefully, declining inflation in the years ahead. The prospects in this regard are fundamentally good, but there are reasons for some concern, at least with respect to the nearer term. Those concerns relate primarily to the fact that resource utilization rates already have risen to high levels by recent historical standards. The current unemployment rate, for example, is comparable to the average of the late 1980s, when wages and prices accelerated appreciably. The same is true of the capacity utilization rate in the industrial sector. It may be that these pressures will lead to some deterioration in the price picture in the near term, but any such deterioration should be contained if the Federal Reserve remains vigilant.

The actions of the Congress and the Administration in the fiscal sphere will also be important to the

outlook for prices and the economy. There can be no doubt that the persistence of large federal budget deficits represents in the minds of many individuals a potential risk. Although we clearly have avoided it in recent years, history is replete with examples of fiscal pressures leading to monetary excesses and then to greater inflation. Currently, I strongly suspect that investors here and abroad are exacting from issuers of dollar-denominated debt an extra inflation risk premium that reflects not their estimate of the most likely rate of price level increase over the life of the obligation but the possibility that it could prove to be significantly greater. This inflation risk premium is costly because it raises the hurdle that must be surpassed when looking at the expected returns on possible investment projects.

But the influence of the fiscal imbalance of the federal government on capital formation is broader than that. The federal deficit drains off a large share of a regrettably small pool of domestic private saving, thus contributing further—and perhaps to an even greater degree—to the elevation of real rates of interest in the economy. Admittedly, there is some uncertainty about the causes of what seem to be relatively high real long-term rates around the world, as was noted by leaders of the largest industrial nations at their summit meeting last year. But the vast majority of analysts would agree that in the United States the current sizable federal deficits, and the projected growth of those deficits over the decades ahead, are a significant element in the story.

I am sure that you are aware of the general picture with respect to the flows of saving and investment in the economy, but it may be worth spending a few minutes to review the recent data. I have attached a couple of charts to my statement to aid you in following my description.<sup>1</sup> As you can see in the upper chart, there has been a dramatic decline over the past couple of decades in the ratio of net domestic nonfederal saving to net domestic product. The ratio last year, based on data for the first three quarters of the year, was about 6 percent, as compared with more than 9 percent, on average, during the 1960s and the 1970s. In the past few years, net business saving has moved up, as corporate profitability has experienced a cyclical improvement, but the personal saving rate has

1. The attachment to this statement is available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

been running at its lowest levels in nearly half a century. The causes of the low private saving rate are hotly debated by economists, and it is fair to say that it is not yet understood. Americans have not always been low savers, but—for whatever reasons—that has been the pattern recently and it is a reality with important implications for the financial markets.

If we were a high-saving nation, we might be in a position to better tolerate the federal fiscal imbalance. But the federal deficit has generally been absorbing half or more of the available domestic saving since the early 1980s. Even with the decline in the federal deficit last year, it amounted to almost 45 percent of domestic nonfederal saving.

How then, one might ask, has it been possible for the United States to experience the impressive growth in business fixed investment that it has of late? There are several arithmetic components to the answer, but I shall focus on two particularly central points. The first is that while *gross* investment has been rising rapidly and has been accounting for a substantial share of GDP, *net* investment has only recently reached appreciable dimensions. The difference between gross and net investment is, of course, depreciation, and the fact is that depreciation has been rising steeply because of the shift in the composition of the capital stock toward equipment—especially computers—with shorter useful lives. Another ingredient in the reconciliation of the domestic saving and investment balance is saving from abroad. Our nation has been running persistent and often sizable deficits in its current account position vis à vis the rest of the world; once a leading provider of capital to other nations, we have become a net importer of capital.

In today's more open and integrated international capital markets, it is easier to finance investment abroad. And economic efficiency may be served by the tendency for capital to flow across borders to where the potential returns on real investment appear highest and the risks the lowest. But this does not mean that we should view the pattern of U.S. external deficits as sustainable in the long run. Looking back at the history of the past century or more, the record would suggest that nations ultimately must rely on their domestic savings to support domestic investment.

The challenge for the United States over the coming decades is clear. We must sustain higher levels of investment if we are to achieve healthy increases in productivity and be strong and successful competitors

in the international marketplace. To support that investment, we shall need to raise the level of domestic saving. Absent a rise in private saving, it will be necessary to eliminate the structural deficit in the federal budget. Indeed, it has long been my judgment that it would be wise to target achievement of at least a modest surplus down the road.

If the Congress were to pass a balanced budget amendment, the need for aiming at a structural surplus would become even more important. Unless there were a surplus to provide some cushion, the inevitable cyclical fluctuations in economic activity would create pressures either to set aside the requirements of the amendment or to take budgetary actions that are inimical to economic stability. It should not be necessary to raise taxes or cut spending in response to a transitory weakening of the economy.

I recognize that the achievement of structural balance, let alone surplus, is no small political challenge. Moreover, as the Kerrey–Danforth entitlement commission recently documented, the problem that must be addressed is not one with a 2002 endpoint. The outlook is for a mounting fiscal imbalance during the twenty-first century, given current programs and likely population and labor force trends. We should not be seduced by the mounting trust fund surpluses today into thinking that we can postpone dealing with the entitlement gap; the cost of waiting is going to be far more painful adjustments, which could be avoided by moderate actions legislated today to become effective after the turn of the century.

This longer-range perspective obviously has relevance for the tax and spending measures the Congress will be considering. Some basic economic principles must be observed if you are to maximize the federal government's contribution to the fostering of high real incomes and to alleviating the entitlement problem. Most importantly, not all taxes or expenditures are equal in terms of their influence on the productive capacity of the economy. Although, as I testified recently, I would caution against major changes in budget-scoring techniques at this time, I do not mean that the Congress should not give a good deal of attention to the effects of its fiscal actions on the incentives faced by private decisionmakers.

In sum, the recent performance of the macroeconomy has been encouraging. But much of the improvement is in the nature of cyclical developments, and we all have our work cut out for us if we are to extend these gains and foster long-term trends

that enhance the welfare of all of our citizens. The central role of the Federal Reserve today is to ensure that our economy remains on a sustainable, noninflationary path. For the Congress, a crucial focus should

be continuing the process of fiscal consolidation and rectifying the secular shortfall in domestic saving that is limiting the growth of our nation's productive potential. □

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*Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Foreign Relations, U.S. Senate, January 26, 1995*

I am pleased to appear before this committee today to review the Mexican economic and financial situation and the important efforts under way to avoid a major international financial disruption and to restore market confidence in Mexico.

Mexico's current financial difficulties are best understood in the context of much broader trends in international finance during the past ten to fifteen years—the globalization of finance—in which Mexico in recent years has participated and from which it has benefited. As a result of very rapid increases in telecommunications and computer-based technologies and products, a dramatic expansion in financial flows across borders and within countries has emerged. The pace has become truly remarkable. These positive technology-based pressures have affected the behavior of markets to a point where governments, even reluctant ones, increasingly felt compelled to deregulate and free up internal credit and financial markets.

Although there can be little doubt that these extraordinary changes in global finance have, on balance, been beneficial in facilitating significant improvements in economic structures and living standards throughout the world, they also have some potential negative consequences. In fact, although the speed of transmission of positive economic events has been an important plus for the world in recent years, it is becoming increasingly obvious—and Mexico is the first major case—that significant mistakes in macroeconomic policy also reverberate around the world at a prodigious pace. In any event, progress—and indeed developments affecting the emerging global financial system are truly that—is not reversible. We must learn to live with it.

Mexico, which had been hobbled for a number of years after the debt crisis of 1982, has more recently gone through a major economic metamorphosis to-

ward significant improvement in its economic and financial structure. As a consequence, Mexico has been able to broaden its participation in the global economic and financial environment.

Over the past decade Mexico has made major strides. It has shed what was an inflation-prone, highly unstable economic structure with excessive government involvement and has taken on the characteristics of a vibrant economy oriented toward open markets. As a result, in 1990 Mexico was able to reenter the international credit markets on a significant scale. Foreign investors began voluntarily lending to Mexico substantial amounts for the first time since 1982. Shortly thereafter, as is characteristic of the new global financial system, foreign capital investment in Mexico began to accelerate. Indeed, in 1992 and 1993 the inflow of capital was so considerable that the Bank of Mexico had to *buy* dollars on a substantial scale to prevent the peso from becoming too strong. As a consequence, Mexico's international reserves increased to well over \$25 billion at their peak in early 1994 from under \$10 billion in 1990. Nonetheless, Mexico's trade deficit soared, and its current account deficit reached approximately 6 percent of gross domestic product in 1993.

As part of efforts to accelerate its move toward status as an industrial country, the government of Mexico endeavored to link the peso to the U.S. dollar. It adopted a complex exchange rate regime through which the Mexican peso was linked to the U.S. dollar via a moving exchange rate band. Like many nations that have tried to "import" the anti-inflationary policies of another country by locking their exchange rates, to a greater or lesser extent, to the currency of a major trading partner, Mexico hoped to gain quick benefits through significant reductions in inflation. And indeed, Mexico was remarkably successful for several years. The inflation rate fell sharply from almost 160 percent in 1987 to 7 percent by 1994, but at the same time Mexico was losing international competitiveness and its current deficit widened.

However, the exchange rate policy adopted by Mexico was risky, with little tolerance for policy error



or capacity to absorb shocks. This fact is especially relevant in the context of a world in which portfolio investments can shift rapidly into and out of a country. At a minimum, a close adherence to the monetary policy of the host nation is required. The breakdown of the Exchange Rate Mechanism of the European Monetary System in 1992 was a particularly striking case of trying to lock exchange rates together when comparable economic forces were not close to being identical among the countries.

Moreover, a considerable part of the surge of capital into Mexico in the 1990s has been in portfolio investments, which may move in quite rapidly but also can try to move out just as rapidly, as has been demonstrated in recent months.

Investors' appreciation of the momentum behind Mexico's transformation began to wane in early 1994, at least in substantial part as a consequence of noneconomic events—the Chiapas uprising, political assassination, and the August election. Foreign investors at times became somewhat hesitant. Such hesitation presented problems because Mexico needed to continue to finance the large excess of its imports over its exports, which emerged initially as a consequence of the earlier spontaneous capital inflows. Moreover, Mexico needed not only to attract new portfolio and direct investments but also to hold on to the portfolio investments it already had. Direct investment by its very nature, of course, is largely immobile, but portfolio investments are less so. In this context, simply allowing the trade balance to adjust precipitously to the reversals of capital inflows could well destabilize Mexico's economic and trading relations.

As 1994 progressed, private foreign investment inflows slowed. In their endeavor to support the exchange rate and to finance the very large current account deficit, the Mexican authorities drew down Mexico's foreign exchange reserves. At the same time, Mexico borrowed short term in dollars and in Tesobonos, which are debt obligations the peso value of which is linked to the peso-dollar exchange rate. Mexican authorities evidently believed, or fervently hoped, that the reduction in foreign investor interest was temporary and that after the uncertainty of the August election was behind them, confidence and private capital inflows would reemerge. If so, they were tragically mistaken.

Meanwhile, it became increasingly clear to many observers during the autumn that the prevailing level of Mexico's exchange rate could not be sustained

short of a significant further tightening of monetary policy. But by then it was by no means clear that the degree of tightening required to support the peso was consistent with economic growth. Mexican authorities were apparently loath to risk recession, hoping instead for a spontaneous return of foreign confidence and capital. But in retrospect it is clear that even if private capital inflows had again accelerated, it was unrealistic to expect them to match the pace of 1993, which was arguably unsustainable. The chosen alternative to a dramatically tightened monetary policy—borrowing via Tesobonos and drawing on reserves to intervene in the foreign exchange market—had a limit. Indeed, that limit was reached on December 20, and the defense of the peso came to an abrupt end.

Had the adjustment of the peso been made much earlier in the context of a much tighter monetary regime, it would likely have resulted in a more limited decline rather than in the abrupt collapse that Mexico experienced.

I suspect that if this episode had played out, say a couple of decades ago, when the global financial system was far less sophisticated, the immediate decline in the peso's value would have been far smaller than the more than 30 percent decline experienced since December 20. The ability of foreign and, no doubt, domestic portfolio capital to flee into dollars was far less twenty years ago. Conversely, it probably would not have been possible for Mexico to have attracted so much foreign portfolio capital in the first place.

Looking back, the moving exchange rate band for the peso apparently failed to compensate fully for the widening differential in prices of tradable goods denominated in dollars compared to such prices denominated in pesos. Accordingly, the peso exchange rate at 3.5 to the U.S. dollar was arguably not sustainable indefinitely—short of an unrealistically massive increase in domestic saving in Mexico or a continuation of the very large foreign capital inflows of 1992 and 1993 with such inflows being heavily invested in cost-reducing capital formation. It is imaginable that such a continuation of private flows could have sustained the exchange rate while bringing the underlying Mexican cost structure into line with 3.5 pesos to the dollar. But the needed level of private capital inflows that would have to have been invested in capital formation—rather than being devoted to increased consumption—could not credibly be sustained. In the

end, Mexico's high-risk exchange rate strategy failed.

As a consequence of Mexico's financial difficulties, and the potential movement of vast financial resources around the world, the problem that we now face is that there have been withdrawals of capital from a number of widely dispersed nations—industrial as well as developing. If economically advanced Mexico is having difficulties, it is being argued, perhaps the outlook for other nations dependent on foreign capital inflows is more suspect generally. Financial markets in Brazil and Argentina have already felt the repercussions of Mexico's problems. There is also some evidence that similar pressures have emerged in other developing countries, those not even remotely related to Mexico, for example, in Asia and in central Europe, as well as in a few industrial countries.

Financial officials both here and abroad initially thought it possible that the difficulties in Mexico would reach a climax and resolve themselves and that market adjustments would quickly be made, removing the threat of widespread contagion affecting the international financial system. Mexican financial markets and the peso continued to fester and showed no evidence of stabilizing, and we at the Treasury and the Federal Reserve concluded that a resolution of the situation was not imminent, short of more dramatic action to confront Mexico's confidence problem.

The situation had moved beyond one capable of being addressed by short-term lending facilities provided by the Exchange Stabilization Fund of the U.S. Treasury, the swap arrangement of the Federal Reserve System, and other central banks acting through the Bank for International Settlements. The decision to implement the type of guarantees of credit market borrowings by Mexico that now appears to be necessary has broad implications that can only be addressed appropriately by the political leadership of this country.

The objective of the proposed guarantee program is to halt the erosion in Mexico's financing capabilities before it has dramatic impacts far beyond those already evident around the world. This program, in my judgment, is the least worst of the various initiatives that present themselves as possible solutions to a very unsettling international financial problem. Our concerns are not so much with potential losses to the U.S. taxpayer, which we believe will be minimized, but with what economists call moral hazard—when the active involvement of an external guarantor dis-

torts the incentives perceived by investors. Thus, appropriate conditionality must be associated with the guarantees to underline the fact that they are being provided at high cost and on rigorous terms in exceptional circumstances. Moreover, Mexico's economic policies are the key to ensuring that the guarantee facility actually does help to stabilize the Mexican economic and financial situation; ultimately only sound policies that are sustained over time will restore investors' confidence in Mexico. External guarantees can only offer temporary support. Nonetheless, I see no viable alternative to the type of program that is being presented to the Congress if the financial erosion is to be stanchd before it threatens to become a wider problem.

I want to emphasize that once the Mexican situation is stabilized, it will be important for the authorities of leading governments to examine closely the lessons to be learned from this latest episode in international finance, and to determine how to deal with similar emerging financial problems that have implications for the health of our free market-based international financial system.

I have no doubt that, as a consequence of the Mexican episode, other developing nations have become sensitized to the problems of depending too heavily on large inflows of foreign portfolio capital. This tendency of the new global financial system should, as a consequence, become largely self-correcting in much the same manner that recent losses on derivative instruments have helped to condition those markets.

What happens to Mexico is of particular importance to the United States. Because of the extensive interchanges across our common border, our economic destinies are closely intertwined. Mexico is the third largest market for U.S. exports and the third largest source of U.S. imports, with about \$50 billion shipped each way last year. Illegal immigration from Mexico is inversely related to economic growth and progress in Mexico. It is important to the United States politically as well as economically, therefore, that Mexico succeed in reestablishing sustained non-inflationary growth. To achieve this, market confidence in Mexico's economic potential and financial stability must be restored.

However, what happens in Mexico must also be viewed from a larger, historical perspective. The developments of recent weeks also need to be evaluated in the context of the Cold War and its aftermath.

It became particularly evident to developing countries over the past decade that the economic and political regime that characterized the Soviet Union was fatally flawed and that the economic structure of the United States and the rest of the industrial world based on free markets and private ownership was clearly a superior model for developing nations to emulate. Indeed, in recent years there has been a remarkable trend in that direction characterized by pervasive privatization, price and wage decontrol, and the development of financial structures as developing countries endeavored to replicate elements of the advanced free-market economies.

The model of economic and political transition from a rigid state-directed system toward a free-market structure was perceived to be Mexico. Starting from a low base in the mid-1980s, Mexico managed to turn itself around in such an extraordinary way that many of the finance ministers and central bankers of the developing nations looked to,

and consulted with, their counterparts in Mexico to learn the mechanisms that the Mexican authorities had employed to achieve near-first-world status. Indeed, in 1994 Mexico was admitted to the Organization for Economic Cooperation and Development, the organization of industrial nations, a de facto badge of first-world status.

Unless Mexico's efforts to restore economic stability and financial market confidence succeed, years of economic reforms in Mexico would be threatened by pressures to reimpose controls in many areas of its economy and to reestablish governmental interference in Mexico's increasingly vibrant private sector. In addition, a reversal of Mexico's economic reforms and a spread of Mexico's financial difficulties to other emerging markets could halt, or even reverse, the global trend toward market-oriented reform and democratization. This would be a tragic setback not only for these countries but for the United States and the rest of the world as well. □

*Chairman Greenspan presented identical testimony before the Committee on Banking and Financial Services, U.S. House of Representatives, January 25, 1995, and before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, January 31, 1995.*

# Announcements

## *CHANGE IN THE DISCOUNT RATE*

The Federal Reserve Board approved on February 1, 1995, an increase in the discount rate from  $4\frac{3}{4}$  percent to  $5\frac{1}{4}$  percent, effective that day.

In a related move, the Federal Open Market Committee agreed that this increase should be reflected fully in interest rates in the reserve markets.

Despite tentative signs of some moderation in growth, economic activity has continued to advance at a substantial pace, while resource utilization has risen further. In these circumstances, the Federal Reserve views these actions as necessary to keep inflation contained, and thereby foster sustainable economic growth.

In taking the discount action, the Board approved requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Richmond, Chicago, St. Louis, Kansas City, and San Francisco. Subsequently, the Board approved actions by the Boards of Directors of the Federal Reserve Banks of Philadelphia, Atlanta, Minneapolis, and Dallas, effective February 2, and by the Federal Reserve Bank of Cleveland, effective February 9, increasing the discount rates of those banks from  $4\frac{3}{4}$  percent to  $5\frac{1}{4}$  percent. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

## *ADOPTION OF PROCEDURE FOR DISCLOSING POLICY DECISIONS BY THE FEDERAL OPEN MARKET COMMITTEE*

The Federal Reserve announced on February 2, 1995, adoption of formal procedures for disclosing policy decisions made by the Federal Open Market Committee (FOMC) and for the release of transcripts of future FOMC meetings.

Procedures adopted by the Committee are the same as those followed on a provisional basis dur-

ing the past year. These procedures, now standard, are the following:

1. Announce each change in the stance of monetary policy, including intermeeting changes, on the day they are made. When no change is made at a meeting, the Committee will normally just announce when the meeting ended and that there are no further announcements. However, in some infrequent circumstances, the Committee might decide to issue a statement even when no policy action is taken.

2. Transcripts of FOMC meetings for an entire year will be released with a five-year lag. Transcripts will be lightly edited, as they are now, to enhance readability and redact confidential material.

No change was made in the procedure for release of FOMC minutes, which will continue to be available, with dissenting statements, at 4:30 p.m. on the Friday after the next meeting.

## *INCREASE IN THE RECIPROCAL CURRENCY ARRANGEMENT WITH THE BANK OF MEXICO*

The Federal Reserve announced on February 1, 1995, that its reciprocal currency "swap" arrangement with the Bank of Mexico had been increased from \$4.5 billion to \$6 billion. This temporary increase is part of the Multilateral Program to Restore Financial Stability in Mexico.

A swap arrangement is a renewable, short-term facility under which a central bank agrees to exchange on request its own currency for the currency of the other party up to a specified amount over a limited period of time.

In all swap arrangements, the Federal Reserve Bank of New York acts on behalf of the Federal Reserve under the direction of the Federal Open Market Committee.



## APPOINTMENT OF NEW MEMBERS TO THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board on January 13, 1995, named thirteen new members to its Consumer Advisory Council to replace those members whose terms had expired and designated a new Chairman and Vice Chairman of the council for 1995.

The Consumer Advisory Council was established by the Congress in 1976, at the suggestion of the Board, to advise the Board on the exercise of its duties under the Consumer Credit Protection Act and on other consumer-related matters. The thirty-member council, with staggered three-year terms of office, meets three times a year.

James L. West, President of Jim West Financial Group, Inc. in Tijeras, New Mexico, was designated Chairman. His term will run through December 1995. Katharine W. McKee, Transition Director for the Community Development Financial Institutions Fund in Washington, D.C., was designated Vice Chairman. She is the former Associate Director of the Center for Community Self-Help in Durham, North Carolina. Her term on the council expires in December 1996.

The thirteen new members are the following:

Thomas R. Butler  
Riverwoods, Illinois

Mr. Butler is President and Chief Operating Officer of Discover Card Services. He oversees marketing, sales, operations, and credit policy administration for Discover Card, which is the credit and financial services card issued by Dean Witter, Discover & Co. Mr. Butler also serves as chairman of Greenwood Trust Company in Greenwood, Delaware, the issuing bank for the Discover Card.

Robert A. Cook  
Baltimore, Maryland

Mr. Cook is a partner in the law firm of Venable, Baetjer and Howard, where he concentrates in the areas of banking and consumer financial transactions. Mr. Cook chairs the Truth in Lending Subcommittee of the American Bar Association's Committee on Consumer Financial Services. He has served as chairman of the Consumer Credit Committee of the Maryland State Bar Association.

Emanuel Freeman  
Philadelphia, Pennsylvania

Mr. Freeman is President of the Greater Germantown

Housing Development Corporation, which was founded in 1977 to revitalize local urban neighborhoods by rehabilitating or constructing safe, affordable housing units for lower-income families and individuals. Under Mr. Freeman's leadership, the corporation identifies and develops affordable housing properties and offers an array of home ownership and employment counseling services to prospective residents of those properties. The corporation also recently developed the Freedom Square Shopping Center, a 20,000-square-foot retail center, which has provided jobs and shopping opportunities for neighborhood residents.

David C. Fynn  
Cleveland, Ohio

Mr. Fynn is Senior Vice President of National City Bank and Manager of Regulatory Risk for National City Corporation, a \$31 billion bank holding company with offices in Ohio, Kentucky, and Indiana. He manages the regulatory compliance responsibilities of the corporation, including its performance under the Community Reinvestment Act. He has also served for six years as treasurer of Neighborhood Housing Services in Cleveland.

Robert G. Greer  
Houston, Texas

Mr. Greer is Chairman of the Board of Tanglewood Bank, a financial institution with \$220 million in assets located in the Tanglewood and Memorial sections of Houston. The bank recently has developed affordable, low-to-moderate-income mortgage and home improvement products and continues to support the programs of area schools. Mr. Greer co-chairs the Development Board of "I Have a Dream-Houston," a group that tutors, mentors, and provides college scholarships for minority children in Houston's inner city. Mr. Greer has served as a director of the Federal Reserve Bank of Dallas and as a member of its Advisory Council on Financial Institutions. He is also a past president of the Texas Bankers Association.

Kenneth R. Harney  
Chevy Chase, Maryland

Mr. Harney is a journalist associated with the Washington Post Writers Group and for the past fifteen years has written a nationally syndicated, consumer-oriented column called "The Nation's Housing." Since 1982, he has also managed an independent business that offers services in connection with continuing education programs and seminars—typically involving fair lending, community development, and real estate issues—for the legal, accounting, commercial and residential housing, and mortgage finance industries. Mr. Harney is writing a book about the American system of consumer credit.

Gail K. Hillebrand  
San Francisco, California

Ms. Hillebrand is Litigation Counsel for the West Coast Regional Office of Consumers Union of U.S., Inc. She oversees litigation and directs and performs legislative and administrative advocacy efforts for low- and moderate-income consumers in the areas of credit, finance, banking, the Commercial Code, and the impact on consumers of changes to the legal system. Ms. Hillebrand also is involved in negotiating for commitments by financial institutions in connection with their performance under the Community Reinvestment Act and in monitoring their progress in implementing those commitments. Ms. Hillebrand is a founding incorporator and serves on the executive committee of the California Reinvestment Committee. She also serves as a fellow to the American Bar Association's Committee on Consumer Financial Services and as an observer to the Drafting Committees on Articles 2 and 9 of the National Conference on Uniform State Laws.

Terry Jorde  
Cando, North Dakota

Ms. Jorde is President and Chief Executive Officer of Towner County State Bank, a \$24 million bank in an agricultural community of about 1,600 residents. Ms. Jorde serves on the executive committee of the Independent Bankers Association of America and on North Dakota's State Banking Board. She is also a past president of the Independent Community Bankers of North Dakota.

Eugene I. Lehrmann  
Madison, Wisconsin

Mr. Lehrmann is President of the American Association of Retired Persons (AARP), a national membership group for individuals aged fifty and over that is headquartered in Washington, D.C. The AARP provides legislative advocacy, research, informative programs, and community services through a network of local chapters and volunteers around the country. Mr. Lehrmann has testified, on behalf of AARP, before numerous congressional committees representing the interests of older Americans. Until his retirement in 1979, Mr. Lehrmann was a teacher of vocational education and a school administrator.

Ronald A. Prill  
Minneapolis, Minnesota

Mr. Prill is Vice President, Credit, for Mervyn's, a 280-store retail chain that operates in fifteen states. He oversees all aspects of Mervyn's credit card marketing, credit standards, and credit operations. Later this year, Mr. Prill will assume responsibility for all credit card operations of the Dayton Hudson Corporation. He will head up an office in Minneapolis that will manage the

accounts for about 7 million active credit cards issued for Target, Mervyn's, Dayton's, Hudson's, and Marshall Field's stores around the country.

Lisa Rice-Coleman  
Toledo, Ohio

Ms. Rice-Coleman is Executive Director of the Fair Housing Center, which was created in 1975 to eliminate discriminatory housing practices in the Toledo area. She oversees all complaint investigations, administrative filings, and complaint litigation by the center. Ms. Rice-Coleman also provides consulting and educational services on behalf of the center to both housing professionals and individuals seeking housing. As the center's general operating manager, she handles fiscal management matters and fund-raising activities. Ms. Rice-Coleman is a member of the board of directors for the National Fair Housing Alliance and serves on its Legal Issues Committee. She has also been appointed by Governor Voinovich to the Ohio Housing Trust Fund Advisory Committee.

John R. Rines  
Detroit, Michigan

Mr. Rines is President of General Motors Acceptance Corporation, one of the largest financial services companies in the United States. He oversees GMAC's activities worldwide, including its insurance and mortgage subsidiaries. Mr. Rines joined General Motors in 1970 and held a succession of positions until being named President of GMAC in 1992 and elected as a Vice President of General Motors last year.

Julia M. Seward  
Richmond, Virginia

Ms. Seward is Vice President and Corporate Community Reinvestment Officer for Signet Bank, a \$10.8 billion bank with 250 branches in Virginia, Maryland, and the District of Columbia. She coordinates all aspects of the bank's performance under the Community Reinvestment Act. Ms. Seward also co-chairs the Community Reinvestment Committee of the Consumer Bankers Association and chairs the Virginia Bankers Community Reinvestment Task Force. Previously she was a staff member of the Richmond Urban Institute and worked as a private community reinvestment consultant to both financial institutions and community groups.

Other council members, whose terms continue through 1995 and 1996, are listed below, together with the expiration date of each one's term of office.

D. Douglas Blanke, Director of Consumer Policy, Office of the Attorney General, St. Paul, Minnesota, December 31, 1995

Alvin J. Cowans, President and CEO, McCoy Federal Credit Union, Orlando, Florida, December 31, 1996

Michael Ferry, Staff Attorney, Consumer Unit, Legal Services of Eastern Missouri, Inc., St. Louis, Missouri, December 31, 1995

Elizabeth G. Flores, Senior Vice President, Laredo National Bank, Laredo, Texas, December 31, 1996

Norma L. Freiberg, Community Activist, New Orleans, Louisiana, December 31, 1995

Lori Gay, Executive Director, Los Angeles Neighborhood Housing Services, Los Angeles, California, December 31, 1995

Ronald A. Homer, Chairman and CEO, Boston Bank of Commerce, Boston, Massachusetts, December 31, 1995

Thomas L. Houston, Executive Director, The Dallas Black Chamber of Commerce, Dallas, Texas, December 31, 1995

Anne B. Shlay, Associate Director, Institute for Public Policy Studies, Temple University, Philadelphia, Pennsylvania, December 31, 1996

Reginald J. Smith, President, United Missouri Mortgage Company, Kansas City, Missouri, December 31, 1996

John E. Taylor, President and CEO, The National Community Reinvestment Coalition, Washington, D.C., December 31, 1996

Lorraine VanEtten, Vice President and Community Lending Officer, Standard Federal Bank of Troy, Troy, Michigan, December 31, 1996

Grace W. Weinstein, Financial Writer and Consultant, Englewood, New Jersey, December 31, 1995

Lily K. Yao, Chairman and CEO, Pioneer Federal Savings Bank, Honolulu, Hawaii, December 31, 1996

Robert O. Zdenek, Senior Program Officer, Annie E. Casey Foundation, Greenwich, Connecticut, December 31, 1995.

### PROPOSED ACTION

The Federal Reserve Board on January 26, 1995, requested public comment on a proposal to amend its capital adequacy guidelines for state member banks and bank holding companies (banking organizations) with regard to the regulatory capital treatment of certain transfers of assets with recourse. Comments are requested by February 27, 1995.

### PUBLICATION OF THE EXAMINATION MANUAL FOR U.S. BRANCHES AND AGENCIES OF FOREIGN BANKING ORGANIZATIONS

The 1995 *Examination Manual for U.S. Branches and Agencies of Foreign Banking Organizations* has been published by the Board's Division of Banking Supervision and Regulation and is now available for purchase by the public. The *Manual* will serve as a primary reference source of uniform guidelines and procedures to be used by examiners at U.S. state and federal banking agencies in conducting examinations of foreign bank branches and agencies operating in the United States.

The *Manual* provides a comprehensive overview of the broad range of banking activities that are conducted by foreign bank branches and agencies and specific guidance on how to evaluate these activities at a branch and agency in the context of the foreign banking organization of which it is an integral part. It includes the newly adopted ROCA rating system that examiners will use to assess the condition of foreign bank branches and agencies and to identify and address any of the unique supervisory issues raised by these offices.

The *Manual* may be obtained from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, at a cost of \$40.00. Charge orders paid by Visa and Mastercard may be sent by fax to (202) 728-5886. Updates will be available periodically at a cost to be determined at the time they become available.

### AVAILABILITY OF REVISED LISTS OF OTC STOCKS AND OF FOREIGN STOCKS SUBJECT TO MARGIN REGULATIONS

The Federal Reserve Board published on January 27, 1995, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations (OTC List). The Board also published a revised list of foreign equity securities (Foreign List) that meet the margin criteria in Regulation T (Credit by Brokers and Dealers). The lists are published for the information of lenders and the general public.

The lists were effective February 13, 1995, and supersede the previous lists that were effective November 14, 1994. The next revision of these lists is scheduled to be effective in May 1995.

The changes that have been made to the revised OTC list, which now contains 4,074 OTC stocks, are as follows:

- One hundred forty-three stocks have been included for the first time, 110 under National Market System (NMS) designation.
- Fifty-three stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Seventy-two stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC list is composed of OTC stocks that have been determined by the Board to be subject to margin requirements in Regulations G (Securities Credit by Persons Other Than Banks, Brokers, or Dealers), T, and U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks). It includes OTC stocks qualifying under Board criteria and also includes all OTC stocks designated as NMS securities. Additional NMS securities may be added in the interim between quarterly Board publications; these securities are immediately marginable upon designation as NMS securities.

The foreign list specifies those foreign equity securities that are eligible for margin treatment at broker-dealers. There are no additions to, and only one deletion from, the foreign list, which now contains 687 foreign equity securities.

#### *CHANGE IN BOARD STAFF*

The Board of Governors has approved the appointment of Sheila Clark to the position of EEO Programs Director. Ms. Clark succeeds Portia Thompson who was assigned the new position of Equal Employment Opportunity Programs Adviser, Office of Board Members. Ms. Clark assumed her duties with the Board on February 13, 1995. She will have overall responsibility for the Board's Equal Employment Opportunity (EEO) and Affirmative Action (AA) planning programs.

Ms. Clark had been employed since 1987 by Dow Jones and Company, New York, with responsibility for work/family, college recruiting, and EEO/AA programs. She holds a B.A. in Management from Marymount College, Tarrytown, New York. □



# Legal Developments

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

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

Effective February 13, 1995, accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2(u) and 220.17 (Regulation T), and 12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List, and one deletion from the Foreign List.

### *Deletions from the List of Marginable OTC Stocks*

#### **Stocks Removed for Failing Continued Listing Requirements**

Absolute Entertainment, Inc.: No par common  
Applied Carbon Technology, Inc.: No par common

Baker Hughes Incorporated: Warrants (expire 03-31-95)  
Base Ten Systems, Inc.: Series B, rights expire 11-10-94  
Breakwater Resources, Ltd.: No par common

C-Tec Corporation: Transferable subscription rights  
Centocor, Inc.: Warrants (expire 12-31-94)  
Communications & Entertainment Corporation: Class A, \$.05 par common  
Community Health Computing Corp.: \$.01 par common  
Computer Concepts Corporation: \$.0001 par common  
Comstock Bank (Nevada): \$.50 par common

Continental Savings of America, A Federal Savings Bank:  
Series A, noncumulative convertible preferred  
CPI Aerostructures, Inc.: Warrants (expire 09-16-95)

Delphi Information Systems, Inc.: \$.10 par common  
Digital Products Corporation: \$.025 par common; Class A, Warrants (expire 02-07-95); Class B, Warrants (expire 02-07-97)

Enzon, Inc.: Warrants (expire 11-01-94)  
Equivest Finance, Inc.: \$.05 par common  
Erox Corporation: No par common

Gateway Industries, Inc.: No par common  
Genzyme Corporation: Warrants (expire 12-31-94)  
Global Spill Management, Inc.: \$.001 par common  
Great American Recreation, Inc.: \$1.00 par common  
Greenwich Pharmaceuticals, Inc.: \$.10 par common

Highwood Resources Ltd.: No par capital  
Hoenig Group Inc.: Class A, Warrants (expire 10-31-94)

Inotek Technologies Corporation: \$.01 par common

Jackpot Enterprises, Inc.: Warrants (expire 01-31-96)  
JB Oxford Holdings Inc.: \$.01 par common

Kendall Square Research Corp.: \$.01 par common

Media Vision Technology, Inc.: Convertible subordinated debentures due 2003  
Menley & James, Inc.: \$.01 par common  
Microcarb, Inc.: \$.01 par common  
MPTV, Inc.: \$.005 par common  
MRV Communications, Inc.: Warrants (expire 12-07-97)

Nahama & Weagant Energy Company: No par common  
National Convenience Stores, Inc.: Warrants (expire 03-09-98)  
National Diagnostics, Inc.: No par common; Warrants (expire 09-19-97)  
NYCAL Corporation: No par common

Opto Mechanik, Inc.: \$.10 par common

P & F Industries, Inc.: \$10.00 par cumulative convertible preferred

Price Reit, Inc., The: \$.01 par common  
 Puroflow Incorporated: \$.06-<sup>2</sup>/<sub>3</sub> par common

S&I International: No par common  
 Sports/Leisure, Inc.: \$.01 par common

TAT Technologies Ltd.: Class A, Warrants (expire 03-30-95)

Telios Pharmaceuticals, Inc.: Warrants (expire 09-26-96)  
 TJ Systems Corporation: Series A, \$.01 par convertible preferred

U.S. Capital Group, Inc.: \$.10 par common  
 United States Exploration, Inc.: \$.0001 par common

Vest, H.D., Inc.: Class B; Warrants (expire 11-21-94)

### Stocks Removed for Listing on a National Securities Exchange or Being Involved in an Acquisition

Agnico-Eagle Mines Limited: No par common  
 Amerifed Financial Corporation (Illinois): \$.01 par common  
 Amity Bancshares, Inc. (Illinois): \$.01 par common  
 Amvestors Financial Corp.: No par common  
 Anchor Bancorp, Inc. (New York): \$.01 par common  
 Associated Communications Corp.: Class A, \$.10 par common; Class B, \$.10 par common

Babbage's, Inc.: \$.10 par common  
 Banyan Mortgage Investors L.P.: Depositary units of limited partnership interest  
 Barrett Resources Corporation: \$.01 par common  
 Biosurface Technology, Inc.: \$.01 par common  
 Brock Candy Company: Class A, \$.01 par common

Carenetwork, Inc.: \$.01 par common  
 Carson Pirie Scott & Co.: \$.01 par common  
 Central Indiana Bancorp: No par common  
 Central Jersey Bancorp: \$.25 par common  
 Charter FSB Bancorp Inc.: \$.01 par common  
 Coastal Healthcare Group, Inc.: \$.01 par common  
 Commerce Bank (Virginia): \$.25 par common  
 Corrections Corporation of America: \$1.00 par common; Warrants (expire 09-14-97)

Datasouth Computer Corporation: \$.01 par common  
 Digidesign, Inc.: \$.001 par common

Eastover Corporation: No par shares of beneficial interest

F & C Bancshares, Inc. (Florida): \$1.00 par common  
 F & M National Corporation: \$.20 par common  
 First Western Financial Corporation: \$1.00 par common

Galey & Lord, Inc.: \$.01 par common  
 Gencare Health Systems, Inc.: \$.02 par common  
 General Atlantic Resources, Inc.: \$.01 par common  
 Germantown Savings Bank (Pennsylvania): \$.10 par common  
 Grenada Sunburst System Corporation: \$1.00 par common

Home Federal Savings Bank (Washington, D.C.): \$.01 par common

IDB Communications Group, Inc.: \$.01 par common  
 Information America, Inc.: \$.01 par common  
 Input/Output, Inc.: \$.01 par common  
 Intergroup Healthcare Corporation: \$.001 par common  
 Ithaca Bancorp, Inc. (New York): \$1.00 par common

Jones Spacelink, Ltd.: Class A, \$.01 par common

Keptel, Inc.: No par common  
 Kirschner Medical Corporation: \$.10 par common  
 Knowledgeware, Inc.: No par common  
 Koll Management Services, Inc.: \$.01 par common

Laser Precision Corporation: \$.10 par common  
 LCI International, Inc.: \$.01 par common; 5% cumulative convertible exchangeable preferred

Medstat Group, Inc., The: \$.01 par common

National Convenience Stores, Inc.: \$.01 par common

Orthomet, Inc.: \$.10 par common

Palmer Tube Mills Limited: American Depositary Receipts  
 Premiere Page, Inc.: \$.01 par common  
 Price Reit, Inc., The: Series B, \$.01 par common  
 Providential Corporation: \$.0001 par common  
 Purolator Products Company: \$.01 par common

Quincy Savings Bank (Massachusetts): \$.10 par common

Relife, Inc.: Class A, \$.01 par common  
 RHNB Corporation: \$.25 par common  
 Rock Financial Corporation: \$3.33-<sup>1</sup>/<sub>3</sub> par common

Scott's Liquid Gold, Inc.: \$.10 par common  
 Seagate Technology, Inc.: \$.01 par common; 6-<sup>3</sup>/<sub>4</sub>% convertible subordinated debentures  
 Services Fracturing Company: \$1.00 par common  
 Snapple Beverage Corporation: \$.01 par common  
 Soricon Corporation: \$.01 par common  
 Summit Bancorp, Inc. (Washington): \$.01 par common  
 Synergen, Inc.: \$.01 par common  
 Synoptics Communications, Inc.: \$.01 par common

Trico Products Corporation: No par common  
 Triconex Corporation: No par common

UNSL Financial Corp.: \$1.00 par common

Winston Furniture Company, Inc.: \$.01 par common

Zenith Laboratories, Inc.: No par common

### *Additions to the List of Marginable OTC Stocks*

7th Level, Inc.: \$.01 par common

Aber Resources Ltd.: No par common  
 Adia S.A.: American Depositary Receipts  
 Alabama National Bancorporation: \$1.00 par common  
 Amerco: \$.25 par common  
 American Cinema Stores, Inc.: \$.001 par common  
 American Resources of Delaware, Inc.: \$.00001 par common  
 American Sensors, Inc.: No par common  
 Andyne Computing Ltd.: No par common  
 Apollo Group, Inc.: Class A; No par common  
 Applied Voice Technology, Inc.: \$.01 par common  
 Applix, Inc.: \$.0025 par common  
 Arel Communications & Software Ltd.: Ordinary shares;  
 Series A; Warrants (expire 12-01-96)  
 Ark Restaurants Corporation: \$.01 par common  
 Aspen Technology, Inc.: \$.01 par common  
 Associated Group, Inc., The: Class A, \$.10 par common;  
 Class B, \$.10 par common  
 Avert, Inc.: No par common; Warrants (expire 12-22-95)

B.U.M. International, Inc.: \$.02 par common  
 Barry's Jewelers, Inc.: No par common; Warrants (expire  
 07-01-2002)  
 Bitwise Designs, Inc.: \$.001 par common  
 Bolle America, Inc.: \$.01 par common  
 Bonso Electronics International, Inc.: \$.0005 par common;  
 Warrants (expire 12-16-99)  
 Bridgeport Machines, Inc.: \$.01 par common  
 BTG, Inc.: No par common

Camco Financial Corporation: \$1.00 par common  
 Cannondale Corporation: \$.01 par common  
 Carver Federal Savings Bank (New York): \$.01 par common  
 Century Communications Corporation: Class A, \$.01 par common  
 Cincinnati Microwave, Inc.: Warrants (expire 12-31-98)  
 Clucker's Wood Roasted Chicken, Inc.: \$.01 par common  
 Community Financial Holding Corp.: \$.005 par common  
 Community Savings, F.A. (Florida): \$1.00 par common  
 Concordia Paper Holdings, Ltd.: American Depositary  
 Shares

Conestoga Enterprises, Inc.: \$5.00 par common  
 Covenant Bank for Savings (New Jersey): \$.001 par common  
 Covenant Transport, Inc.: Class A, \$.01 par common  
 Crocker Realty Investors, Inc.: \$.001 par common

D & K Wholesale Drug, Inc.: \$.01 par common  
 Diplomat Corporation: Warrants (expire 11-04-98)  
 Duckwall-Alco Stores, Inc.: \$.0001 par common

East Texas Financial Services, Inc.: \$.01 par common  
 Edelbrock Corporation: \$.01 par common  
 Elron Electronic Industries, Ltd.: Warrants (expire  
 09-01-98)  
 Emcare Holdings Inc.: \$.01 par common  
 Epic Design Technology, Inc.: No par common  
 Equity Corporation: \$.01 par common

FB&T Financial Corporation: \$1.25 par common  
 Family Golf Centers, Inc.: \$.01 par common  
 Fidelity Southern Corporation: No par common  
 First American Health Concepts, Inc.: No par common  
 First Savings Bank of New Jersey, S.L.A.: \$.10 par common  
 FirstFederal Financial Services Corporation: Series B, 6-1/2  
 No par cumulative convertible preferred  
 Flores & Rucks Inc.: \$.01 par common  
 Florsheim Shoe Company, The: No par common  
 FPA Medical Management, Inc.: \$.001 par common  
 FSB Financial Corporation: \$.01 par common

Genzyme Corporation (Tissue Repair): \$.01 par common  
 Goran Capital, Inc.: No par common  
 Gyrodyne Company of America, Inc.: \$1.00 par common

Harcor Energy Company: \$.10 par common  
 Haskel International, Inc.: Class A, No par common  
 Health-Mor Inc.: \$1.00 par common  
 Herzfeld Caribbean Basin Fund, Inc., The: \$.001 par common

ICC Technologies, Inc.: \$.01 par common  
 Innovative Tech Systems, Inc.: \$.001 par common  
 International Verifact, Inc.: No par common; Warrants  
 (expire 01-05-98)  
 Interstate National Dealer Services, Inc.: \$.01 par common  
 Isolyser Company, Inc.: \$.001 par common  
 ITI Technologies, Inc.: \$.01 par common  
 IWI Holding, Limited: No par common

JP Foodservice, Inc.: \$.01 par common

KFX Inc.: \$.001 par common  
 Knight Transportation, Inc.: \$.01 par common  
 KS Bancorp, Inc. (North Carolina): No par common

LIN Television Corporation: \$.01 par common  
LTX Corporation: 13-½% convertible debentures

Manhattan Bagel Company: No par common  
Medcath Incorporated: \$.01 par common  
Medplus, Inc.: No par common  
Micrel, Incorporated: No par common  
Micrion Corporation: No par common  
Microtec Research, Inc.: \$.001 par common  
Mid-States PLC: American Depositary Receipts  
Multi-Market Radio, Inc.: Class A, \$.01 par common;  
Class A, Warrants (expire 03-23-99); Class B, Warrants  
(expire 03-23-99)

National Gaming Corporation: \$.01 par common  
Netcom On-Line Communication Services, Inc.: \$.01 par  
common  
New England Community Bancorp, Inc.: Class A, \$.10 par  
common  
New England Realty Associates Limited Partnership: Depos-  
itary Receipts  
Northwest Savings Bank (Pennsylvania): \$.01 par common  
Novamatrix Medical Systems, Inc.: Class A, Warrants  
(expire 12-08-97); Class B, Warrants (expire 12-08-99)

OIS Optical Imaging Systems, Inc.: \$.01 par common  
Old York Road Bancorp, Inc. (Pennsylvania): \$1.00 par  
common  
Orbit Semiconductor, Inc.: \$.001 par common  
Ortel Corporation: \$.001 par common  
Orthodontic Centers of America, Inc.: \$.01 par common  
Owosso Corporation: \$.01 par common

Panda Project, Inc., The: \$.01 par common  
Phamis, Inc.: \$.0025 par common  
Physical Reliance Network, Inc.: No par common  
Pinnacle Systems, Inc.: No par common  
Plasma-Therm, Inc.: \$.01 par common  
Price Enterprises, Inc.: \$.0001 par common  
Pulaski Bank, A Savings Bank: \$1.00 par common

Quality Semiconductor, Inc.: \$.001 par common

Republic Bank (Florida): \$2.00 par common  
Ride Snowboard Company: No par common

Santa Fe Financial Corporation: \$.10 par common  
Security Dynamics Technologies, Inc.: \$.01 par common  
Shiva Corporation: \$.01 par common  
Singing Machine Company, Inc., The: \$.01 par common;  
Warrants (expire 11-10-99)  
SMC Corporation: No par common  
Sparta Pharmaceuticals, Inc.: \$.001 par common  
Specialty Teleconstructors, Inc.: Warrants (expire  
11-02-99)

Sport-Haley, Inc.: No par common  
Stillwater Mining Company: \$.01 par common

Tele-Matic Corporation: \$.01 par common  
Telemundo Group, Inc.: Series A, \$.01 par common  
Telewest Communications PLC: American Depositary  
Receipts  
Teltronics, Inc.: \$.001 par common  
Thompson PBE, Inc.: \$.01 par common  
TMBR/Sharp Drilling, Inc.: \$.10 par common  
Tower Semiconductor Ltd.: Ordinary Shares (NIS \$1.00)  
Trans World Gaming Corporation: \$.001 par common;  
Warrants (expire 12-15-99)  
Transport Corporation of America, Inc.: \$.01 par common

Unitech Industries, Inc.: No par common

Veeco Instruments, Inc.: \$.01 par common  
Videonics, Inc.: No par common

Wavephore, Inc.: No par common  
Wescast Industries, Inc.: Class A, No par common  
Williams, Controls, Inc.: \$.01 par common

Xenova Group PLC: American Depositary Shares

Young Broadcasting, Inc.: Class A, \$.01 par common

#### *Deletion from the List of Foreign Margin Stocks*

Jefferson Smurfit Group, PLC: Ordinary shares, par value  
.25L

#### *FINAL RULE—AMENDMENT TO RULES REGARDING ACCESS TO PERSONAL INFORMATION UNDER THE PRIVACY ACT*

The Board of Governors is amending 12 C.F.R. Part 261a, its Rules Regarding Access to Personal Information Under the Privacy Act, as part of its regulatory review and improvement process.

Effective February 16, 1995, 12 C.F.R. Part 261a is amended as follows:

#### *Part 261a—Rules Regarding Access to Personal Information Under the Privacy Act of 1974*

##### *Subpart A—General Provisions*

Section 261a.1—Authority, purpose and scope.

Section 261a.2—Definitions.

Section 261a.3—Custodian of records; delegations of  
authority.

Section 261a.4—Fees.



### *Subpart B—Procedures for Requests by Individual to Whom Record Pertains*

Section 261a.5—Request for access to record.

Section 261a.6—Board procedures for responding to request for access.

Section 261a.7—Special procedures for medical records.

Section 261a.8—Request for amendment to record.

Section 261a.9—Agency review of request for amendment of record.

Section 261a.10—Appeal of adverse determination of request for access or amendment.

### *Subpart C—Disclosure to Person Other than Individual to Whom Record Pertains*

Section 261a.11—Restrictions on disclosure.

Section 261a.12—Exceptions.

### *Subpart D—Exempt Records*

Section 261a.13—Exemptions.

*Authority:* 5 U.S.C. 552a.

### *Subpart A—General Provisions*

Section 261a.1—Authority, purpose and scope.

(a) *Authority.* This part is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to the Privacy Act of 1974 (5 U.S.C. 552a).

(b) *Purpose.* The purpose of this part is to implement the provisions of the Privacy Act of 1974 (5 U.S.C. 552a) with regard to the maintenance, protection, disclosure, and amendment of records contained within systems of records maintained by the Board.

(c) *Scope.* This part covers requests for access to, or amendment of, records concerning individuals that are contained in systems of records maintained by the Board.

Section 261a.2—Definitions.

For the purposes of this part, the following definitions apply:

(a) *Business day* means any day except Saturday, Sunday or a legal Federal holiday.

(b) *Designated system of records* means a system of records maintained by the Board that has been listed in the *Federal Register* pursuant to the requirements of 5 U.S.C. 552a(e).

(c) *Guardian* means the parent of a minor, or the legal guardian of any individual who has been declared to be incompetent due to physical or mental incapacity or age by a court of competent jurisdiction.

(d) *Individual* means a natural person who is either a citizen of the United States or an alien lawfully admitted for permanent residence.

(e) *Maintain* includes maintain, collect, use, disseminate, or control.

(f) *Record* means any item, collection, or grouping of information about an individual maintained by the Board that contains the individual's name, or the identifying number, symbol, or other identifying particular assigned to the individual, such as a fingerprint, voice print, or photograph.

(g) *Routine use* means, with respect to disclosure of a record, the use of such record for a purpose that is compatible with the purpose for which it was collected or created.

(h) *System of records* means a group of any records under the control of the Board from which information is retrieved by the name of the individual or by some identifying number, symbol, or other identifying particular assigned to the individual.

Section 261a.3—Custodian of records; delegations of authority.

(a) *Custodian of records.* The Secretary of the Board is the official custodian of all records of the Board in the possession or control of the Board.

(b) *Delegated authority of Secretary.* With regard to this regulation, the Secretary of the Board is delegated the authority to:

(1) Respond to requests for access or amendment to records contained in a system of records, except for such requests regarding systems of records maintained by the Board's Office of the Inspector General (OIG);

(2) Approve the publication of new systems of records and amend existing systems of records, except systems of records exempted pursuant to sections 261a.13(b), (c) and (d);

(3) File the biennial reports required by the Privacy Act.

(c) *Delegated authority of designee.* Any action or determination required or permitted by this part 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.

(d) *Delegated authority of Inspector General.* With regard to systems of records maintained by the OIG, the Inspector General is delegated the authority to respond to requests for access or amendment.

Section 261a.4—Fees.

(a) *Copies of records.* Copies of records requested pursuant to section 261a.5 of this part shall be provided at the same cost charged for duplication of records and/or production of computer output under the Board's Rules Regarding Availability of Information, section 261.10 of this part.

(b) *No fee.* Documents may be furnished without charge where total charges are less than \$5.

(c) *Waiver of fees.* In connection with any request by an employee, former employee, or applicant 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 Freedom of Information Act) are \$50 or less; but the Secretary may waive fees in excess of that amount.

### *Subpart B—Procedures for Requests by Individual to Whom Record Pertains*

#### Section 261a.5—Request for access to record.

(a) *Procedures for making request.* (1) Any individual (or guardian of an individual) other than a current Board employee desiring to learn of the existence of, or to gain access to, his or her record in a designated system of records shall submit a request in writing to the Secretary of the Board, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, DC 20551.

(2) A request by a current Board employee for that employee's own personnel records may be made in person during regular business hours at the Division of Human Resources, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, DC 20551.

(3) A request by a current Board employee for information other than personnel information may be made in person during regular business hours at the Freedom of Information Office, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, DC 20551.

(4) Requests for information contained in a system of records maintained by the Board's OIG shall be submitted in writing to the Inspector General, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, N.W., Washington, DC 20551.

(b) *Contents of request.* A request made pursuant to paragraph (a) of this section shall include the following:

- (1) A statement that it is made pursuant to the Privacy Act of 1974;
- (2) The name of the system of records expected to contain the record requested or a concise description of such system of records.
- (3) Necessary information to verify the identity of the requester pursuant to paragraph (c) of this section; and
- (4) Any other information that may assist in the rapid identification of the record for which access is being requested (e.g., maiden name, dates of employment, etc.).

(c) *Verification of identity.* The Board shall require proof of identity from a requester and reserves the right to determine the adequacy of such proof. In general, the following shall be considered adequate proof of identity:

- (1) For a current Board employee, his or her Board identification card; or
- (2) For an individual other than a current Board employee, either:
  - (i) Two forms of identification, one of which has a picture of the individual requesting access; or
  - (ii) A notarized statement attesting to the identity of the requester.

(d) *Verification of identity not required.* No verification of identity shall be required of individuals seeking access to records that are otherwise available to any person under 5 U.S.C. 552, Freedom of Information Act.

(e) *Request for accounting of previous disclosures.* An individual making a request pursuant to paragraph (a) of this section may also include a request for an accounting (pursuant to 5 U.S.C. 552a(c)) of previous disclosures of records pertaining to such individual in a designated system of records.

#### Section 261a.6—Board procedures for responding to request for access.

(a) *Compliance with Freedom of Information Act.* Every request made pursuant to section 261a.5 of this part shall also be handled by the Board as a request for information pursuant to the Freedom of Information Act (5 U.S.C. 552), except that the time limits set forth in paragraph (b) of this section and the fees specified in section 261a.4 of this part shall apply to such requests.

(b) *Time limits.* Every request made pursuant to section 261a.5 of this part shall be acknowledged or, where practicable, substantially responded to within 10 business days from receipt of the request.

(c) *Disclosure.* (1) Information to be disclosed pursuant to this part and the Privacy Act, except for information maintained by the Board's OIG, shall be made available for inspection and copying during regular business hours at the Board's Freedom of Information Office.

(2) Information to be disclosed that is maintained by the Board's OIG shall be made available for inspection and copying at the OIG.

(3) When the requested record cannot reasonably be put into a form for individual inspection (e.g., computer tapes), or when the requester asks that the information be forwarded, copies of such information shall be mailed to the requester.

(4) Access to or copies of requested information shall be promptly provided after the acknowledgement as provided in paragraph (b) of this section, unless good cause for delay is communicated to the requester.

(d) *Other authorized presence.* The requester of information may be accompanied in the inspection of that information by a person of the requester's own choosing upon the requester's submission of a written and signed statement authorizing the presence of such person.

(e) *Denial of request.* A denial of a request made pursuant to section 261a.5 of this part shall include a statement of the reason(s) for denial and the procedures for appealing the denial.

#### Section 261a.7—Special procedures for medical records.

Medical or psychological records requested pursuant to section 261a.5 of this part shall be disclosed directly to the requester unless such disclosure could, in the judgment of the Privacy Officer, in consultation with the Board's physician, have an adverse effect upon the requester. Upon such determination, the information shall be transmitted to a licensed physician named by the requester, who will disclose those records to the requester in a manner the physician deems appropriate.

#### Section 261a.8—Request for amendment of record.

(a) *Procedures for making request.* (1) An individual desiring to amend a record in a designated system of records that pertains to him or her shall submit a request in writing to the Secretary of the Board (or to the Inspector General for records in a system of records maintained by the OIG) in an envelope clearly marked "Privacy Act Amendment Request."

(2) Each request for amendment of a record shall:

- (i) Identify the system of records containing the record for which amendment is requested;
- (ii) Specify the portion of that record requested to be amended; and
- (iii) Describe the nature of and reasons for each requested amendment.

(3) Each request for amendment of a record shall be subject to verification of identity under the procedures set forth in section 261a.5(c) of this part, unless such verification has already been made in a related request for access or amendment.

(b) *Burden of proof.* The request for amendment of a record shall set forth the reasons the individual believes the record is not accurate, relevant, timely, or complete. The burden of proof for demonstrating the appropriateness of the requested amendment rests with the requester, and the requester shall provide relevant and convincing evidence in support of the request.

#### Section 261a.9—Board review of request for amendment of record.

(a) *Time limits.* The Board shall acknowledge a request for amendment of a record within 10 business days of receipt of the request. Such acknowledgement may request additional information necessary for a determination on the request for amendment. To the extent possible, a determination upon a request to amend a record shall be made within 10 business days after receipt of the request.

(b) *Contents of response to request for amendment.* The response to a request for amendment shall include the following:

- (1) The decision to grant or deny, in whole or in part, the request for amendment; and
- (2) If the request is denied:
  - (i) The reasons for denial of any portion of the request for amendment;
  - (ii) The requester's right to appeal any denial; and
  - (iii) The procedures for appealing the denial to the appropriate official.

#### Section 261a.10—Appeal of adverse determination of request for access or amendment.

(a) *Appeal.* A requester may appeal a denial of a request made pursuant to section 261a.5 or section 261a.8 of this part to the Board, or any official designated by the chairman of the Board, within 10 business days of issuance of notification of denial. The appeal shall:

- (1) Be made in writing to the Secretary of the Board, with the words "PRIVACY ACT APPEAL" written prominently on the first page;
- (2) Specify the previous background of the request; and
- (3) Provide reasons why the initial denial is believed to be in error.

(b) *Determination.* The Board or an official designated by the Chairman of the Board shall make a determination with respect to such appeal not later than 30 business days from its receipt, unless the time is extended for good cause shown.

(1) If the Board or designated official grants an appeal regarding a request for amendment, the Board shall take the necessary steps to amend the record, and, when appropriate and possible, notify prior recipients of the record of the Board's action.

(2) If the Board or designated official denies an appeal, the Board shall inform the requester of such determination, give a statement of the reasons therefor, and inform the requester of the right of judicial review of the determination.

(c) *Statement of disagreement.* (1) Upon receipt of a denial of an appeal regarding a request for amendment, the requester may file a concise statement of disagreement with the denial. Such statement shall be maintained with the record the requester sought to amend, and any disclo-

sure of the record shall include a copy of the statement of disagreement.

(2) When practicable and appropriate, the Board shall provide a copy of the statement of disagreement to any person or other agency to whom the record was previously disclosed.

#### *Subpart C—Disclosure to Person Other than Individual to Whom Record Pertains*

##### **Section 261a.11—Restrictions on disclosure.**

No record contained in a designated system of records shall be disclosed to any person or agency without the prior written consent of the individual to whom the record pertains unless the disclosure is authorized by section 261a.12 of this part.

##### **Section 261a.12—Exceptions.**

The restrictions on disclosure in section 261a.11 of this part do not apply to any disclosure:

- (a) To those officers and employees of the Board who have a need for the record in the performance of their duties;
- (b) That is required under the Freedom of Information Act (5 U.S.C. 552);
- (c) For a routine use listed with respect to a designated system of records;
- (d) To the Bureau of the Census for purposes of planning or carrying out a census or survey or related activity pursuant to the provisions of title 13 of the United States Code;
- (e) To a recipient who has provided the Board with advance adequate written assurance that the record will be used solely as a statistical research or reporting record, and the record is to be transferred in a form that is not individually identifiable;
- (f) To the National Archives of the United States as a record that has sufficient historical or other value to warrant its continued preservation by the United States government, or for evaluation by the administrator of General Services or his designee to determine whether the record has such value;
- (g) To another agency or to an instrumentality of any governmental jurisdiction within or under the control of the United States for a civil or criminal law enforcement activity if the activity is authorized by law, and if the head of the agency or instrumentality has made a written request to the Board specifying the particular portion desired and the law enforcement activity for which the record is sought;
- (h) To a person pursuant to a showing of compelling circumstances affecting the health or safety of an individual if upon such disclosure notification is transmitted to the last known address of such individual;
- (i) To either House of Congress, or, to the extent of matter within its jurisdiction, any committee or subcommittee thereof, any joint committee of Congress or subcommittee of any such joint committee;

(j) To the Comptroller General, or any of his authorized representatives, in the course of the performance of the duties of the General Accounting Office;

(k) Pursuant to the order of a court of competent jurisdiction; or

(l) To a consumer reporting agency in accordance with 31 U.S.C. 3711(f).

#### *Subpart D—Exempt Records*

##### **Section 261a.13—Exemptions.**

(a) *Information compiled for civil action.* Nothing in this regulation shall allow an individual access to any information compiled in reasonable anticipation of a civil action or proceeding.

(b) *Law enforcement information.* Pursuant to section (k)(2) of the Privacy Act of 1974 (5 U.S.C. 552a(k)(2)), the Board has deemed it necessary to exempt certain designated systems of records maintained by the Board from the requirements of the Privacy Act concerning access to accountings of disclosures and to records, maintenance of only relevant and necessary information in files, and certain publication provisions, respectively, 5 U.S.C. 552a(c)(3), (d), (e)(1), (e)(4)(G), (H) and (I), and (f), and sections 261a.5, 261a.7 and 261a.8 of this part. Accordingly, the following designated systems of records are exempt from these provisions, but only to the extent that they contain investigatory materials compiled for law enforcement purposes:

- (1) BGFRS-1 Recruiting and Placement Records.
- (2) BGFRS-2 Personnel Background Investigation Reports.
- (3) BGFRS-4 General Personnel Records.
- (4) BGFRS-5 EEO Discrimination Complaint File.
- (5) BGFRS-9 Consultant and Staff Associate File.
- (6) BGFRS-16 Regulation G Reports.
- (7) BGFRS-18 Consumer Complaint Information System.
- (8) BGFRS-21 Supervisory Tracking and Reference System.
- (9) BGFRS/OIG-1 OIG Investigatory Records.

(c) *Confidential references.* Pursuant to section (k)(5) of the Privacy Act of 1974 (5 U.S.C. 552a(k)(5)), the Board has deemed it necessary to exempt certain designated systems of records maintained by the Board from the requirements of the Privacy Act concerning access to accountings of disclosures and to records, maintenance of only relevant and necessary information in files, and certain publication provisions, respectively 5 U.S.C. 552a(c)(3), (d), (e)(1), (e)(4)(G), (H) and (I), and (f), and sections 261a.5, 261a.7 and 261a.8 of this part. Accordingly, the following systems of records are exempt from these provisions, but only to the extent that they contain investigatory material compiled to determine an individual's suitability, eligibility, and qualifications for Board employment or access to classified information, and the disclosure of such material would reveal the

identity of a source who furnished information to the Board under a promise of confidentiality.

- (1) BGFRS-1 Recruiting and Placement Records.
  - (2) BGFRS-2 Personnel Background Investigation Reports.
  - (3) BGFRS-4 General Personnel Records.
  - (4) BGFRS-9 Consultant and Staff Associate File.
  - (5) BGFRS-10 General File on Board Members.
  - (6) BGFRS-11 Official General Files.
  - (7) BGFRS-13 General File of Examiners and Assistant Examiners at Federal Reserve Banks.
  - (8) BGFRS-14 General File of Federal Reserve Bank and Branch Directors.
  - (9) BGFRS-15 General Files of Federal Reserve Agents, Alternates and Representatives at Federal Reserve Banks.
  - (10) BGFRS/OIG-2 OIG Personnel Records.
- (d) *Criminal law enforcement information.* Pursuant to 5 U.S.C. 552a(j)(2), the Board has determined that portions of the OIG Investigatory Records (BGFRS/OIG-1) shall be exempt from any part of the Privacy Act (5 U.S.C. 552a), except the provisions regarding disclosure, the requirement to keep an accounting, certain publication requirements, certain requirements regarding the proper maintenance of systems of records, and the criminal penalties for violation of the Privacy Act, respectively, 5 U.S.C. 552a(b), (c)(1), and (2), (e)(4)(A) through (F), (e)(6), (e)(7), (e)(9), (e)(10), (e)(11) and (i). This designated system of records is maintained by the OIG, a Board component that performs as its principal function an activity pertaining to the enforcement of criminal laws. The exempt portions of the records consist of:

- (1) Information compiled for the purpose of identifying individual criminal offenders and alleged offenders;
- (2) Information compiled for the purpose of a criminal investigation, including reports of informants and investigators, and associated with an identifiable individual; or
- (3) Reports identifiable to an individual compiled at any stage of the process of enforcement of the criminal laws from arrest or indictment through release from supervision.

## **ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT**

### ***Orders Issued Under Section 3 of the Bank Holding Company Act***

The Bank of Tokyo, Ltd.  
Tokyo, Japan

### ***Order Approving an Application to Acquire a Commercial Bank***

The Bank of Tokyo, Ltd., Tokyo, Japan ("BOT"), a bank holding company within the meaning of the Bank Holding

Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 100 percent of the voting shares of The Chicago-Tokyo Bank, Chicago, Illinois ("Bank").<sup>1</sup>

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 12,927 (1994)). 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 of the BHC Act.

BOT, with total consolidated assets equivalent to approximately \$271.9 billion, is the 16th largest banking organization in Japan and the 23d largest banking organization in the world.<sup>2</sup> In the United States, BOT controls banks in New York, New York, and San Francisco, California. In addition, BOT operates branches in Portland, Oregon; Seattle, Washington; and Chicago, Illinois; agencies in New York, New York; Atlanta, Georgia; Coral Gables, Florida; Dallas, Texas; Honolulu, Hawaii; and Los Angeles and San Francisco, California; and representative offices in Houston, Texas; and Washington, D.C. BOT also engages directly and through subsidiaries in permissible nonbanking activities in the United States and abroad.

### ***Douglas Amendment Analysis***

For purposes of section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, BOT is a California bank holding company because its subsidiary bank in California is its largest U.S. bank. California also is BOT's home state under section 5 of the International Banking Act (12 U.S.C. § 3103) ("IBA"). The Board previously has determined that the interstate banking statutes of Illinois permit a California bank holding company to acquire banking organizations located in Illinois.<sup>3</sup> In addition, the Illinois Commissioner of Banks and Trust Companies has approved this transaction. Accordingly, based on all the facts of record, consummation of this proposal is not prohibited by the Douglas Amendment or the IBA.

### ***Competitive Considerations***

BOT and Bank both operate in the Chicago, Illinois, banking market, where each has a relatively small market share.<sup>4</sup> Based on all the facts of record, consummation of this proposal would not have a significantly adverse effect on competition in the Chicago, Illinois, banking market or any other relevant banking market.

1. BOT currently owns approximately 4.93 percent of Bank's total outstanding voting shares.

2. Asset data are as of March 31, 1994. Ranking data are as of December 1994.

3. See *BankAmerica Corporation*, 80 *Federal Reserve Bulletin* 832 (1994).

4. The Chicago, Illinois, banking market is approximated by Cook, Du Page, and Lake Counties, all in Illinois.



### *Supervisory Considerations*

In order to approve an application by a foreign bank to acquire a U.S. bank or bank holding company, the BHC Act and the Board's Regulation Y require the Board to determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.<sup>5</sup> The Board also must determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with applicable law.<sup>6</sup>

The Board considers a foreign bank to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the bank's relationship to any affiliate, to assess the bank's overall financial condition and compliance with law and regulation.<sup>7</sup> In making its determination on this application, the Board considered the following information.

The Ministry of Finance (the "MOF") is BOT's lead regulator and has extensive regulatory authority over the bank under the banking laws of Japan. The MOF is responsible for licensing banks, approving branch openings, approving the formation of and investments in subsidiaries (both in Japan and abroad), providing administrative guidance on legal and regulatory matters, and inspecting financial institutions and their affiliated companies. The MOF provides administrative guidance, which banks are required to follow, regarding the establishment of branches, the scope of business activities, and the conduct of banking business. The Bank of Japan (the "BOJ"), which is the central bank of Japan, also monitors and supervises banks that use its services. The BOJ gives guidance to banks within the private sector regarding lending policies and related matters. In addition, in its capacity as the central bank, the BOJ main-

tains communications with almost all major financial institutions with respect to domestic and inter-bank settlements and money transfers for these financial institutions. The MOF's and BOJ's supervision of BOT is conducted on a consolidated basis and consists of on-site examinations and the review of required periodic financial reports.

The MOF has primary examination authority for Japanese banks and examines Japanese banks once every three to four years and as deemed necessary. Examination powers extend to foreign branches and wholly owned subsidiaries of BOT, both domestic and foreign, and include on-site examinations of such operations. The primary objective of MOF examinations is an evaluation of management's ability to manage risk. Examinations and inspections focus on capital adequacy, asset quality, management, earnings, liquidity, compliance with applicable laws, and risk management. Examinations and inspections also involve an assessment of foreign trade and foreign exchange transactions.

The BOJ also conducts examinations of BOT on a regular basis. The BOJ's examination powers extend to BOT's wholly owned subsidiaries, both domestic and foreign, and include on-site examinations of such subsidiaries. Like those of the MOF, the BOJ examinations evaluate management's ability to manage risk.

The MOF and BOJ also review BOT's operations through the periodic receipt of consolidated financial reports and the MOF may request financial information from banks and their wholly owned subsidiaries whenever deemed necessary. Annual reports submitted by BOT to the MOF and the BOJ include balance sheets and income statements on both a parent-only and a consolidated basis.<sup>8</sup> Semiannually, BOT submits to the MOF and the BOJ a report that includes an unconsolidated balance sheet, an income statement, information on major shareholders, and information detailing profits, losses, loan loss reserves, expenses, trading account securities, and capital.<sup>9</sup>

BOT's transactions with its affiliates<sup>10</sup> are monitored by the MOF and the BOJ through reporting requirements and lending restrictions. BOT submits annual reports to the MOF and the BOJ on its domestic related parties<sup>11</sup>

5. See 12 U.S.C. § 1842(c)(3)(B); 12 C.F.R.225.13(b)(5).

6. See 12 U.S.C. § 1842(c)(3)(A); 12 C.F.R.225.13(b)(4).

7. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:

- (i) Ensures that the foreign bank has adequate procedures for monitoring and controlling its activities worldwide;
- (ii) Obtains information on the condition of the foreign bank and its subsidiaries and offices outside the home country through regular reports of examination, audit reports, or otherwise;
- (iii) Obtains information on the dealings and relationships between the foreign bank and its affiliates, both foreign and domestic;
- (iv) Receives from the foreign bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the foreign bank's financial condition on a worldwide, consolidated basis; and
- (v) Evaluates prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

8. The consolidated financial statements include the accounts of BOT and all of its majority-owned subsidiaries, including its subsidiary banks, Bank of Tokyo Trust Company, New York, New York, and Union Bank, San Francisco, California. All of BOT's affiliates which are 20 percent to 50 percent owned are accounted for by the equity method of accounting.

9. While not consolidated, these semiannual reports include data on losses at all bank affiliates, both foreign and domestic.

10. "Affiliates" as used in this section refers to domestic "related parties" and controlled off-shore entities, as described below.

11. "Related parties" for the purposes of these reports include wholly owned domestic subsidiaries whose activities are incidental to the business of banking, and "associated" companies whose activities are considered to be peripheral to the business of banking (e.g., leasing, venture capital,

which include information on the total amount of revenue the affiliate derives from its transactions with BOT, as well as the balance and terms of the affiliate's borrowings from BOT. BOT also submits annual reports to the MOF for all foreign entities in which BOT holds a majority interest or otherwise exercises management authority. In addition, transactions with affiliates are reviewed as part of the examination process. Examinations may include a review of all aspects of such transactions, including fund placement, lending, and securities purchases and sales between the bank and its affiliated companies. The MOF may use a variety of administrative sanctions against Japanese banks to ensure compliance with applicable law or regulation.

The MOF and the BOJ ensure that BOT has adequate procedures for monitoring and controlling its activities worldwide through their review of BOT's internal controls and procedures as part of their regular examinations. BOT monitors its worldwide activities through several divisions of its head office which perform on-site inspections of its offices, provide internal consulting services to its offices to ensure the maintenance of proper operational procedures, and monitor expenses, asset quality, funding and foreign exchange operations, portfolio investments, and internal controls. Internal audits of all offices are conducted by the auditing department of that office or by the auditing department of a larger BOT office in the region. Furthermore, all of BOT's offshore affiliates must submit to the head office annual financial statements that are audited by independent certified public accountants.

Based on all the facts of record, the Board concludes that BOT is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has reviewed relevant provisions of Japanese law and has communicated with the appropriate government authorities concerning access to information about BOT's operations. BOT has committed that it will make available to the Board information on the operations of BOT, and any affiliate of BOT, that the Board deems necessary to determine and enforce compliance with the IBA, the BHC Act, as amended, and other applicable federal law. To the extent that the provision of such information to the Board may be prohibited or impeded by law, BOT has committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties for disclosure. In light of these commitments and other facts of record, and subject to the conditions of this order, the Board concludes that BOT has provided adequate assurances of access to any necessary information the Board may request.

### *Other Considerations*

The Board also considers the financial condition of a foreign bank involved in a section 3 application.<sup>12</sup> BOT must comply with capital standards that conform to the Basle Accord, as implemented by Japan. BOT's capital exceeds these minimum standards, and is equivalent to capital that would be required of a U.S. banking organization.

Based on the foregoing and all facts of record, the Board has determined that the financial and managerial resources and future prospects of BOT, its subsidiaries, and Bank, and the other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of the proposal. In addition, the convenience and needs of the communities to be served, the supervision of BOT, and the Board's access to information, are all consistent with approval of BOT's proposal.

### *Conclusion*

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by BOT with all the commitments and conditions made in connection with this application. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective January 30, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

Battle Creek State Company  
Battle Creek, Nebraska

*Order Approving the Formation of a Bank Holding Company*

Battle Creek State Company, Battle Creek, Nebraska ("Battle Creek"), has applied under section 3 of the Bank

management consulting). Japanese banks' investments in such associated companies are limited to 5 percent of the company's equity.

12. See 12 C.F.R. 225.13(b)(1).

Holding Company Act (12 U.S.C. § 1842 *et seq.*) ("BHC Act"), to become a bank holding company by acquiring 80.7 percent of the voting shares of Battle Creek State Bank, Battle Creek, Nebraska ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 60,361 (1994)). 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.

Battle Creek is a nonoperating company formed for the purpose of acquiring Bank. Bank is the 290th largest commercial banking organization in Nebraska, controlling deposits of \$11.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.<sup>1</sup> Based on all the facts of record, the Board believes that consummation of the proposal would not result in any significantly adverse effects on competition or concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval of this application.

A minority shareholder of Bank ("Protestant") alleges that consummation of this proposal would have a detrimental effect on the financial condition of Bank.<sup>2</sup> The Board has carefully reviewed this comment in light of all the facts of record, including relevant reports of examination, information provided by Bank's primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), and information provided by Battle Creek.

The Board notes that Battle Creek would be formed through an exchange of shares, and that no debt would be incurred as part of this transaction. The Board has considered the level of dividends payable on the preferred shares that would be issued as part of this proposal, and Battle Creek's commitment to pay no dividend that would jeopardize the capital position of Bank. The Board also notes that the Nebraska Director of Banking and Finance has ap-

proved this proposal, and the FDIC has indicated that it has no objection to consummation of this proposal. In this light, and based on all the facts of record, including the financial condition of Bank and relevant examination information, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Battle Creek and Bank are consistent with approval of this proposal. The Board also concludes that considerations relating to the convenience and needs of the community to be served and other supervisory factors the Board is required to consider under section 3 of the BHC Act also are consistent with approval.

Based on the foregoing and all the facts of record, the Board has determined that this application should be, and hereby is, approved.<sup>3</sup> The Board's approval is specifically conditioned on compliance with all the commitments made by Battle Creek in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision are deemed to be conditions imposed in writing by the Board and, as such, may be enforced in proceeding under applicable law.

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

By order of the Board of Governors, effective January 30, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

1. All banking data are as of June 30, 1993.

2. Protestant also alleges that this proposal would substantially dilute the influence of Bank's minority shareholders over Bank's operations and management, enrich some principal shareholders through excessive exchange ratios for their Bank stock, and diminish Protestant's opportunities to persuade holding company shareholders to support Protestant's positions on issues involving Bank. Protestant also asserts that Protestant was excluded from participating in the bank holding company formation and in the pricing of Bank's shares prior to the share exchange. Battle Creek responds that Protestant was offered the same price as other Bank shareholders under the terms of the share exchange, and that issues related to the management structure effected by the holding company formation were presented to Bank's shareholders at the time they approved the transaction.

The courts have determined that the Board is precluded from considering stock pricing, exchange ratios, and similar matters except as they relate to a factor specifically enumerated in the BHC Act. See *Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). In this case, the matters questioned by Protestant have been resolved by the majority vote of Bank's shareholders. Based on this, and after considering the other facts of record, including relevant examination reports and other information, the Board concludes that these matters do not reflect adversely on factors that the Board is required to consider under the BHC Act. See *id.*

3. Protestant has requested that the Board hold a public meeting or hearing on this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. No supervisory agency has recommended denial of the proposal.

Generally, under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all interested parties have had ample opportunity to submit their views, and substantial written submissions have been received. Protestant supports this request for a hearing by posing several questions and providing conclusory statements without identifying disputed material facts necessary to resolve these issues. Protestant also identifies written materials and unspecified oral testimony that would be produced at a hearing. In the Board's view, Protestant has failed to demonstrate why the issues raised in Protestant's request for a hearing cannot be resolved with written submissions in lieu of a hearing as required by the Board's rules. 12 C.F.R. 225.14(f) and 262.3(e). For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on this application is denied.

Coal City Corporation  
Coal City, Illinois

Manufacturers National Corporation  
Chicago, Illinois

### *Order Approving the Acquisition of a Bank*

Coal City Corporation, Coal City, Illinois ("CCC") and its subsidiary, Manufacturers National Corporation, Chicago, Illinois ("MNC") (together "Applicant"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire at least 82.35 percent of the voting shares of Peterson Bank, Chicago, Illinois.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 52,792 (1994)). 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.

Applicant is the 63d largest commercial banking organization in Illinois, controlling deposits of \$286.5 million, representing less than 1 percent of total deposits in commercial banks in the state.<sup>1</sup> Peterson Bank is the 125th largest commercial banking organization in Illinois, controlling approximately \$153.4 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of the proposal, Applicant would become the 44th largest commercial banking organization in Illinois, controlling approximately \$439.9 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.

Applicant and Peterson Bank compete directly in the Chicago, Illinois, banking market.<sup>2</sup> After consummation of this proposal, numerous competitors would remain in the market, the market would remain unconcentrated, and the increase in market concentration, as measured by the Herfindahl-Hirschman Index ("HHI"), would not exceed the Department of Justice merger guidelines.<sup>3</sup> Based on all

the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition or the concentration of banking resources in the Chicago banking market or any other relevant banking market.

### *Convenience and Needs Considerations*

In acting on applications to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institutions," and to take that record into account in its evaluation of these applications.<sup>4</sup>

The Board has reviewed comments submitted by an individual ("Protestant") criticizing the record of Applicant's subsidiary bank, Manufacturers Bank, Chicago, Illinois, under the CRA. Protestant alleges that Manufacturers Bank has insufficient lending in its delineated community; lacks participation in government-sponsored programs; engages in a low level of lending to low- and moderate-income and minority residents; and provides insufficient mortgage funding. Protestant also questions whether Allied Bank of Coal City, N.A., Coal City, Illinois ("Allied Bank"), which is owned by Applicant, and Peterson Bank meet the credit needs of their respective communities.<sup>5</sup>

The Board has carefully reviewed the entire CRA performance record of Applicant's subsidiary banks, Allied Bank, and Manufacturers Bank, as well as Peterson Bank, all comments received on these applications, Applicant's re-

1. Deposit and state data are as of June 30, 1993.

2. The Chicago banking market is approximated by Cook, Du Page, and Lake Counties in Illinois.

3. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated. In such markets, the Justice Department is unlikely to challenge a merger. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities. In this case, the HHI for the Chicago banking market would not increase as a result of this transaction, and the post-merger HHI would remain at 595.

4. 12 U.S.C. § 2903.

5. Protestant also alleges that Applicant did not comply with the representations and commitments it made in its 1992 application to acquire MNC. In particular, Protestant alleges that Manufacturers Bank represented in 1992 that it would expand its mortgage lending and participation in the secondary mortgage market.

Since 1992, the Federal Reserve Bank of Chicago has monitored compliance by Applicant with the commitments made in connection with the 1992 application to acquire MNC. The record indicates that Manufacturers Bank has expanded its mortgage lending activities, and Applicant has participated in the secondary market for mortgage loans through Allied Bank. In addition, in June 1993, the bank's primary supervisor, the Federal Deposit Insurance Corporation ("FDIC"), examined the bank and determined that the bank's CRA performance is satisfactory. Based on the examination report, Applicant's compliance reports, and other facts of record, the Board believes Applicant is in compliance with the representations and commitments that it made to the Board in the 1992 application.

sponse to these comments, and all other relevant facts of record, in light of the CRA, the Board's regulations and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>6</sup>

#### A. Record of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.<sup>7</sup> The Board notes that Applicant's subsidiary banks each received a "satisfactory" rating at their most recent examination for CRA performance. Allied Bank received a "satisfactory" rating for its CRA performance from the Office of the Comptroller of the Currency ("OCC") dated October 25, 1991, and, as noted above, Manufacturers Bank received a "satisfactory" CRA rating from the FDIC in June 1993 ("1993 Examination"). In addition, Peterson Bank received a "satisfactory" rating from its primary regulator, the FDIC, at its most recent examination as of March 22, 1993.

#### B. Lending Activities

Manufacturers Bank is a relatively small bank, with approximately \$316 million in total assets, and operates in the Chicago, Illinois, banking market, primarily as a commercial lender. The record indicates that the bank has extended commercial loans throughout its community, including in predominantly minority and low- and moderate-income areas. Between December 31, 1992, and September 30, 1994, Manufacturers Bank increased the number of loans that it extended to borrowers in its delineated community from 50 to 88 and the dollar volume of these loans increased from \$9.9 million to \$26.7 million. Approximately 75 percent of these commercial loans were to borrowers in predominantly minority census tracts and approximately 90 percent were extended to borrowers in low- and moderate-income census tracts. More than 90 percent of the loans are extended to small businesses that operate in Manufacturers Bank's community.<sup>8</sup>

In 1993, Manufacturers Bank began to offer consumer loans. More than \$1 million in consumer loans have been made since 1993. Manufacturers Bank has actively marketed these loans in its delineated community and has originated such loans in 17 low- and moderate-income tracts. Manufacturers Bank also developed a used-car loan

program, and offers student loans in cooperation with a third-party lender.

The Board has carefully reviewed the data filed by Manufacturers Bank under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") from 1991 through 1994, in light of Protestant's allegations that the bank engages in low levels of lending for low- and moderate-income individuals, minorities, and affordable housing. The HMDA data indicate that there are some disparities in the application and denial rates for low- and moderate-income and minority mortgage loan applicants compared with other groups.<sup>9</sup>

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

The 1993 examination of Manufacturers Bank found no evidence of illegal discrimination or of practices intended to discourage credit applications. The examination concluded that Manufacturers Bank was in compliance with anti-discrimination laws and regulations. The examinations for Allied Bank and Peterson Bank did not find any discriminatory practices on the part of either bank, and the examinations indicate that both banks are active lenders in all areas of their communities.

Although Manufacturers Bank is primarily a commercial lender,<sup>10</sup> it has taken steps to enhance its levels of housing-related lending in the low- and moderate-income community. From June 1993 to June 1994, Manufacturers Bank has increased its 1-4 family residential lending by 12.8 percent. From 1991 to 1993, the number of HMDA-related applications from low- and moderate-income areas increased from six to 34 applications. Between 1992 and 1993, the total of HMDA loans extended within its delineated community increased from \$1.1 million to \$2.6 million.

Manufacturers Bank also seeks to improve its provision of mortgage credit by increasing the types of products it offers and participating in community development organizations. Manufacturers Bank has an arrangement under

6. 54 *Federal Register* 13,742 (1989).

7. *Id.* at 13,745.

8. Applicant defines a small business as one with annual sales of less than \$5 million.

9. The 1993 Examination found Manufacturers Bank's delineated community to be reasonable. The bank's delineated community is comprised almost entirely of low- and moderate-income census tracts. In September 1994, the bank expanded its delineated community to include four new census tracts and to exclude one census tract.

10. Only 9.8 percent of Manufacturers Bank's loan portfolio is in residential lending and consumer loans.



which it refers candidates for government-sponsored programs to a qualified local mortgage company. Since June 1994, Manufacturers Bank has offered a five-year and a ten-year home improvement loan, and has made a \$500,000 commitment to the Community Investment Corporation, which focuses its programs on the construction of multi-family dwellings. Twenty-four loans, totalling \$68,000 have been originated under the Community Investment Corporation program. Manufacturers Bank also purchased a \$100,000 security from the Illinois Housing Development Authority. This year Manufacturers Bank will initiate a new loan program called the Chicago West Town Purchase/Rehab Loan Program to develop a low-income home lending and home improvement program for the western part of Manufacturers Bank's delineated community.

The record indicates that Applicant's subsidiary bank, Allied Bank, meets the credit needs of its community. Allied Bank extends almost all of its commercial loans to small business owners. As of January 9, 1995, Allied had made 110 loans with \$11.4 million outstanding to small businesses. In addition, Allied Bank participates in the Illinois Guaranteed Student Loan Program and has over \$475,000 in loans outstanding. Allied Bank also has extended \$200,000 in loans as part of the State of Illinois Agriculture Program. Allied Bank makes most of its HMDA-related loans to borrowers in its delineated community and its originations increased from \$4.4 million in 1992 to \$5.9 million in 1993. In 1994, over 80 percent of its applications came from within its community. The percentage of HMDA-related applications Allied Bank received from low- and moderate-income areas increased to 6.6 percent of all applications in 1993 from 3.7 percent in 1992.<sup>11</sup>

### Conclusion

The Board has carefully considered all the facts of record, including the comments received, in reviewing the CRA records of performance for Manufacturers Bank, Allied Bank, and Peterson Bank. Based on a review of the entire record, including the information from Protestant and Applicant, and relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA records of performance of all three banks are consistent with approval of this application. The Board expects Manufacturers Bank to continue its efforts to increase lending within its delineated community.

### C. Other Considerations

Protestant also alleges that consummation of the proposal would result in a decline in Applicant's capital and that Applicant would not be able to service the debt that it would incur as part of this proposal. The Board has reviewed the effects of this transaction on Applicant's financial resources and the resources of the subsidiary banks. Applicant's debt service projections appear reasonable and are consistent with the Board's guidelines. In addition, Applicant, its subsidiary banks, and Peterson Bank would remain "well capitalized" after consummation of this transaction.<sup>12</sup>

Accordingly, the Board concludes that financial and managerial resources and future prospects of CCC, MNC, and their respective subsidiary banks, and the other supervisory factors that the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.<sup>13</sup>

12. Applicant is purchasing shares of Peterson Bank that are subject to a voting agreement, and Protestant asserts that the agreement results in a bank holding company that has not obtained the necessary Board approval. Protestant bases this assertion on the fact that one party to the agreement previously had participated in another voting agreement.

The Board has reviewed the voting agreement in light of the Board's statement on Voting Trusts and Buy-Sell Agreements ("Policy Statement"). Secretary Letter to the Presidents of the Reserve Banks no. 2196, 2 FRRS ¶ 4.185 (May 4, 1972). In its Policy Statement, the Board determined that in most cases, a voting trust or buy-sell agreement would not be viewed as a "company" under section 2(b) of the BHC Act if the agreement:

- (1) Relates only to the shares of a single bank;
- (2) Terminates within 25 years;
- (3) Engages in no other activity except to hold and vote the shares of a single bank; and
- (4) Involves parties who are not participants in any other similar arrangement with respect to any other bank or nonbank business.

The Board's review of the agreement indicates that the agreement meets all the Policy Statement's criteria. The Board does not believe, as Protestant alleges, that the participation by a single member of this voting agreement in an agreement with a different group of individuals regarding an unrelated bank would cause the voting agreement involving Peterson Bank to constitute a "company" for purposes of the BHC Act. In addition, the Board notes that the Peterson Bank agreement does not involve Applicant or its shareholders, and terminates after consummation of this proposal. Based on these and all the other facts of record, the Board concludes that the voting agreement involving Peterson Bank does not violate the BHC Act.

Protestant also asserts that the participation of Peterson Bank's ESOP as a party to the agreement violates the Employees Retirement Income Security Act of 1974 ("ERISA"). The Department of Labor, which is the agency responsible for enforcing ERISA, has informed the Board that ERISA does not prohibit the ESOP from owning securities that are subject to the restrictions of the voting agreement.

Protestant also alleges that Peterson Bank and its officers and directors breached their fiduciary duty to the minority shareholders of Peterson Bank in negotiating and accepting Applicant's offer, as structured. These questions raise matters under state law governing shareholder rights and the fiduciary duty of corporate officers and directors. The courts have determined that the Board does not have authority under the BHC Act to consider these matters unless they directly relate to a factor specified in the BHC Act. *Western Bancshares, Inc., v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). After considering the managerial and financial resources of the Applicant, and reviewing the relevant examinations of Applicant's bank subsidiaries and Peterson Bank, the Board concludes that Protestant's comments on these matters do not reflect so adversely on the factors the Board is required to consider under the BHC Act as to warrant denial of this proposal.

13. The Protestant also alleges that a new issue of preferred shares may be purchased by controlling shareholders and that the shareholders have not made the appropriate filings under the Change in Bank Control Act ("CIBC

11. Since 1992, Allied Bank sold over 200 loans to FNMA and serviced an additional 197 loans, totalling \$12.2 million, for FNMA. Peterson Bank also participates in the secondary mortgage market by selling loans through an independent FHA and VA lender.

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

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

By order of the Board of Governors, effective January 17, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

#### First Bancshares of Valley City, Inc. Valley City, North Dakota

##### *Order Approving the Merger of Bank Holding Companies*

First Bancshares of Valley City, Inc., Valley City, North Dakota ("First Bancshares"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all of the voting shares of Insurance by Strehlow, Inc. ("Strehlow"), and thereby indirectly acquire The First State Bank of Casselton, both of Casselton, North Dakota.<sup>1</sup>

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 47,336 (1994)). 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 of the BHC Act.

First Bancshares is the 25th largest commercial banking organization in North Dakota, controlling deposits of \$57.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.<sup>2</sup> Strehlow is the 55th largest commercial banking organiza-

tion in North Dakota, controlling deposits of \$26.9 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, First Bancshares would become the 16th largest commercial banking organization in North Dakota, controlling deposits of \$84 million, representing approximately 1.2 percent of total deposits in commercial banking organizations in the state.

First Bancshares and Strehlow do not compete directly in any relevant banking markets. Based on all the facts of record, the Board concludes that the acquisition of Strehlow and its subsidiary bank would not result in any significantly adverse effects on competition or concentration of banking resources in any relevant banking market. The Board also concludes that the financial and managerial resources and future prospects of First Bancshares, Strehlow, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this application.

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

The acquisition of Strehlow shall not be consummated before the fifteenth calendar day following the effective date of this order, and neither transaction shall 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 Minneapolis, acting pursuant to delegated authority.

By order of the Board of Governors, effective January 11, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

#### KeyCorp Cleveland, Ohio

##### *Order Approving Acquisition of a Bank*

KeyCorp, Cleveland, Ohio ("KeyCorp"), and its wholly owned subsidiary, Key Bancshares of Maine, Inc., Portland,

Act"). Applicant has not issued the shares at this time, and thus it is uncertain whether a CIBC Act filing would be required.

1. Strehlow does not engage directly or indirectly in any nonbanking activities.

2. Asset and state deposit data are as of June 30, 1994.

Maine ("Key Maine"), both bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Casco Northern Bank, N.A., Portland, Maine ("Bank"), and thereby indirectly acquire Bank's subsidiaries.<sup>1</sup>

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 52,306 (1994)). 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 of the BHC Act.

KeyCorp, through Key Maine, is the second largest commercial banking organization in Maine, controlling deposits of \$2 billion, representing 29.3 percent of total deposits in commercial banking organizations in the state.<sup>2</sup> Bank is the third largest commercial banking organization in Maine, controlling \$895.5 million in deposits, representing 13.5 percent of total deposits in commercial banking organizations in the state.

#### *Douglas Amendment Analysis*

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside its home state unless such 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."<sup>3</sup> For purposes of the Douglas Amendment, the home state of KeyCorp is Ohio.

The statute laws of Maine permit an out-of-state bank holding company, such as KeyCorp, to acquire a bank located in Maine.<sup>4</sup> Based on a review of the relevant state statutes, the Board has concluded that approval of this proposal is not prohibited by the Douglas Amendment. The Board's action on this proposal is specifically conditioned upon KeyCorp's receiving all required state approvals.

#### *Competitive Considerations*

KeyCorp and Casco compete directly in ten banking markets in Maine and one in New Hampshire. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets, in light of all the facts of record, including the charac-

teristics of these markets, the increase in the concentration of total deposits in depository institutions<sup>5</sup> in these markets as measured by the Herfindahl-Hirschman Index ("HHI"),<sup>6</sup> and commitments made by KeyCorp.

In five banking markets in Maine, specifically Bridgton, Sanford, Augusta, Lewiston-Auburn, and Brunswick, an increase in the concentration of total deposits in depository institutions in the market, as measured by the HHI, indicates that the proposal could result in significantly adverse competitive effects. In order to mitigate the potential that this proposal may result in adverse competitive effects in these markets, KeyCorp has committed to divest branches in these five banking markets<sup>7</sup> to an acquirer that could purchase the branches without substantially lessening of competition in these markets.<sup>8</sup> After consummation of this proposal and the divestiture of the branch offices in these five banking markets, the competitive effect of this proposal in these markets would be consistent with the merger guidelines established by the Justice Department and the parameters applied by the Board in previous decisions.<sup>9</sup>

5. Market data are as of June 30, 1993. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See *WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

7. The Bridgton banking market consists of the Cumberland County townships of Bridgton and Harriston, and the Oxford County townships of Denmark and Sweden. The Sanford banking market consists of the York County townships of Acton, Alfred, Limerick, Newfield, Sanford, Shapleigh, and Waterboro. The Augusta banking market consists of the Augusta RMA plus the Somerset County townships of Canaan and Smithfield; the Waldo County townships of Freedom, Palermo, Thorndike, Troy, and Unity; the Lincoln County townships of Jefferson, Somerville, Whitefield, and Hibberts Gore; the Knox County townships of Washington; and the Kennebec County townships of Albion, Belgrade, China, Clinton, Fayette, Litchfield, Monmouth, Mount Vernon, Rome, Sydney, Smithfield, Vienna, Wayne, and Windsor. The Lewiston-Auburn banking market consists of the Lewiston-Auburn RMA plus the Androscoggin County townships of Durham, Leeds, Turner and Wales; the Oxford County township of Hebron; and the Cumberland County township of New Gloucester. The Brunswick banking market consists of the Brunswick/Bath RMA plus the Sagadahoc County townships of Arrowsic, Bowdoin, Georgetown, Phippsburg, and Woolwich; and the Lincoln County townships of Alna, Dresden, Westport, and Wiscasset.

8. KeyCorp has committed to sell these branches either to an organization that does not currently operate in these markets or to certain in-market competitors.

9. Taking the proposed divestitures into account, upon consummation of this proposal, the HHI in these five banking markets would not increase by more than the following amounts: Bridgton would remain at 3547; Sanford

1. Bank controls twelve wholly owned subsidiaries that are engaged in holding assets acquired in the ordinary course of collecting a debt previously contracted in good faith.

2. State deposit data are as of June 30, 1994.

3. 12 U.S.C. § 1842(d). 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.

4. See *Me. Rev. Stat. Ann. tit. 9-B*, § 1013 (1993).

KeyCorp and Bank also compete in the Portland and Bangor banking markets. In the Portland banking market,<sup>10</sup> KeyCorp would, absent divestitures, become the largest depository institution in the market upon the acquisition of Bank, controlling \$1.1 billion in deposits, representing approximately 33.3 percent of total deposits in depository institutions in the market. In connection with this proposal, KeyCorp has committed to divest branches in these markets to an out-of-market competitor, or to a specific in-market, full-service competitor. Upon consummation of this proposal, and after completing the proposed divestitures, the HHI would increase by no more than 368 points to 2167.<sup>11</sup> A number of factors indicate that the increase in concentration levels in the Portland banking market, as measured by the HHI, tend to overstate the competitive effects of this proposal. For example, upon consummation of this proposal, 13 depository institutions would remain in the market, several with significant market shares. The divestiture of approximately \$127 million of deposits and \$118 million of loans in this market would create a strong competitor to replace Bank. In addition, the Portland banking market is relatively attractive for entry, with two new banks having entered this market between 1991 and 1994. Finally, credit unions have a competitive effect on banking services offered in the Portland banking market.<sup>12</sup>

In the Bangor banking market,<sup>13</sup> KeyCorp would become the second largest depository institution after acquiring Bank, controlling \$174 million of deposits, representing approximately 22.7 percent of total deposits in depository institutions in the banking market. The HHI would increase by 214 points to 2076. A number of factors indicate that the increase in concentration levels in the Bangor banking

market, as measured by the HHI, tend to overstate the competitive effects of this proposal. Upon consummation of this proposal, eight depository institutions would remain in this market, several of which would have a significant market share. In addition, the market is relatively attractive for entry as evidenced by the entry to this market of one new bank and two *de novo* entrants during 1991 and 1992, and credit unions also have a competitive effect on banking services offered in this market.<sup>14</sup>

Consummation of this proposal in the remaining banking markets where KeyCorp and Bank compete would not exceed Justice Department guidelines and numerous competitors would remain in each of these banking markets.<sup>15</sup> In accordance with the BHC Act, the Board has sought comments from the Justice Department on the competitive effects of this proposal. The Justice Department has indicated that, in light of the proposed divestitures, this proposal is not likely to have a significantly adverse effect on competition in any relevant banking market. Based on all the facts of record, including the facts discussed above and the divestitures proposed by KeyCorp,<sup>16</sup> the Board concludes that consummation of this proposal is not likely to have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market.<sup>17</sup>

The Board also has concluded that the financial and managerial resources and future prospects of KeyCorp and Bank and their respective subsidiaries, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.<sup>18</sup>

would remain at 2165; Augusta would increase by 199 points to 2083; Lewiston-Auburn would increase by 199 points to 2212; and Brunswick would increase by 414 points to 1763.

10. The Portland banking market consists of the Portland RMA plus the Cumberland County townships of Baldwin, Casco, Naples, Pownal, Sebago; and the York County townships of Dayton, Hollis, Kennebunkport, Limington, Lyman, North Kennebunkport, and the city of Biddeford.

11. Market share data are based on calculations in which the deposits of Peoples Heritage Savings Bank, Portland, Maine ("Peoples Bank") are included at 100 percent. The deposits of all other thrifts in this market are included at 50 percent. The Board previously has indicated that Peoples Bank offers all or virtually all of the cluster of banking products and services, including commercial loans, and, thus, is a full competitor of commercial banks. See *Peoples Heritage Financial Group*, 80 *Federal Reserve Bulletin* 755 (1994); *Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 750 (1991). In the Portland banking market, Peoples Bank ranks second in market deposits, and non-real-estate commercial loans outstanding as of June 30, 1994, accounted for 9.7 percent of total assets.

12. There are 28 credit unions in this market, controlling approximately 19 percent of the combined deposits in depository institutions and credit unions in the market, which is substantially higher than the 5.6 percent national average of deposits controlled by credit unions.

13. The Bangor banking market consists of the Bangor RMA plus the Penobscot County townships of Alton, Amherst, Argyle, Bradford, Bradley, Carmel, Charleston, Clifton, Corinth/East Corinth, Dixmont, Etna, Greenbush, Greenfield, Hudson, LaGrange, Levant, Milford, Newburgh, and Stetson; the Hancock County townships of Bucksport, Castine, Dedham, Orland, Otis, and Verona; the Waldo County townships of Frankfort, Prospect, and Stockton Springs; and the unorganized townships T1N.D. and T32M.D.

14. There are 11 credit unions in this market, controlling approximately 17 percent of the combined deposits in depository institutions and credit unions in the market.

15. The changes in the HHI in the three remaining banking markets in Maine would be as follows: Damariscotta would increase by 59 points to 3615; Ellsworth would increase by 70 points to 2195; and Rockland would increase by 77 points to 3250. The HHI in the Portsmouth-Dover-Rochester, New Hampshire, banking market would increase 7 points to 1090.

16. As part of its commitment to divest branches in the Bridgton, Sanford, Augusta, Lewiston-Auburn, Brunswick and Portland banking markets, KeyCorp has committed to execute sales agreements for each of the proposed divestitures prior to consummation of this proposal, and to complete these divestitures within 180 days of consummation. KeyCorp also has committed that in the event it is unsuccessful in completing these divestitures within 180 days of consummation of the proposal, it will transfer these branch offices to an independent trustee that will be instructed to sell the branches promptly. See *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338, 340 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484, 485 (1991).

17. The Board received comments from an individual ("Protestant") alleging that this proposal would have anti-competitive effects on banking services in Maine. For the reasons set forth above, the Board concludes that competitive considerations are consistent with approval of this application.

18. In evaluating financial and managerial resource considerations, the Board carefully considered comments received from Protestant alleging that lax management and supervision by KeyCorp have resulted in excessive expenses for its Maine operations. Protestant has provided no evidence to support these allegations. The Board has carefully reviewed these allegations in light of all facts of record, including relevant reports of examination. The Board notes that the findings and conclusions in these examinations do not support Protestant's allegations. The Protestant also commented on other

Considerations relating to convenience and needs of the communities to be served also are consistent with approval.<sup>19</sup>

Based on the foregoing and all the other facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>20</sup> The Board's approval of this proposal is expressly conditioned on KeyCorp's compliance with all the commitments made in connection with this application, and on the receipt by KeyCorp and its subsidiary banks of all necessary approvals from federal and state regulators. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective January 17, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

aspects of the operations of KeyCorp and its subsidiary banks, including their record under the Community Reinvestment Act and transactions and dealings between the Protestant and KeyCorp's subsidiary banks. All of these concerns were carefully reviewed and considered by the Board in connection with KeyCorp's application to acquire BANKVERMONT Corporation. See *BANKVERMONT Corporation*, 81 *Federal Reserve Bulletin* 160 (1995). For the reasons explained in that order, and based on all facts of record, the Board does not believe that the comments warrant denial of this proposal.

19. In connection with this application, the Board received 21 comments from individuals, organizations, local businesses and public officials supporting this proposal and commending KeyCorp for its commitment to its community, and, in particular, its commitment to meeting the credit and banking needs of local citizens and businesses.

20. Protestant has requested that the Board hold a public meeting or hearing on this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation. Generally, under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered Protestant's request. In the Board's view, Protestant has had ample opportunity to present written submissions, and Protestant has submitted substantial written comments that have been considered by the Board in connection with this application and KeyCorp's application to acquire BANKVERMONT Corporation. In light of the foregoing and all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record on this application, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on this application is denied.

Peak Banks of Colorado, Inc.  
Nederland, Colorado

#### *Order Approving Formation of a Bank Holding Company*

Peak Banks of Colorado, Inc., Nederland, Colorado ("Applicant"), has applied under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring all the voting shares of Peak National Bank, Nederland, Colorado ("Bank").<sup>1</sup>

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 35,122 (1994)). 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 of the BHC Act.

Applicant is a nonoperating corporation formed for the purpose of acquiring Bank. Bank is the 97th largest commercial banking organization in Colorado, controlling deposits of approximately \$40 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.<sup>2</sup> Based on all the facts of record, including the fact that this transaction constitutes a corporate reorganization, the Board believes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval.

The Board also concludes that the financial and managerial resources and future prospects of Applicant and Bank, and the convenience and needs and other supervisory factors that the Board is required to consider under section 3 of the BHC Act, are consistent with approval of this proposal.

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

This transaction shall not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months after the effective date of

1. This transaction constitutes a reorganization of interests by the shareholders of Bank. After consummation of this transaction, all shareholders of Bank would become shareholders of Applicant.

2. Deposit data are as of September 30, 1994.



this order, unless such period is extended for good cause by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective January 30, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

Whitney Holding Corporation  
New Orleans, Louisiana

### *Order Approving the Acquisition of a Bank*

Whitney Holding Corporation, New Orleans, Louisiana ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of Whitney Bank of Alabama, Mobile, Alabama ("Alabama Bank"), a *de novo* bank. Following consummation of this transaction, Alabama Bank would acquire substantially all the assets and assume substantially all the liabilities of five of the nine branches of Peoples Bank, Elba, Alabama ("Peoples Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 53,988 (1994)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3 of the BHC Act.

Applicant, a one-bank holding company, is the fourth largest commercial banking organization in Louisiana, controlling approximately \$2.4 billion in deposits, representing approximately 7.2 percent of total deposits in commercial banks in the state.<sup>1</sup> Peoples Bank is the 19th largest commercial banking organization in Alabama, controlling deposits of approximately \$174.3 million, representing less than 1 percent of total deposits in commercial banking organizations in Alabama. Upon consummation of the proposal, Applicant would become the 43d largest commercial banking organization in Alabama, controlling approximately \$92 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.

Applicant and Peoples Bank do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

### *Douglas Amendment*

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside the bank holding company's home state, unless such 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."<sup>2</sup> For purposes of the Douglas Amendment, Applicant's home state is Louisiana.<sup>3</sup>

Alabama<sup>4</sup> and Louisiana<sup>5</sup> have enacted banking statutes that permit out-of-state bank holding companies to acquire banks in their respective states, provided that the home state of the acquiring bank holding company permits the acquisition of banks in that state on a reciprocal basis. The Alabama state banking supervisor concluded that Applicant's proposal is authorized under Alabama law and has approved this transaction. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment.

### *Convenience and Needs Considerations*

In acting on an application under the BHC Act to acquire a depository institution, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.<sup>6</sup>

The Board received comments from the Plaisance Development Corporation ("Protestant"), maintaining that Applicant and its subsidiary bank, Whitney National Bank, New Orleans, Louisiana ("Whitney"), have failed to meet the banking needs of all segments of Whitney's delineated

1. Banking data are as of September 30, 1994.

2. 12 U.S.C. § 1842(d).

3. 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.

4. Ala. Code § 5-31A-1 *et seq.* (West Supp. 1994).

5. La. Rev. Stat. Ann. § 6:531 *et seq.* (West Supp. 1994).

6. 12 U.S.C. § 2903.

communities,<sup>7</sup> especially African Americans, and to comply with fair lending laws.<sup>8</sup> Protestant also contends that disparities in the rates of home-related loan applications from and loan originations to African Americans compared with those for white residents in Whitney's 1992 and 1993 data collected under the Home Mortgage Disclosure Act ("HMDA") indicate illegal discrimination.<sup>9</sup>

The Board has carefully reviewed the CRA performance record of Whitney, all comments received on this application, including Whitney's response to these comments, and all other facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>10</sup>

### *Record of CRA Performance*

#### A. Evaluation of CRA Performance

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.<sup>11</sup> The Board notes that Whitney received a "satisfactory" rating from its primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"), at its most recent examination for CRA performance as of November 16, 1994 ("1994 CRA Examination"). Peoples Bank also received a "satisfactory" rating from its primary federal supervisor, the Federal Deposit Insurance Corporation, at its most recent CRA performance examination as of January 18, 1994.

7. Whitney's three delineated communities include New Orleans (Orleans, Jefferson, and St. Tammany Parishes), Baton Rouge (East Baton Rouge Parish), and Lafayette (Lafayette Parish).

8. In particular, Protestant alleges that Applicant and Whitney have failed to:

- (1) Develop and implement CRA policies;
- (2) Provide capital and financing to African-American homeowners;
- (3) Provide funds, grants, and loans to African-American community organizations;
- (4) Provide capital to businesses owned by African Americans;
- (5) Participate in community development projects to improve economic opportunities in African-American communities; and
- (6) Locate branches in African-American communities.

9. Protestant also maintains that several factors contribute to Applicant's and Whitney's alleged failure to comply with fair lending laws, including the following: delineation of service areas to exclude the African-American community; solicitation of real estate agents and developers serving predominantly white residential areas; employment of few African-American loan officers; use of a compensation program for lending officers that provides incentives to solicit and originate mortgages only on higher-priced homes; failure to use media and images oriented to the African-American community in advertising its loan products; and infrequent marketing of its Federal Housing Administration, Veterans Administration, and Small Business Administration loan products in the African-American community.

10. 54 *Federal Register* 13,742 (1989).

11. *Id.* at 13,745.

#### B. HMDA Data and Lending Practices

The Board has carefully reviewed Whitney's 1992, 1993, and preliminary 1994 HMDA data in light of Protestant's comments. In general, these data indicate an improvement in Whitney's record of HMDA-reported loans to African Americans in its delineated communities. For example, the 1993 HMDA data indicate an increase in the number and percentages of HMDA-reported loans originated to African Americans in Whitney's New Orleans and Lafayette delineated communities. The preliminary 1994 HMDA data indicate an increase in loan applications from and loan originations to African Americans in each of Whitney's New Orleans, Baton Rouge and Lafayette delineated communities.<sup>12</sup> However, these data also reflect disparities at Whitney in the rate of loan originations, denials, and applications by racial group or income level.

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

The Board has carefully reviewed Protestant's allegations regarding Whitney's record in lending to minorities, particularly African Americans, in light of information from its primary supervisor, the OCC. The report of the 1994 CRA Examination ("1994 CRA Examination Report") stated that examiners found no evidence of prohibited discrimination or any practices or procedures that would discourage applications for available credit from any segment of Whitney's delineated communities, or other illegal credit practices. Examiners also found that Whitney was in compliance with the substantive provisions of the fair lending laws. Moreover, examiners reported that the geographic distribution of Whitney's HMDA-reported loan applications, approvals, and denials represents a reasonable penetration of all segments of its delineated communities, including low- and moderate-income areas. In addition, the OCC conducted a fair lending review as part of its 1994 CRA Examination of Whitney and found no evidence of illegal discriminatory treatment of minority applicants. The 1994 CRA Examination Report also noted that Whitney has adopted adequate policies, procedures, and training pro-

12. Beginning in 1994, Whitney has excluded data on loans sold into the secondary market in its HMDA reporting at the request of the OCC. The Board's analysis of Whitney's preliminary 1994 HMDA data includes such loans for purposes of comparison with prior years.

grams, including fair lending training, to support nondiscriminatory lending decisions.<sup>13</sup>

Whitney has taken several steps to increase its lending to minority and low- and moderate-income borrowers. For example, Whitney has a second review process for all mortgage, small business, and consumer loan applications recommended for denial to determine whether a denial is justified, and to determine whether there are alternative means of meeting the applicant's credit needs. This process is designed to ensure that all applicants, including minority and low- and moderate-income applicants, receive equitable consideration in credit decisions.

In addition, in late 1993, Whitney initiated a special loan product through its Neighborhood Housing Program that focuses on low- and moderate-income borrowers. This product, which is available in each of Whitney's delineated communities, offers a below-market interest rate for borrowers with income under 80 percent of median income, and offers an even lower rate for borrowers with income under 50 percent of median income. The product also provides for higher than standard debt-to-income ratios, non-traditional methods of establishing credit histories, and reduced down payments and closing costs, and requires no private mortgage insurance, discount points or origination fees. The 1994 CRA Examination Report found that, as of October 1994, Whitney had made 144 loans under its Neighborhood Housing Program, totalling more than \$7 million. Seventy-six of these loans, totalling \$3.4 million, were to African Americans.

In 1994, Whitney began underwriting loans through Federal Housing Administration ("FHA") and Veterans Administration ("VA") loan programs. Examiners reported that, as of October 1994, Whitney had made FHA and VA loans totalling more than \$850,000. In addition, in 1994, Whitney began participating in the Louisiana Housing Finance Agency Bond Program. The Board notes that Whitney also implemented a goal-oriented, incentive-based compensation plan as part of its efforts to encourage housing-related loans to low- and moderate-income residents.

Whitney also assists in meeting the affordable housing needs of minority and low- and moderate-income residents throughout its delineated communities through active participation in various affordable housing programs and projects of government agencies, non-profit organizations, and private businesses. For example, through its Neighborhood Housing Program, Whitney works closely with several non-profit housing organizations that offer homebuyer training programs for low- to moderate-income residents, including

Neighborhood Housing Services ("NHS") of New Orleans, Inc., St. Tammany Community Homeowner Counseling Center, and various housing authorities in its New Orleans community; NHS of Lafayette LA, Inc., in its Lafayette community; and Mid City Redevelopment Alliance and Second Chance Academy in its Baton Rouge community. Since October 1993, Whitney has funded 60 mortgage loans, totalling \$3.2 million, to clients of NHS of New Orleans, Inc., and nine mortgage loans, totalling approximately \$427,000, to clients of NHS of Lafayette, LA, Inc., both non-profit corporations that assist minorities and low- and moderate-income residents in obtaining flexible-term mortgage loans and meeting down payment and closing costs. During this same period, Whitney also made 25 mortgage loans totalling approximately \$1.2 million to low- and moderate-income graduates of the Neighborhood Development Foundation's Homebuyer Training Program.

In addition, Whitney has financed 36 mortgage loans to African-American borrowers, totalling more than \$865,000, through the New Orleans Home Mortgage Authority PRIDE Program ("NOHMA"), which provides interest-free loans for up to one-half of the down payment and closing costs in connection with Whitney mortgage loans. Whitney also participates in a program sponsored by the City of New Orleans, "Inner-City Vision: A Plan for Today and Tomorrow," which has designated 12 inner-city neighborhoods for redevelopment.<sup>14</sup> In addition, Whitney extended a line of credit to a community-based organization in Baton Rouge for the purchase of houses formerly owned by the U.S. Department of Housing and Urban Development that will be sold to low-income residents. Moreover, Whitney extended a line of credit to a minority mortgage company that focuses on lending in minority neighborhoods in New Orleans.

In the past four years, Whitney has extended a line of credit to a developer to fund the rehabilitation of more than 150 residences in New Orleans that he subsequently sold to low- and moderate-income homeowners, including African Americans. In addition, in the last two years, Whitney loaned up to \$3 million to renovate 124 affordable housing rental units in a New Orleans apartment complex in which the majority of the residents are African Americans. In its Baton Rouge community, Whitney has loaned more than \$530,000 to purchase and renovate four low- and moderate-income apartment complexes, with predominantly African-American residents. Whitney also has made annual contributions exceeding \$250,000 to various neighborhood, housing, and other organizations, including those that pri-

13. Whitney responded to Protestant's comments that Whitney employs few minority lending officers by noting that the managers of Whitney's Mortgage Loan Operations, its Neighborhood Housing Program, and many of its branches are minorities. In addition, Whitney notes that, in September 1994, it hired a minority as the full-time mortgage lending officer for the Baton Rouge community.

14. Whitney also donated funds to cover start-up costs to help establish New Orleans and Baton Rouge offices of the Local Initiatives Support Corporation ("LISC"), a national nonprofit organization that assists in organizing community development companies to redevelop low- and moderate-income neighborhoods.

marily benefit African Americans, in its delineated communities.

To help meet consumer credit needs of low- and moderate-income residents, including minorities, Whitney offers its "Opportunity Loan" product, which provides smaller loan amounts and flexible underwriting criteria to assist low- and moderate-income borrowers who otherwise might not qualify for credit. Since the product's inception in December 1993, Whitney has made 108 loans totalling \$232,000, including 46 loans totalling \$101,000 in predominantly minority census tracts. In addition, Whitney offers a secured credit card to assist persons who have had difficulties establishing or re-establishing credit. Whitney also offers a Senior Economic Checking Account, which has no monthly charges, as well as government check cashing services.

### C. Small Business Lending

Whitney also actively engages in small business lending, with special programs focusing on minority-owned businesses and businesses in low- and moderate-income areas. Whitney has established an Economic Development Lending Department, which specializes in making loans to entrepreneurs and owners of existing small businesses, who do not meet all the requirements for conventional commercial bank financing. Whitney also participates in numerous federal and state government-related small business loan programs. For example, Whitney began participating in Small Business Administration ("SBA") loan programs in 1993. As a certified SBA lender, Whitney participates in various SBA lending programs, including the SBA Women Pre-qualified Loan Program and the SBA Small Loan Pilot Program, and had SBA loans outstanding totalling approximately \$4.9 million as of October 1994.

In addition, Whitney invested \$250,000 in the New Orleans Small Business and Industrial Development Corporation, Inc., a private community development financial institution that makes loans to small businesses within the city, and funded three such loans totalling \$400,000, including two loans to African Americans. As of year end 1994, Whitney had made seven loans totalling \$500,000 through the Jefferson Parish Economic Development Commission ("JEDCO"). In addition, Whitney committed \$1 million to the JEDCO Loan Pool, the first commercial bank pool for small business loans in southern Louisiana. Whitney also made 15 loans totalling approximately \$5 million in conjunction with the Regional Loan Corporation ("RLC"), which administers a number of economic development loan programs for the City of New Orleans and surrounding parishes. In 1994, Whitney donated funds to help establish the Louisiana Capital Certified Development Corporation, the certified development corporation for Lafayette Parish, and loaned approximately \$93,000 through the corporation.

As of October 1994, Whitney had approximately \$25 million in loans outstanding under these and other government-related small business loan programs, including \$2.8 million in loans through the Louisiana Small Business Linked-Deposit Program, through which small business borrowers receive loans with below-market interest rates, and \$9 million in industrial revenue bond loan participations. In addition, Whitney loaned \$100,000 for the organizational expenses of a new minority-owned depository institution in New Orleans.

### D. Ascertainment and Marketing

Whitney uses various methods to ascertain community credit needs and to reach all segments of its delineated communities. The 1994 CRA Examination Report stated that Whitney established a formal ascertainment program that is administered by the Community Affairs Officer and supervised by the CRA Officer. In 1993, Whitney implemented a Needs Ascertainment Program, under which Whitney's calling officers have made 140 community contacts and have held many meetings with government representatives.

The 1994 CRA Examination Report stated that bank employees also participated in numerous trade shows, special events, and bank fairs throughout Whitney's delineated communities, featuring home buyer, affordable housing, and small business lending programs. In addition, Whitney participated in affordable housing seminars for real estate professionals. Whitney also has conducted educational workshops and credit seminars in cooperation with a university and various community organizations that primarily serve the African-American community, including workshops and seminars in minority churches, and has contacted residents of local housing projects.

In addition, examiners reported that Whitney's marketing program is designed to reach all segments of its delineated communities. Whitney markets its products and services through a variety of advertising methods, including print and broadcast media and billboards. These activities include marketing efforts directed toward African Americans and Hispanics, such as advertising in newspapers circulated primarily in the African-American and Hispanic communities. Whitney also has increased the use of minority models in its advertising. In April 1994, Whitney began a cultural diversity media campaign, including a series of advertisements in minority publications, which features many African Americans and the diverse cultures of the region.

### E. Community Delineation and Branch Locations

The 1994 CRA Examination Report indicated that Whitney's delineation of its three communities using parish boundaries is reasonable, is consistent with Whitney's size

and resources, and does not arbitrarily exclude low- and moderate-income areas. Examiners noted that Whitney's branches are reasonably accessible to all segments of its community, including low- and moderate-income neighborhoods.

The Board notes that, of Whitney's 44 branches, 18 are located in or immediately adjacent to low- and moderate-income census tracts, which also represent predominantly African-American neighborhoods. In addition, examiners reported that Whitney added loan officers in various branches, including branches in Lafayette and Baton Rouge, to make mortgage lending services more accessible and extended business hours at 27 branches to accommodate all segments of its delineated community. The Board notes that Whitney had only one branch in its Baton Rouge delineated community until March 1994, when it acquired six additional branches, of which three are located in or adjacent to predominantly African-American census tracts.

The 1994 CRA Examination Report also indicated that Whitney has a comprehensive branch closing policy, which requires an assessment of the adverse impact that a closing would have on the branch's community. The Board notes that Whitney has not closed any branches in the last nine years.

#### F. CRA Policies and Procedures

Whitney has adopted and implemented formal CRA policies and procedures consistent with an effective CRA program. The 1994 CRA Examination Report stated that Whitney's board of directors has adopted a CRA strategic plan that outlines CRA goals and objectives and provides specific strategies to achieve them. Examiners also reported that the CRA Committee has adopted CRA action plans for each of Whitney's three delineated communities.

In addition, examiners reported that the board of directors maintains active oversight of Whitney's CRA program through various reporting mechanisms, including monthly reports on Whitney's CRA activities, quarterly CRA monitoring reports that inform the board of directors and senior management of progress in implementing the CRA strategic plan, and annual CRA self-assessment reports that evaluate Whitney's CRA activities and recommend improvements. The board of directors also receives needs ascertainment reports that identify community needs and actions taken to address such needs, and geographic loan distribution analyses that report Whitney's loans and deposits by census tract. In addition, examiners noted that Whitney provides fair lending and cultural diversity training to its employees at all levels, including the board of directors.<sup>15</sup>

15. Applicant has committed to implement its CRA program at Alabama Bank. In particular, Applicant has committed to adopt a CRA strategic plan and a CRA action plan tailored to the needs of Alabama Bank's delineated community, which include elements that address active involvement of

#### *Conclusion on Convenience and Needs Factors*

On the basis of all the facts of record, including information provided by the Protestant, Applicant's responses, and the relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA performance records of the institutions involved in the proposal, are consistent with approval of this application. The Board will monitor and assess the success of Whitney's continued efforts to increase its lending to minorities and low- and moderate-income borrowers in, and to residents in minority and low- and moderate-income areas of, each of its delineated communities, especially its Baton Rouge and Lafayette communities, in connection with future applications by Applicant to expand its deposit-taking facilities.

#### *Other Considerations*

The Board also has reviewed information concerning the financial and managerial resources and future prospects of Applicant and Alabama Bank and the other supervisory factors the Board must consider under section 3 of the BHC Act, and concludes that these factors are consistent with approval of this proposal.

#### *Conclusion*

Based on the foregoing, including all the facts of record, the Board has determined that this application should be, and hereby is, approved.<sup>16</sup> The Board's approval is conditioned on Applicant's compliance with all commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions

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Alabama Bank's board of directors and its CRA Committee in CRA planning and implementation; effective ascertainment of the credit needs of Alabama Bank's delineated community; affordable housing programs and consumer loan products targeted to low- and moderate-income residents, including minorities; government-related small business products; implementation of a second review process substantially similar to Whitney's second review process, discussed above; marketing and media plans and significant outreach and educational efforts by Alabama Bank's staff to reach all segments of Alabama Bank's delineated community; analyses of the geographic distribution of Alabama Bank's loans and deposits with action plans to take appropriate steps to provide Alabama Bank's products and services to all segments of its delineated community; and fair lending and cultural diversity training for all of Alabama Bank's employees.

16. Protestant also appears to maintain that Applicant and Whitney discriminate against African Americans in their employment practices. The Board notes that, because Whitney employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, Applicant and its subsidiaries are subject to regulations enforceable by the Department of Labor that require:

- (1) The filing of annual reports with the Equal Employment Opportunity Commission; and
- (2) A written affirmative action compliance program which states efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel. See 41 C.F.R. 50-1.7(a), 60-1.40.



imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective January 24, 1995.

Voting for this action: Chairman Greenspan, and Governors Kelley, LaWare, Lindsey, Phillips and Yellen. Absent and not voting: Vice Chairman Blinder and Governor Lindsey.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

### *Orders Issued Under Section 4 of the Bank Holding Company Act*

**BNCCORP, INC.**  
Bismarck, North Dakota

#### *Order Approving Notice to Conduct Data Processing Activities*

BNCCORP, INC., Bismarck, North Dakota ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has given notice under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) of its intention to acquire all the voting shares of JMS Systems, Inc., Bismarck, North Dakota ("Company"), and thereby engage in data processing and data transmission activities pursuant to section 225.25(b)(7) of Regulation Y for depository institutions such as banks and savings associations ("financial institutions") and for other customers. Company's activities would be limited to data processing and transmission services, and would not include the provision of management assistance or advice to any financial institution or other customer.<sup>1</sup>

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 30,587, 61,895 (1994)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

1. For example, in providing data processing services to financial institutions for loan processing and credit analysis, Company would not make lending or credit decisions for its customers, would not process loan or credit applications using the underwriting or credit standards of a bank affiliated with Company, and would not provide software that incorporates the underwriting or credit standards of any such affiliated bank.

Applicant, with \$144.4 million in total consolidated assets, is the 11th largest commercial banking organization in North Dakota, controlling \$119.8 million in deposits.<sup>2</sup> Applicant operates three subsidiary banks in North Dakota. Company is a going concern with offices in Bismarck, North Dakota.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board has previously determined that certain data processing activities are closely related to banking and permissible for bank holding companies under section 4(c)(8) of the BHC Act. In particular, Regulation Y permits bank holding companies to provide data processing and transmission services, facilities, data bases, or access to such services, facilities, or data bases by any technological means, so long as the data to be processed or furnished are "financial, banking, or economic" in nature.<sup>3</sup> Applicant proposes to provide comprehensive data processing services needed in the operation of a financial institution.<sup>4</sup> Except as discussed below, all of Company's proposed activities would specifically involve financial, banking, or economic data, and Applicant has committed that Company will conduct its data processing and transmission activities in accordance with the requirements set forth in Regulation Y, including the limitation on the nature of the data to be processed or furnished.<sup>5</sup>

Company's proposed activities would include processing certain nonfinancial data, such as personnel information, for financial institutions in their internal operations. Services relating to such nonfinancial data would be provided only as part of a larger package of data processing services to a financial institution, and would not be offered on a stand-

2. Asset and deposit data are as of September 30, 1994.

3. See 12 C.F.R. 225.25(b)(7). Regulation Y also requires that the services be provided pursuant to a written agreement, and places certain limitations on the facilities and hardware provided with the data processing services. In particular, the facilities must be designed, marketed, and operated for the processing and transmission of financial, banking, or economic data; hardware must be provided only in conjunction with permissible software; and general purpose hardware must not constitute more than 30 percent of the cost of any packaged offering. See *id.*

4. These data processing activities are described in the Appendix, and include services relating to matters such as deposit account transactions and securities recordkeeping. Company also proposes to provide data processing services that the Board has previously determined are permissible for bank holding companies to provide to nonfinancial customers, such as accounts receivable and payable services. These services also are described in the Appendix.

5. The data processing activities that Company would conduct pursuant to section 225.25(b)(7) of Regulation Y are described in the Appendix. Company also would provide data processing and transmission services for affiliates pursuant to section 4(c)(1)(C) of the BHC Act and section 225.22(a) of Regulation Y. In addition, as an incident to its data processing activities conducted pursuant to section 225.25(b)(7) of Regulation Y, Company would provide excess capacity, by-products of permissible data processing activities, and data processing services not otherwise reasonably available in the relevant market area in accordance with the Board's regulations and interpretations. See 12 C.F.R. 225.21(a)(2); 12 C.F.R. 225.123(e).

alone basis or to customers other than financial institutions. Applicant notes that nonfinancial data processing would constitute a relatively small portion of Company's services, but contends that this aspect of the proposal would permit Company to offer competitively complete data processing services to financial institutions.

Data processing services for financial institutions relate largely to financial and banking data. However, financial institutions must also process some nonfinancial information to support their internal operations. These data typically represent a relatively small percentage of the data processing activities of financial institutions. The Board believes that processing nonfinancial data is a necessary part of providing general data processing services to financial institutions. The Board has concluded that the proposed activity is incidental to providing data processing services for financial institutions, and, therefore, is permissible under section 4 of the BHC Act and Regulation Y.<sup>6</sup>

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board also considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on those resources.<sup>7</sup> Based on all the facts of record, the Board has concluded that financial and managerial considerations are consistent with approval of this proposal.

In order to approve this notice, the Board also must determine that the proposed activities are a proper incident to banking, that is, that the performance of the proposed activities by Applicant through Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The Board expects that the participation of Company in the market for the proposed data processing services would maintain or increase the level of competition among providers of those services. The Board also anticipates that Company's proposed activities would result in a wider range of services and products, enhanced efficiency, and increased convenience for customers. In addition, there is no evidence in the record that consummation of the proposed activities would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has concluded that the balance of the public interest factors it is required to consider under the proper incident to banking standard of section 4(c)(8) of the BHC Act is favorable, and consistent with approval of this notice.

6. See 12 C.F.R. 225.21(a)(2).

7. See 12 C.F.R. 225.24. See also *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

Based on all the facts of record, the Board has determined that the notice should be, and hereby is, approved.<sup>8</sup> The Board's approval is specifically conditioned on compliance with the commitments made in connection with this notice and with the conditions referred to in this order. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

This transaction shall not be consummated 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 January 9, 1995.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen. Absent and not voting: Vice Chairman Blinder.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

## Appendix

(1) Company would provide data processing services to financial institutions relating to the following areas of operation: opening and closing customer accounts; deposits, loan payments, and other account transactions; account reconciliation, the calculation of account balances, fees, and interest payments, and the preparation of account statements; the issuance of certificates of deposit; credit analysis and financial modeling; monitoring of data processing costs; access to financial and economic data bases; bill payments and other home banking transactions (for example, opening or closing accounts, or transferring funds between accounts); check collection and processing; loan processing and documentation; trade finance; cash management; bank retail operations; tax documentation; signature verification;

8. Company also may develop additional data processing and transmission services not described in the notice. Applicant has committed that it will consult with the Federal Reserve System before Company commences any new activity not described in the notice to ensure that the activity satisfies the criteria set forth in the BHC Act and Regulation Y, and to allow the Federal Reserve System to consider whether a separate notice should be reviewed in any particular case.

lockbox operations; securities recordkeeping; and general recordkeeping.

(2) Company would provide data processing services to other customers relating to the following areas: billing and payroll; accounts receivable and payable; inventory; accounting and bookkeeping; economic forecasting; and access to financial and economic data bases.

(3) Company would provide on-line data processing and transmission services; home banking and bill payment services; data processing services with computer output to optical digital disks, and related storage, retrieval, processing, and transmission capabilities; and on-site data processing and transmission facilities.

(4) As an incident to the foregoing activities, Company would purchase, sell, rent, and maintain electronic equipment used to perform permissible data processing and transmission services subject to the specific limits in section 225.25(b)(7) of Regulation Y.

State Street Boston Corporation  
Boston, Massachusetts

#### *Order Approving Acquisition of a Nonbanking Company*

State Street Boston Corporation, Boston, Massachusetts ("State Street"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire IFTC Holdings, Inc., and its wholly owned subsidiary, Investors Fiduciary Trust Company ("Company"), both of Kansas City, Missouri, and thereby engage in providing trust and custody services and transfer, paying, clearing, and settlement agency services to mutual funds and other entities pursuant to section 225.25(b)(3) of Regulation Y (12 C.F.R. 225.25(b)(3)). Company also proposes to engage in providing administrative services to mutual funds.<sup>1</sup>

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 64,427 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4 of the BHC Act.

State Street, with total consolidated assets of approximately \$22.4 billion, operates one commercial bank subsidiary, State Street Bank and Trust Company, Boston, Massachusetts ("Bank"). Through offices in 32 locations worldwide, State Street also provides a broad range of financial asset services, such as corporate trusteeship, do-

mestic and global custody arrangements, and portfolio accounting.

Company is a Missouri state-chartered trust company insured by the Federal Deposit Insurance Corporation ("FDIC") that engages in trust and fiduciary activities, as well as activities that are not permitted for trust companies under the BHC Act, including significant nonfiduciary deposit-taking, incidental commercial lending, offering FDIC-insured deposits through its affiliates, and using the Federal Reserve System's payment services. Company operates under a special exemption from the definition of "bank" under the BHC Act.<sup>2</sup> The BHC Act provides that Company loses its special exemption upon a change in ownership.<sup>3</sup>

State Street proposes to operate Company as a trust company and not as a bank as defined in the BHC Act.<sup>4</sup> State Street has made a number of commitments to conform Company's activities to those of a trust company. In particular, Company proposes to divest all its nonfiduciary and demand deposit accounts within 90 days after its acquisition by State Street, and to cease marketing FDIC-insured deposits through its affiliates immediately after its acquisition by State Street. Moreover, within one year of consummation, Company proposes to terminate all deposit taking, terminate its FDIC deposit account insurance, and cease to be an insured bank under section 3(h) of the FDI Act (12 U.S.C. § 1813(h)). Within a year, Company also proposes to terminate making incidental commercial loans to its mutual fund clients and using the Federal Reserve payment system.<sup>5</sup> Company's long-standing operations have been conducted under a specific legislative grant of authority, and State Street contends that a shorter divestiture period would cause significant operational difficulties. The Board believes, in light of the facts in this case, that permitting Company a year to conform the activities of

2. The Competitive Equality Banking Act of 1987 ("CEBA") amended the definition of "bank" in section 3 of the BHC Act to include any organization that is an insured bank within the meaning of the Federal Deposit Insurance Act ("FDI Act"). See 12 U.S.C. § 1841(c)(1)(A). CEBA also enacted section 2(c)(2)(I) of the BHC Act that specifically exempts Company by name from this amended definition. See 12 U.S.C. § 1841(c)(2)(I).

3. 12 U.S.C. § 1841(c)(2)(I). Company does not qualify for the exception from the definition of bank that is provided in section 2(c)(2)(D) of the BHC Act (12 U.S.C. § 1841(c)(2)(D)).

4. The law of Company's home state (Missouri) does not authorize the acquisition of Missouri banks by Massachusetts bank holding companies.

5. Company would continue to make certain interest-free advances to unit investment trusts and retirement plans in its capacity as trustee for those plans. These advances would not be outstanding for more than three days and are for the payment of ordinary operating expenses of the plan or for a purpose incidental to the ordinary operation of the plan. The legislative history of the provision creating Company's exemption indicates that Congress considered these advances to be in the nature of normal and customary advances in a trust or fiduciary capacity that would not cause Company to be engaged in the business of making commercial loans. See H.R. Conf. Rep. No. 261, 100th Cong., 1st Sess. 121 (1987). In light of Company's commitment to terminate its demand deposit taking activities, this lending activity would not cause Company to become a bank for purposes of the BHC Act.

1. A list of the proposed administrative services is included in the Appendix.

Company to those of a trust company is consistent with section 4 of the BHC Act.<sup>6</sup>

In addition to its trust activities, Company proposes to engage in several activities permissible under section 4 of the BHC Act.<sup>7</sup> In particular, Company would act as a trustee, custodian, paying agent, dividend disbursing agent, securities clearing agent, general transfer agent, and would provide certain settlement services to mutual fund clients. These types of agency activities are traditional activities performed by trust companies under Federal and state law.<sup>8</sup>

Company also proposes to continue to provide administrative services to mutual funds.<sup>9</sup> The administrative services that Company provides to mutual funds include computing the fund's net asset value and performance data, coordinating communications and activities between the investment advisor and the other service providers, accounting and recordkeeping, disbursing payments for the fund's expenses, providing office space for the fund, and preparing and filing regulatory reports for the fund. The Board previously has approved these activities, and Company has committed to conduct these activities involving mutual funds subject to the prudential limitations previously established by the Board.<sup>10</sup> The Board believes that Company's perfor-

mance of these activities is also consistent with its status as a trust company. Under these circumstances, and for the reasons discussed in *Mellon*, Company's proposed administrative activities for mutual funds are not prohibited by the Glass-Steagall Act (12 U.S.C. §§ 221a and 377) and are permissible nonbanking activities for bank holding companies.<sup>11</sup>

In order to approve this proposal, the Board also must find that the performance of the proposed activities by Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The Board has determined previously that the provision of the proposed administrative services within certain parameters is not likely to result in the types of subtle hazards at which the Glass-Steagall Act is aimed or any other adverse effects.<sup>12</sup> The Board believes that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public such as a wider range of products, increased efficiency, and greater convenience for Company's and State Street's customers. There is no evidence in the record to indicate that consummation of this proposal, subject to the commitments noted above, would result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by the expected public benefits of the proposal. In making this determination, the Board has considered the financial and managerial resources of State Street and its subsidiaries, and those of Company, and the effect of this proposal upon such resources, and has concluded that these factors are consistent with approval of this application. Based on all the facts of record, the Board finds that the public benefits of Company's proposed activities outweigh any adverse effects and, therefore, the activities are a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

6. See *The Mitsui Bank, Limited*, 76 *Federal Reserve Bulletin* 381 (1990). That application involved an acquisition by a California bank holding company of a New York bank that became a trust company because the laws of New York did not authorize California bank holding companies to acquire New York banks. The trust company was given a year to divest all its impermissible deposits and loans.

7. The conduct of these activities by Company would not cause it to be deemed a bank under the BHC Act. Under the BHC Act, an uninsured company is deemed a bank if it engages both in accepting demand deposits or deposits that the depositor may withdraw by check or similar means and in the business of making commercial loans. As noted above, within 90 days after consummation of this proposal, Company will have ceased collecting demand deposits and other nontrust deposits.

8. Serving as a paying agent, dividend disbursing agent, and securities clearing agent are permissible trust company agency activities. See 12 C.F.R. 225.25(b)(3)(ii); 12 C.F.R. 9.20 (national banks as transfer agents) and 12 C.F.R. 208.8(f) (state member banks as transfer agents); see also 12 C.F.R. 225.125(i). Company is currently registered with the FDIC as a transfer agent pursuant to 12 C.F.R. Part 241. Company also would continue to invest in a variety of securities, including government or municipal securities, mortgage-backed securities, and corporate debt securities that are sold on the secondary market. State Street has committed that Company will divest all its equity securities before or immediately after consummation of the proposal.

Company would also continue to provide financial data processing and accounting services to its business customers by maintaining inventories and other economic data on domestic and foreign securities, and providing such services as general ledger accounting, recordkeeping, and market valuation for those securities. The Board has previously determined such activities to be closely related to banking. See *BankAmerica Corporation*, 66 *Federal Reserve Bulletin* 511 (1980); *Citicorp (Citishare)*, 68 *Federal Reserve Bulletin* 505 (1982); see also 12 C.F.R. 225.25(b)(7).

9. Company would not provide any administrative services to mutual funds the shares of which are sold or marketed primarily to customers of Bank.

10. See *Mellon Bank Corporation*, 79 *Federal Reserve Bulletin* 626 (1993) ("Mellon"). In particular, the distributor of the funds would not be affiliated with Company or State Street, and neither State Street nor Company will be involved in the distribution of the shares of any mutual fund. Company would also not be involved in the promotion or sale of the shares of any mutual fund, and State Street has committed that Company would not engage

in any marketing, sales or advertising activities relative to any mutual fund. Company would provide the distributor of a fund with performance and portfolio data, and Company would review marketing materials prepared by the distributor for the sole purpose of ensuring compliance with all pertinent regulatory requirements. State Street would not acquire for its own account more than 5 percent of the shares of any fund administered by Company.

11. State Street does not propose to have any director or senior officer interlocks between Company, State Street, or any of its subsidiaries and any fund that Company administers. Company would provide junior level officers and employees to some of its mutual fund clients under the circumstances permitted in *Mellon*. State Street also will comply with the Investment Company Act of 1940 (15 U.S.C. §§ 80a-2, 80a-10), which requires that at least 40 percent of the board of directors of a mutual fund consist of disinterested individuals who are not affiliated with the investment advisor, with any person that the SEC has determined to have a material business or professional relationship with the fund, with any employee or officer of the fund, with any registered broker or dealer, or with any other interested or affiliated person.

12. See *Mellon*.

Based on the foregoing and all the facts of record, including all of State Street's commitments and representations, and subject to all the terms and conditions set forth in this order, the Board has determined that the application should be, and hereby is, approved. The Board's determination is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on State Street's compliance with all the commitments and representations made in connection with this application, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective January 30, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

## Appendix

### *List of Administrative Services*

- (1) Maintaining and preserving the records of the fund, including financial and corporate records;
- (2) Computing net asset value, dividends, performance data and financial information regarding the fund;
- (3) Furnishing statistical and research data;
- (4) Preparing and filing with the SEC and state securities regulators registration statements, notices, reports and other material required to be filed under applicable laws;
- (5) Preparing reports and other informational materials regarding the fund including proxies and other shareholder communications and reviewing prospectuses;
- (6) Providing legal and regulatory advice in connection with its other administrative services;

- (7) Providing office facilities and clerical support for the fund;
- (8) Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the fund's investment objectives, policies, and restrictions as established by the fund's board;
- (9) Providing routine fund accounting services and liaison with outside auditors;
- (10) Preparing and filing tax returns;
- (11) Reviewing and arranging for payment of the fund's expenses;
- (12) Providing communication and coordination services with regard to the fund's investment advisor, transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services;
- (13) Reviewing and providing advice to the distributor, the fund and investment advisor regarding sales literature and marketing plans to assure regulatory compliance;
- (14) Providing information to the distributor's personnel concerning the fund's performance and administration;
- (15) Participation in seminars, meetings, and conferences designed to present information to brokers and investment companies, but not in connection with the sale of shares of the funds to the public, concerning the operations of the funds, including administrative services provided by Company to the funds;
- (16) Assisting existing funds in the development of additional portfolios; and
- (17) Providing reports to the fund's board with regard to its activities.

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

Boatmen's Bancshares, Inc.  
St. Louis, Missouri

### *Order Approving the Acquisition of a Bank Holding Company*

Boatmen's Bancshares, Inc., St. Louis, Missouri ("Boatmen's"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Worthen Banking Corporation, Little Rock, Arkansas ("Worthen"), and thereby indirectly acquire the subsidiary banks of Worthen listed in the Appendix.

Boatmen's also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire:



- (1) Worthen Trust Company, Little Rock, Arkansas, and thereby engage in trust company activities pursuant to section 225.25(b)(3) of Regulation Y; and
- (2) Consumer Protective Life Insurance Company, Little Rock, Arkansas, and thereby engage in credit-related insurance activities pursuant to section 225.25(b)(8)(i) of Regulation Y.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 52,791 (1994)). 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 and 4 of the BHC Act.

Boatmen's, with total consolidated assets of \$28.6 billion, controls 45 depository institutions<sup>1</sup> in eight states.<sup>2</sup> Boatmen's is the seventh largest depository institution in Arkansas, controlling deposits of \$774.8 million, representing approximately 2.7 percent of the total deposits in depository institutions in the state. Worthen, with total consolidated assets of \$3.5 billion, controls ten banks in Arkansas and one bank in Texas. Worthen is the largest depository institution in Arkansas, controlling deposits of approximately \$3 billion, representing approximately 10.8 percent of total deposits in depository institutions in the state. Upon consummation of this proposal, Boatmen's would become the largest depository institution in Arkansas, controlling deposits of approximately \$3.7 billion, representing approximately 13.4 percent of total deposits in depository institutions in the state.

Boatmen's is the 13th largest commercial banking organization in Texas, controlling deposits of approximately \$1.3 billion, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Worthen is the 170th largest commercial banking organization in Texas, controlling deposits of approximately \$102.3 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Boatmen's would become the 12th largest commercial banking organization in Texas, controlling deposits of approximately \$1.4 billion, representing less than 1 percent of total deposits in commercial banking organizations in the state.

### *Douglas Amendment Analysis*

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank

located outside the bank holding company's home state, unless such 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."<sup>3</sup> For purposes of the Douglas Amendment, the home state of Boatmen's is Missouri.<sup>4</sup>

Missouri<sup>5</sup> and Arkansas<sup>6</sup> have enacted banking statutes that permit out-of-state bank holding companies to acquire banks in these states, provided that the home state of the acquiring bank holding company permits the acquisition of banks in that state on a reciprocal basis. The Board previously has determined that the interstate banking statutes of Texas permit out-of-state bank holding companies to acquire established banking organizations in Texas.<sup>7</sup> The Arkansas and Texas state banking supervisors have informally indicated that the proposed acquisition appears to be expressly authorized under their respective state statutes. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned on receipt by Boatmen's of all required state regulatory approvals.

### *Competitive Considerations*

Boatmen's and Worthen own depository institutions that compete directly in the Arkansas banking markets of Little Rock, Garland County, Faulkner County, Fayetteville/Springdale, Russellville, and Harrison, and in the Missouri banking market of West Plains. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including the number of competitors that would remain in these markets, the increase in the concentration of total deposits in depository institutions<sup>8</sup> in these markets ("market deposits") as mea-

3. 12 U.S.C. § 1842(d).

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

5. Mo. Rev. Stat. § 362.925 (Vernon Supp. 1994).

6. Ark. Code Ann. § 23-32-1804(e) (1993). The Arkansas Regional Banking Act also imposes certain conditions. Boatmen's has sought the approval of the Arkansas state banking supervisor and appears to have satisfied the other conditions under Arkansas law.

7. *Boatmen's Bancshares, Inc.*, 79 *Federal Reserve Bulletin* 1179 (1993). Under Texas law, each bank to be acquired must have been in existence for at least five years, and the proposed transaction must not result in the acquiring organization controlling more than 25 percent of total deposits held by depository institutions in Texas. Tex. Rev. Civ. Stat. Ann. Art. 342-916 (West 1992). The proposed acquisition in Texas appears to meet these requirements.

8. Market deposit data are as of June 30, 1993. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See *Midwest Financial Group* 75 *Federal Reserve Bulletin* 386

1. Depository institutions include commercial banks, savings banks, and savings associations.

2. All asset data are as of September 30, 1994, and all state deposit data are as of June 30, 1993. These figures are adjusted to reflect mergers approved through December 5, 1994.

sured by the Herfindahl–Hirschman Index (“HHI”),<sup>9</sup> and certain commitments made by Boatmen’s.

Upon consummation of the proposal, Boatmen’s would become the second largest depository institution in both the Faulkner County banking market (“Faulkner banking market”)<sup>10</sup> and the Garland County banking market (“Garland banking market”).<sup>11</sup> Both markets would be considered highly concentrated under the Department of Justice Merger Guidelines, and Boatmen’s would control more than 35 percent of the market deposits in each market.<sup>12</sup> To mitigate the potential that this transaction may have adverse competitive effects in these markets, Boatmen’s has committed to divest to an out-of-market depository institution:

- (1) A branch of either Worthen or Superior Federal Bank, FSB, Fort Smith, Arkansas (“Superior FSB”), a Boatmen’s savings association subsidiary, with at least \$17.5 million in total deposits and loans in the Faulkner banking market; and
- (2) A branch of either Worthen or Superior FSB with at least \$7 million in total deposits and loans in the Garland market.<sup>13</sup>

Under these divestiture commitments, consummation of this proposal would not exceed the threshold levels in the Department of Justice Merger Guidelines and the number of

depository institutions that compete in these markets would remain unchanged.<sup>14</sup>

In the Little Rock banking market<sup>15</sup> and the Harrison banking market,<sup>16</sup> Boatmen’s would become the largest depository institution, and these banking markets would be considered highly concentrated under the Department of Justice Merger Guidelines upon consummation of the proposal.<sup>17</sup> Currently, Boatmen’s is the fourth largest depository institution in the Little Rock banking market and the fifth largest in the Harrison banking market. A number of factors indicate that the increased level of concentration in the Little Rock and Harrison markets, as measured by the HHI, tends to overstate the competitive effects of this proposal. For example, numerous competitors would remain in these markets after consummation of this proposal.<sup>18</sup> Both of these markets also are attractive for entry. In the Little Rock banking market, which encompasses the state’s capital and largest city, the population growth rate from 1980 to 1992 increased at almost twice the rate of the state’s population growth as a whole. The per capita income in the Little Rock banking market also is substantially higher than any other area of the state. Five *de novo* banks have entered this market in the last six years, demonstrating the attractiveness of this market for new entrants. In the Harrison banking market, the population growth, per capita income, and ratios of population and deposits per banking office exceed the average of other rural counties in Arkansas, which also makes this market attractive for new entrants. The Department of Justice has not objected to consummation of this proposal or indicated that the proposal would have any significantly adverse competitive effects.

In the Arkansas banking markets of Russellville and Fayetteville/Springdale and in the Missouri banking market of West Plains,<sup>19</sup> consummation of this proposal would not

(1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. See, e.g., *First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

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

10. The Faulkner County banking market is approximated by Faulkner County.

11. The Garland County banking market is approximated by Garland County.

12. Without any divestiture, the HHI in the Faulkner banking market would increase by 475 points to 3791, and Boatmen’s would control approximately 44 percent of market deposits upon consummation. In the Garland banking market, consummation of the proposal would increase the HHI by 232 points to 3990 without any divestiture, and Boatmen’s would control approximately 37 percent of market deposits.

13. Boatmen’s has committed to submit to the Board, prior to consummation of its acquisition of Worthen, a binding contract acceptable to the Board for the sale of these branches. Boatmen’s also has committed that, if it does not consummate such divestiture transactions within 180 days after consummation of the acquisition of Worthen, it will transfer these branches to an independent trustee, who will be authorized to supervise the operations of these branches and instructed to promptly find a suitable buyer. In addition, Boatmen’s has committed to submit to the Board, before consummation of the acquisition of Worthen, an executed trust agreement acceptable to the Board stating the terms of this divestiture. The Board’s action on the application is expressly conditioned on compliance with these commitments.

14. Upon completion of the proposed divestitures, in the Faulkner banking market, Boatmen’s would control approximately 40 percent of the total market deposits, and the HHI would increase by no more than 173 points to 3489. In the Garland banking market, Boatmen’s would control approximately 36 percent of the total market deposits, and the HHI would increase by no more than 165 points to 3923.

15. The Little Rock banking market is approximated by Pulaski and Saline Counties; Butler, Caroline, Magness, Oak Grove, Ward, and York townships in Lonoke County; and El Paso, Royal and Union townships in White County.

16. The Harrison banking market is approximated by Boone, Marion, Newton and Searcy Counties.

17. In the Little Rock banking market, the HHI would increase 249 points to 2159, and Boatmen’s would control approximately 32.3 percent of market deposits. In the Harrison banking market, the HHI would increase 344 points to 1854, and Boatmen’s would control approximately 27.6 percent of market deposits.

18. In the Little Rock banking market, 18 competitors would remain, including the second and third largest banking organizations in the market, which would have market shares of approximately 28 percent and 16 percent, respectively. In the Harrison market, seven competitors would remain in the market after consummation of this proposal, including the second, fourth and eighth largest commercial banking organizations operating in the state.

19. The Russellville, Arkansas, banking market is approximated by Pope and Yell Counties in Arkansas; the Fayetteville/Springdale, Arkansas, bank-

exceed the threshold standards in the Department of Justice Merger Guidelines.<sup>20</sup> In addition, numerous competitors would remain in all these markets.

Based on all the facts of record, including the proposed divestitures, the attractiveness of these markets to potential entrants, and the number of competitors that would remain, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or concentration of banking resources in any relevant banking market.

### *Convenience and Needs Considerations*

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank expansion proposals.<sup>21</sup>

The Board received a number of comments on the proposal, including comments from 30 community groups, government officials, and development organizations that support the proposal. These commenters note the active involvement of Boatmen's in various affordable housing and community development programs and small business development projects throughout its delineated community and support approval of this proposal. In addition, the Midwestern District Office of the Office of the Comptroller of the Currency ("OCC"), which supervises 20 Boatmen's bank subsidiaries, submitted a comment supporting the proposal, stressing that Boatmen's, through its subsidiary banks, has demonstrated a strong commitment to meeting

the needs of its communities, including low- and moderate-income neighborhoods. In particular, the OCC states that Boatmen's has demonstrated substantial flexibility through product innovations and has provided substantial community support.

The Board also received comments from the national office of the Association of Community Organization for Reform Now ("ACORN") in Washington, D.C., and ACORN members in St. Louis, Missouri; Little Rock, Arkansas; Kansas City, Missouri; Dallas, Texas; Philadelphia, Pennsylvania; Chicago, Illinois; Boston, Massachusetts; and Minneapolis, Minnesota (collectively, "Protestant"), which generally criticize the performance and commitment of Boatmen's under the CRA in helping to meet the credit needs of minority and low- and moderate-income communities. In particular, Protestant maintains that 1993 data collected under the Home Mortgage Disclosure Act ("HMDA") indicate disparities in the rates of HMDA-reported loans originated to African-American and Hispanic loan applicants as compared to rates of loan originations to white loan applicants at several Boatmen's subsidiaries, including its lead bank subsidiary, The Boatmen's National Bank of St. Louis, St. Louis, Missouri ("Boatmen's St. Louis").<sup>22</sup> Protestant also questions Superior FSB's efforts to ascertain its delineated community's credit needs and criticizes its outreach to minority neighborhoods. In addition, Protestant contends that Sunwest Albuquerque does not have enough branches in predominantly minority areas.<sup>23</sup>

The Board has carefully reviewed the CRA performance records of Boatmen's and its subsidiary depository institutions; all comments received regarding these applications; information provided by Boatmen's on its CRA activities; and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>24</sup>

ing market is approximated by Benton and Washington Counties in Arkansas; and the West Plains, Missouri, banking market is approximated by Howell and Oregon Counties in Missouri; and Fulton County in Arkansas.

20. Boatmen's would become the largest depository institution in the Russellville banking market, controlling 25.4 percent of market deposits, and the HHI would increase by 195 points to 1927. In the Fayetteville/Springdale banking market, Boatmen's would become the second largest depository institution, controlling 19.2 percent of market deposits, and the HHI would increase by 31 points to 2353. Boatmen's would remain the largest depository institution in the West Plains, Missouri, banking market, controlling approximately 30 percent of market deposits, and the HHI would increase by 118 points to 1551.

21. 12 U.S.C. § 2903.

22. The other Boatmen's subsidiaries that were the subject of Protestant's comments include: Boatmen's mortgage subsidiary, Boatmen's Mortgage Company, St. Louis, Missouri ("Boatmen's Mortgage"); Sunwest Bank of Albuquerque, N.A., Albuquerque, New Mexico ("Sunwest Albuquerque"); Boatmen's First National Bank of Kansas City, Kansas City, Missouri ("Boatmen's Kansas City"); Boatmen's First National Bank of Oklahoma, Oklahoma City, Oklahoma ("Boatmen's Oklahoma"); Boatmen's Bank of Tennessee, Memphis, Tennessee ("Boatmen's Tennessee"); Sunwest Bank of El Paso, El Paso, Texas ("Sunwest El Paso"); and Superior FSB.

23. The Board also received comments relating to two loan transactions at Boatmen's St. Louis and a loan transaction at Superior FSB. The Board has carefully reviewed these comments, in light of the relevant reports of examination of the institutions and other available information. The complaints have been referred to the institutions' primary federal supervisors, which have authority to investigate and resolve claims of this type. Based on all facts of record, the Board does not believe that these comments warrant denial of the applications under the statutory factors that the Board must consider under the BHC Act.

24. 54 *Federal Register* 13,742 (1989).

## Record of Performance Under the CRA

### A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.<sup>25</sup> The Board notes that Boatmen's St. Louis, which represents approximately 37 percent of Boatmen's total assets, received three consecutive "outstanding" ratings from its primary federal supervisor, the OCC, in its last three CRA performance examinations, including its most recent examination as of August 26, 1994. All the other depository institution subsidiaries of Boatmen's that were discussed by Protestant were examined recently for CRA performance by their primary federal supervisors. Five of these institutions received "outstanding" ratings and one received a "satisfactory" rating.<sup>26</sup> The remaining Boatmen's depository institution subsidiaries received either "outstanding" or "satisfactory" ratings at their most recent examinations for CRA performance.<sup>27</sup> Each of Worthen's bank subsidiaries also received either "outstanding" or "satisfactory" ratings from their primary federal supervisor, the OCC, in the most recent examinations of their CRA performance.<sup>28</sup>

### B. HMDA Data and Lending Practices

The Board has carefully reviewed the 1992 and 1993 HMDA data of Boatmen's St. Louis and Boatmen's Mortgage,<sup>29</sup> Boatmen's Albuquerque, Boatmen's Kansas City,

Boatmen's Oklahoma, Sunwest El Paso, Boatmen's Tennessee, and Superior FSB in light of Protestant's concerns. In general, the 1993 HMDA data indicate that Boatmen's St. Louis and Boatmen's Mortgage, Sunwest Albuquerque, Boatmen's Kansas City, Boatmen's Tennessee, and Superior FSB have improved their lending records of home mortgage loans to African-American and/or Hispanic loan applicants. For example, these data of Boatmen's St. Louis and Boatmen's Mortgage, Boatmen's Kansas City, Boatmen's Tennessee, and Superior FSB indicate an increase in loan applications from African Americans and loans originated to African Americans. The 1993 HMDA data of Boatmen's Oklahoma and Sunwest El Paso similarly indicate an increase in loan applications from and loans to Hispanics. In addition, the 1993 HMDA data of Superior FSB, which Boatmen's acquired in 1992, indicate a decrease in the percentage of denied loan applications from African-American applicants. The 1993 HMDA data of Sunwest Albuquerque, similarly, indicate a decrease in the percentage of denied loan applications from Hispanic loan applicants since Boatmen's acquired the bank in 1992. However, these data also reflect some disparities at Boatmen's subsidiaries in the rate of loan origination, denials, and applications by racial group or income level.

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

The Board has carefully reviewed Protestant's allegations regarding the record of Boatmen's lending to minorities, particularly African Americans and Hispanics, and to low- and moderate-income residents in light of information from the OCC, the primary federal supervisor of Boatmen's St. Louis, Sunwest Albuquerque, Boatmen's Kansas City, and Boatmen's Oklahoma; from the FDIC, the primary federal supervisor of Boatmen's Tennessee and Sunwest El Paso; and from the OTS, the primary federal supervisor of Superior FSB. The 1994 CRA performance examinations of these institutions found no evidence of prohibited discrimination or any practices or procedures that would discourage applications for available credit from any segment of their respective delineated communities, or other illegal credit practices. Moreover, the Board notes that the examinations of all these institutions found that the geographic distribution of HMDA-reported loans represents a reasonable penetration of their respective delineated communities. In addition, the OCC compared a sample of African-American and

25. *Id.* at 13,745.

26. The following Boatmen's subsidiary institutions received "outstanding" ratings at their most recent CRA performance examinations: Sunwest Albuquerque (OCC—May 5, 1994); Boatmen's Kansas City (OCC—March 14, 1994); Sunwest El Paso (Federal Deposit Insurance Corporation ("FDIC")—July 17, 1994); and Superior FSB (Office of Thrift Supervision ("OTS")—August 8, 1994). Boatmen's Tennessee received an "outstanding" rating from the FDIC at its CRA performance examination as of November 23, 1992, and the FDIC indicated that this rating likely will not change as a result of its most recent CRA examination as of December 12, 1994. Boatmen's Oklahoma received a "satisfactory" rating from the OCC at its most recent CRA performance examination as of July 21, 1994.

27. Of Boatmen's remaining depository institution subsidiaries, 17 received "outstanding" ratings and 21 received "satisfactory" ratings at their most recent examinations for CRA performance.

28. Of these institutions, nine received a CRA performance rating of "satisfactory," and two received a CRA performance rating of "outstanding."

29. Historically, Boatmen's Mortgage has operated principally in the St. Louis area, originating a majority of its loans through a relationship with Boatmen's St. Louis. Before 1994, all Boatmen's loans in the St. Louis area that met secondary market eligibility standards were originated by Boatmen's Mortgage and sold into the secondary market, with Boatmen's Mortgage retaining the servicing rights. Loan applications failing to meet secondary market eligibility standards were referred back to Boatmen's St. Louis for further underwriting using the bank's non-conforming loan products. In 1994, Boatmen's St. Louis began originating all its mortgage loans and selling mortgage loans eligible for the secondary market to Boatmen's Mortgage for further packaging and sale into the secondary market.

white applicants for mortgage loans during its 1994 CRA performance examination of Boatmen's St. Louis and found no evidence of discrimination or other illegal credit practices. The OCC also conducted a fair lending examination as part of its 1994 CRA performance evaluations of Sunwest Albuquerque and Boatmen's Oklahoma, which included a comparison of a sample of home-related loan applications from African Americans and/or Hispanics with other applicants, and found no evidence of discrimination or other illegal credit practices.

Through each of its depository institution subsidiaries and their branch offices, Boatmen's offers various lending programs designed to enhance its lending to minorities and to residents of low- and moderate-income communities. For example, Boatmen's has a second review process at its subsidiaries for HMDA-reportable loan applications prior to denial. This process is designed to ensure that all applicants, including minority and low- and moderate-income applicants, receive equitable consideration in credit decisions. Boatmen's has committed to continue Worthen's second review process, which is substantially similar to the second review process implemented at Boatmen's subsidiaries.

In addition, Boatmen's St. Louis offers special home purchase loan products, through its CRP BASIC mortgage program ("BASIC mortgage program"), that focus on low- and moderate-income borrowers. These BASIC mortgages offer flexible terms such as higher loan-to-value and debt-to-income ratios than standard mortgage loans, the elimination of private mortgage insurance requirements, and lower closing costs. The 1994 CRA performance examination of Boatmen's St. Louis notes that, in 1993 and the first eight months of 1994, the bank originated 442 residential mortgage loans under its BASIC mortgage program, totalling more than \$24 million.

Boatmen's Kansas City, Boatmen's Oklahoma, Sunwest El Paso, and Boatmen's Tennessee offer similar mortgage products targeted to low- and moderate-income borrowers, which offer more flexible terms and underwriting standards and lower costs than conventional mortgage products.<sup>30</sup> In addition, Sunwest Albuquerque has developed a "Sweat Equity" Loan Program in response to community needs through which home improvement loans are extended to low- and moderate-income residents who use their own labor to replace a traditional down payment. In 1994, Sunwest Albuquerque extended loans totalling more than \$450,000 under this program.

Boatmen's also assists in meeting the affordable housing needs of low- and moderate-income residents throughout its delineated community through a variety of community development programs with government agencies, non-profit organizations, and private developers. These projects in-

clude the participation of Boatmen's Community Development Corporation ("BCDC") in the St. Louis Equity Fund ("SLEF"), a not-for-profit corporation that promotes low-income housing development in St. Louis. Since 1993, BCDC has invested at least \$1 million in SLEF and has loaned \$1.9 million to three of SLEF's low-income, multi-family housing projects.<sup>31</sup> Boatmen's intends to enhance Worthen's current community development efforts by providing additional support services and capital for low-income housing development, expansion of businesses owned by women and minorities, and other community and economic development initiatives.

Other Boatmen's subsidiary institutions also have actively engaged in community development programs. Sunwest Albuquerque has loaned more than \$7.5 million to develop affordable rent-subsidized housing and affordable housing for families headed by single women. Boatmen's Kansas City has contributed \$2 million to a newly formed consortium of banks that will provide \$14 million for flexible mortgage loans to low- and moderate-income borrowers in the Kansas City area.<sup>32</sup> In 1993, Boatmen's Oklahoma provided \$1.2 million in loans for the purchase and rehabilitation of a 160-unit apartment complex for low- and moderate-income persons.<sup>33</sup> Similarly, Sunwest El Paso has provided approximately \$800,000 in financing for the rehabilitation and construction of two low-income housing projects, and has committed to finance approximately 30 mortgage loans for low- and moderate-income residents through the Lower Valley Housing Corporation's 1994 Self-Help Housing Project. In addition, Boatmen's Tennessee, together with another lending institution, has provided approximately \$5.5 million in loans to finance the reconstruction of a 484-unit apartment complex in Whitehaven, a primarily minority and low- and moderate-income neighborhood in Memphis. Boatmen's Tennessee also has pro-

31. The 1994 CRA performance examination of Boatmen's St. Louis also reports that the bank participates in programs of the Missouri Housing Development Commission, which provides various types of assistance to borrowers primarily for residential mortgage lending. Examiners also report that, in the first eight months of 1994, Boatmen's St. Louis provided more than 18 construction loans and other financing for several federal programs that provide gap and rehabilitation financing for low-income single-family housing. In addition, Boatmen's St. Louis has provided financing to the Technical Assistance Corporation (and its related partnerships), formed by the Mayor of St. Louis to promote redevelopment, affordable housing, and job creation, including a \$960,000 loan to renovate low-income and student housing units.

32. The 1994 CRA performance examination of Boatmen's Kansas City reports that, as of November 30, 1993, the bank originated 23 loans, totalling approximately \$875,000 under Kansas City's "70/30" and "80/20" Programs, through which first-time, low- and moderate-income home buyers receive partially subsidized mortgages. Boatmen's Kansas City also provided \$1.7 million in funding for the acquisition and construction or rehabilitation of two low-income, multi-family housing complexes. In 1993, BCDC invested \$5.8 million in an 84-unit apartment complex in a low- and moderate-income neighborhood in Kansas City.

33. The 1994 CRA performance examination of Boatmen's Oklahoma also reports that the bank has committed \$200,000 to the Central Oklahoma Clearing House Association Low-Income Residential Loan Program, which has lent over \$2 million to low- and moderate-income home purchasers.

30. For example, Boatmen's Kansas City made at least 217 of such loans in 1993 and 1994, totalling more than \$8.4 million.

vided funding and operating expenses for the Cooper/Young Development Corporation, which is rehabilitating 12 houses in the Cooper Young neighborhood, another primarily minority and low- and moderate-income neighborhood in Memphis. The bank has provided low-interest housing and commercial loans to residents and businesses in the Cooper Young neighborhood, totalling more than \$2.4 million.<sup>34</sup>

The 1994 CRA performance examination of Superior FSB reported that Superior FSB also actively engages in affordable housing programs, including the provision of more than \$800,000 in financing for the rehabilitation of 25 houses in low-income neighborhoods in Little Rock; contributions to the Local Initiatives Support Corporation, a loan pool formed by local depository institutions to provide financing for two multi-family, low-income housing projects in Little Rock; participation in numerous Habitat for Humanity programs throughout its delineated community; and a \$1.2 million loan for a low-income housing complex in Conway, Arkansas.

Boatmen's also has designed special products to meet the consumer needs of low- and moderate-income residents. For example, the 1994 CRA performance examination of Boatmen's St. Louis notes that the bank, together with Grace Hill Neighborhood Services, a community redevelopment organization operating in 11 low-income neighborhoods in St. Louis, developed the MORE Cache Card pilot program through which the bank has provided Grace Hill residents personal bank accounts, with no minimum balance requirement or service charges, and automated teller machine ("ATM") and health care record access devices. In addition, other Boatmen's subsidiary institutions offer free and/or low-cost checking accounts and government check cashing services for non-account customers.

Boatmen's also actively engages in small business lending with special programs focusing on minority-owned businesses and businesses in low- and moderate-income areas. For example, the 1994 CRA performance examination of Boatmen's St. Louis noted that the bank has hired a Specialized Small Business Lender to help meet the needs of small businesses owned by minorities and women through active participation in various city, state, and federal small business lending programs. Examiners reported that, in the first eight months of 1994, Boatmen's St. Louis made 23 loans to such businesses, totalling more than \$5 million and, since 1992, made 91 Small Business Administration ("SBA") loans totalling over \$10 million. The 1994 CRA performance examination of Boatmen's Oklahoma reports that, in 1993, the bank extended SBA loans totalling \$10 million in Tulsa, 44 percent of which were made to businesses in low-

and moderate-income areas. Examiners also report that, in 1993, Sunwest El Paso made 23 SBA loans totalling over \$2.4 million.

Boatmen's also actively participates in public and private joint ventures to help meet the small business needs of minority-owned businesses and businesses located in low- and moderate-income areas. For example, Boatmen's St. Louis recently invested in the St. Louis Business Development Fund, a newly formed multi-bank lending consortium that will provide special financing for minority-owned businesses, and in the St. Louis Local Development Company Contractor Revolving Loan Program, which provides working capital at below-market interest rates to small and minority contractors. In addition, Boatmen's St. Louis is the largest participant in lending through the Business Consortium Fund, Inc., which provides capital and loans at reasonable interest rates to minority-owned firms. Boatmen's St. Louis also has taken a leadership role in the development and organization of a Specialized Small Business Investment Company, which will use private capital and SBA funding to provide venture capital loans for small businesses and minority entrepreneurs.<sup>35</sup>

In addition, the 1992 CRA performance examination of Boatmen's Tennessee reports that the bank participates in the Minority Purchasing Council Revolving Loan Fund. Examiners also report that Sunwest El Paso has committed funds to a micro lending program, Accion International, which is designed to meet the particular credit needs of small businesses in El Paso.

Boatmen's has committed to add relevant programs to Worthen's existing programs designed to meet the credit needs of minority and low- and moderate-income communities. In addition, Boatmen's has committed to incorporate its CRA, diversity, and fair lending training programs into Worthen's staff training curriculum.<sup>36</sup>

35. Since 1992, Boatmen's St. Louis also has made at least 11 loans totalling more than \$38 million under the Mo-Bucks Program, a low interest-linked-deposit loan program administered by the Missouri State Treasurer's office to assist in creating and sustaining jobs for Missouri businesses. The 1994 CRA performance examination report of Boatmen's Kansas City reports that the bank has made commercial and residential loans totalling over \$500,000, through Kansas City's Linked-Deposit Program, to borrowers in city-designated low- and moderate-income census tracts.

36. Protestant also objects to the failure of Boatmen's to continue negotiating a lending agreement with Protestant. The Board has indicated in previous orders and in the Agency CRA Statement that communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community. However, neither the CRA nor the Agency CRA Statement require depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that Boatmen's has in place to serve the credit needs of its entire community. See *First Empire State Corporation*, 80 *Federal Reserve Bulletin* 1111 (1994); *Fifth Third Bancorp.*, 80 *Federal Reserve Bulletin* 838 (1994).

34. Boatmen's Tennessee, in participation with the City of Memphis, also helped establish the Housing Resource Center, which, when it opens in 1995, will provide credit and home purchase counselling and minor home repairs for low-income residents in Memphis.



### C. Ascertainment and Outreach Efforts

Boatmen's uses various methods to ascertain community credit needs, including direct contacts, community outreach programs, credit and homebuyer seminars, and membership in numerous public and private organizations. In addition, Boatmen's conducts annual focus group meetings with members of the African-American, Hispanic and other minority communities as well as women entrepreneurs in its various markets to discuss their financial needs and expectations. Boatmen's uses input from these focus groups to market suitable products and services more effectively to such segments of its delineated community. For example, as a result of such focus groups, Sunwest Albuquerque has launched a comprehensive marketing effort in Hispanic and Native-American communities.

Each of Boatmen's subsidiary institutions, including Superior FSB, also ascertains community credit needs through active involvement with various community organizations. The 1994 CRA performance examination of Superior FSB reports that the institution communicates regularly with local community development, affordable housing, minority, and government agencies within its delineated community, and actively participates in numerous affordable housing seminars conducted by government and affordable housing agencies. In addition, Superior FSB co-sponsored two bank fairs, in 1994, designed to introduce low- and moderate-income residents to home loan, consumer finance, and additional bank services of Superior and other area institutions.

In addition, Boatmen's markets its products and services through a variety of advertising activities, including print media, direct mail, and radio and television.<sup>37</sup> These activities include marketing efforts directed toward African-American and Hispanic consumers. For example, Boatmen's St. Louis, Boatmen's Kansas City, and Superior FSB advertise in newspapers circulated primarily in the African-American community and on minority radio stations. Sunwest Albuquerque and Sunwest El Paso advertise in Spanish on billboards, on Spanish-speaking radio stations and television channels, and in Spanish language publications.

### D. Branch Locations

The 1994 CRA performance examination of Sunwest Albuquerque found that Sunwest Albuquerque operated full-

service branches, motor bank offices, ATMs, and a mobile branch at locations reasonably accessible to all segments of its community, including low- and moderate-income neighborhoods. Examiners reported that products and services provided at these facilities were suitable for the needs of the community. Examiners also reported that the bank had a comprehensive branch closing policy, but had not closed any branches since 1992. In addition, the Board notes that 11 of Sunwest Albuquerque's 35 branches are in predominantly minority census.

### *Conclusion Regarding Convenience and Needs Factors*

On the basis of all the facts of record, including information provided by commenters supporting the proposal and the Protestant, the responses of Boatmen's, and the relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA performance records of the institutions involved in the proposal, are consistent with approval of these applications.<sup>38</sup>

### *Other Considerations*

The Board also has reviewed information about the financial and managerial resources and future prospects of Boatmen's, Worthen, and their respective subsidiaries, and other supervisory factors the Board must consider under section 3 of the BHC Act, and concludes that these factors are consistent with approval of this proposal.

Boatmen's also has applied, pursuant to section 4(c)(8) of the BHC Act, to engage in trust company and credit-related insurance activities. The Board has previously determined by regulation that these activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.<sup>39</sup> Boatmen's has committed that it will conduct these activities in accordance with the Board's regulations. The record in this case indicates that there

37. Other examples of Boatmen's ascertainment and outreach efforts include the Neighborhood Partnership Program ("NPP") administered by Boatmen's St. Louis. The NPP is a grant program to promote development in low- and moderate-income neighborhoods through which the bank has extended grants totalling more than \$200,000 to 20 organizations since 1992. In response to suggestions from NPP participants and others in the community, Boatmen's St. Louis developed and revised the CRP BASIC mortgage program, discussed above, to respond to community affordable housing needs.

38. The Protestant has requested that the Board hold a public hearing or public meeting to consider the record of Boatmen's in meeting its responsibilities under the CRA. Section 3(b) of the BHC Act does not require the Board to hold a hearing or meeting on an application unless the appropriate supervisory authority of the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation. Generally, under the Board's Rules of Procedure, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered the Protestant's request. In the Board's view, the Protestant has had an opportunity to present written submissions, and has submitted substantial written comments that have been considered by the Board. In addition, a number of other public comments have been submitted. Boatmen's and Protestant also have held several private meetings to discuss Boatmen's CRA performance. In light of all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record in this application, and is not otherwise warranted in this case. Accordingly, the Protestant's request for a public hearing or meeting on this application is denied.

39. See 12 C.F.R. 225.25(b)(3) and (b)(8)(i).

are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

### *Conclusion*

Based on the foregoing, including the commitments made to the Board by Boatmen's in connection with these applications, and in light of all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned upon compliance by Boatmen's with all commitments made in connection with these applications as well as the conditions discussed in this order.

The Board's determinations as to the nonbanking activities to be conducted by Boatmen's are subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(b) (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and as such may be enforced in proceedings under applicable law.

The acquisition of Worthen's subsidiary banks shall not be consummated before the fifteenth calendar day following the effective date of this order, and the banking and the nonbanking transactions shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Board of Governors, effective January 18, 1995.

Voting for this action: Vice Chairman Blinder and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen. Absent and not voting: Chairman Greenspan.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

## Appendix

### *Worthen Subsidiary Banks*

Worthen National Bank of Arkansas,  
Little Rock, Arkansas  
Worthen National Bank of Batesville,  
Batesville, Arkansas  
Worthen National Bank of South Arkansas,  
Camden, Arkansas  
Worthen National Bank of Conway,  
Conway, Arkansas  
Worthen National Bank of Harrison,  
Harrison, Arkansas  
Worthen National Bank of Hot Springs,  
Hot Springs, Arkansas  
Worthen National Bank of Newark,  
Newark, Arkansas  
Worthen National Bank of Northwest Arkansas,  
Fayetteville, Arkansas  
Worthen National Bank of Pine Bluff,  
Pine Bluff, Arkansas  
Worthen National Bank of Russellville,  
Russellville, Arkansas  
Worthen National Bank of Texas,  
Austin, Texas

Southern National Corporation  
Lumberton, North Carolina

### *Order Approving Merger of Bank Holding Companies*

Southern National Corporation, Lumberton, North Carolina ("Southern"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire BB&T Financial Corporation, Wilson, North Carolina ("BB&T"), and thereby indirectly acquire Branch Banking and Trust Company, Wilson, North Carolina; Branch Banking and Trust Company of South Carolina, Greenville, South Carolina; Lexington State Bank, Lexington, South Carolina; and Community Bank of South Carolina, Varnville, South Carolina.<sup>1</sup> Southern also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and the Board's Regulation Y (12 C.F.R. 225.25) to:

(1) Acquire 15 percent of the voting shares of Southeast Switch, Inc., Maitland, Florida ("Switch"), and thereby engage in providing data processing services and man-

1. In connection with these applications, both Southern and BB&T have requested approval to acquire options to purchase up to 19.9 percent of the voting shares of the other organization. These options will terminate upon consummation of this proposal.

agement consulting advice pursuant to sections 225.25(b)(7) and (b)(11) of Regulation Y;<sup>2</sup> and (2) Engage in community development activities pursuant to section 225.25(b)(6) of Regulation Y.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 52,306 (1994)). 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 and 4 of the BHC Act.

Southern is the sixth largest commercial banking organization in North Carolina, controlling deposits of \$4 billion, representing 6.7 percent of total deposits in commercial banking organizations in the state,<sup>3</sup> and is the third largest commercial banking organization in South Carolina, controlling deposits of \$2 billion, representing 9 percent of total deposits in commercial banking organizations in the state. BB&T is the fourth largest commercial banking organization in North Carolina, controlling deposits of \$6.2 billion, representing 10.3 percent of total deposits in commercial banking organizations in the state, and is the sixth largest commercial banking organization in South Carolina, controlling deposits of \$1 billion, representing 4.7 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Southern would become the fourth largest commercial banking organization in North Carolina, controlling deposits of \$10.2 billion, representing 17 percent of total deposits in commercial banking organizations in the state, and it would remain the third largest commercial banking organization in South Carolina, controlling \$3 billion in deposits, representing 13.7 percent of total deposits in commercial banking organizations in the state.

Southern and BB&T compete directly in 22 banking markets in North Carolina and South Carolina. The Board has carefully considered the effects that consummation of this proposal would have on competition in these banking markets in light of all the facts of record, including the characteristics of the markets, the increase in the concentration of total deposits in depository institutions<sup>4</sup> in the markets as measured by the Herfindahl-Hirschman Index ("HHI"),<sup>5</sup> and commitments made by Southern.

The acquisition of BB&T by Southern would significantly increase market concentration in the Goldsboro, Moore County, Mount Airy, Sanford, and Statesville banking markets,<sup>6</sup> as measured by the HHI. In order to mitigate the potential adverse competitive effects that may result from this acquisition, Southern has committed to divest branches in each of these markets to an acquiror that could purchase the branches without substantially lessening competition in these markets.<sup>7</sup> After consummation of this proposal and the divestiture of the branch offices in the Goldsboro, Moore County, Mount Airy, Sanford, and Statesville banking markets, the competitive effect of this proposal in those markets would be consistent with the merger guidelines established by the Justice Department and the parameters applied by the Board in previous decisions.<sup>8</sup> Based on these proposed divestitures, the Justice Department has indicated that this proposal is not likely to have a significantly adverse effect on competition in these banking markets.

Consummation of this proposal in the remaining banking markets where Southern and BB&T compete would not exceed Justice Department guidelines and numerous competitors would remain in each of these banking markets.<sup>9</sup> Based on these and all the facts of record, including the proposed divestitures,<sup>10</sup> the Board concludes that consummation of this proposal is not likely to have a significantly

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

6. The Goldsboro banking market consists of the Goldsboro, North Carolina RMA, the remainder of Wayne County, and La Grange in Lenoir County, North Carolina; the Moore County banking market consists of Moore County, North Carolina; the Mount Airy banking market consists of Surry County, North Carolina, plus the adjoining portions of Carroll and Patrick Counties in Virginia; the Sanford banking market consists of Lee County, North Carolina; and the Statesville banking market consists of Iredell County, North Carolina, excluding the town of Mooresville.

7. Southern has committed to sell these branches either to a commercial banking organization that does not currently operate in these markets or to a current market competitor whose acquisition of these branches would not exceed the Justice Department merger guidelines.

8. Taking the proposed divestitures into account, upon consummation of this proposal, the HHI in these five banking markets would not increase by more than the following amounts: Goldsboro by 166 points to 2087; Moore County by 569 points to 1799; Mount Airy by 172 points to 1867; Sanford by 172 points to 1961; and Statesville by 194 points to 2070.

9. The changes in the HHI in the 17 remaining banking markets are set forth in the Appendix.

10. Southern has committed to execute a sales agreement for the proposed divestitures before consummation of this proposal, and to complete these divestitures within 180 days of consummation of this proposal. Southern also has committed that, in the event it is unsuccessful in completing these divestitures within 180 days of consummation of the proposal, it will transfer these branch offices to an independent trustee that will be instructed to sell the branches promptly. See *BankAmerica Corporation*, 78 *Federal Reserve*

2. The data processing services are provided to federally insured depository institutions who participate in Switch's shared electronic funds transfer network, or who participate in other electronic funds transfer networks.

3. All banking data are as of June 30, 1994.

4. Market data are as of June 30, 1994. In this context, depository institutions include commercial banks, savings banks, and savings associations. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See *WM Bancorp*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

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

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

The Board also has concluded that the financial and managerial resources and future prospects of Southern and BB&T and their respective subsidiaries, and all other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of this proposal.<sup>11</sup> Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Southern also has applied, pursuant to section 4(c)(8) of the BHC Act, to acquire 15 percent of the voting shares of Switch, and thereby provide data processing and transmission services and bank management consulting advice to depository institutions, and to engage in community development activities. As noted above, the Board previously has determined that these activities are closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act and Regulation Y,<sup>12</sup> and Southern proposes to conduct these activities in accordance with the Board's regulations.

In order to approve this proposal, the Board also must find that the performance of the proposed activities by Southern "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The Board expects that the continuation of these activities by Southern would maintain the level of competition among providers of these services. In addition, there is no evidence in the record that

consummation of this proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Southern's section 4 application.

Based on the foregoing and all the other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval of this proposal is expressly conditioned on compliance with all the commitments made by Southern in connection with these applications, and on receipt by Southern and its subsidiary banks of all necessary approvals from federal and state regulators. The determination on the nonbanking activities is subject to all the conditions in Regulation Y, including those in sections 225.7 and 225.23(b) (12 C.F.R. 225.7 and 225.23(b)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

The acquisition of BB&T shall not be consummated before the fifteenth calendar day following the effective date of this order, and the banking and nonbanking transactions 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective January 17, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

## Appendix

*Markets in which Southern and BB&T currently compete in which the post-merger increase in HHI is within the Justice Department Merger Guidelines.*

(1) The Burlington RMA banking market consists of Alamance County and Gibsonville, North Carolina. The HHI would increase by 30 points to 1322.

*Bulletin* 338, 340 (1992); *United New Mexico Financial Corporation*, 77 *Federal Reserve Bulletin* 484, 485 (1991).

11. In evaluating the financial resources of Southern and BB&T, the Board carefully considered comments received from several of Southern's shareholders, and several members of the public criticizing a post-employment consulting agreement and non-compete agreement entered into by Southern and its current chief executive officer. The Atlanta Regional Office of the Federal Deposit Insurance Corporation also recommended that the Board carefully review these agreements. Southern has argued that it is in the best interest of the surviving entity to have only one chief executive officer, and that the post-employment remuneration package is fair and reasonable payment for an agreement to terminate the individual's employment prematurely, and for the individual to refrain from competing with the surviving entity.

The complete terms of the arrangement with this individual were disclosed to the shareholders of Southern and BB&T in proxy solicitation material explaining the merger, and the shareholders of both institutions overwhelmingly approved the merger. Two independent benefit consulting firms have indicated that the present value of the post-employment remuneration package is less than the present value of payments required by the individual's current employment agreement. After considering the size of the companies involved, the current employment contract of the individual and comparably situated individuals, the individual's continuing service to the surviving entity, the capitalization and the financial strength of the surviving entity, the agreement not to compete, the analysis of the benefit consulting firms, and all the other facts of record, the Board concludes that the post-employment consulting and non-compete agreement does not reflect so adversely on the managerial or financial resources of Southern as to warrant denial of this proposal.

12. 12 C.F.R. 225.25(b)(6), (b)(7) and (b)(11).

(2) The Charlotte RMA banking market consists of Mecklenburg and York Counties, Mooresville, Indian Trail, Harrisburg, Midland, Denver, and Stanley, North Carolina. The HHI would increase by 14 points to 2273.

(3) The Durham RMA banking market consists of Durham and Orange Counties and Creedmore, and Butner, North Carolina. The HHI would increase by 15 points to 1704.

(4) The Fayetteville RMA banking market consists of Cumberland County and Parkton, North Carolina. The HHI would increase by 290 points to 1470.

(5) The Gastonia RMA banking market consists of Gaston County and Kings Mountain, North Carolina, excluding Stanley. The HHI would increase by 457 points to 1725.

(6) The Greensboro RMA banking market consists of Guilford and Davidson Counties, excluding Gibsonville, and Northern Randolph and Southern Rockingham Counties, North Carolina. The HHI would increase by 218 points to 1361.

(7) The Hickory RMA banking market consists of Alexander, Burke, Caldwell and Catawba Counties, North Carolina. The HHI would increase by 351 points to 1623.

(8) The Kinston banking market consists of Lenoir County, North Carolina, excluding La Grange, Hookerton, and Snow Hill, North Carolina. The HHI would increase by 93 points to 2297.

(9) The Raleigh RMA banking market consists of Wake, Harnett, Johnston, and Franklin Counties, North Carolina. The HHI would increase by 79 points to 1181.

(10) The Rockingham County market consists of Rockingham County, North Carolina, excluding the southern portion of the Greensboro RMA. The HHI would increase by 316 points to 1677.

(11) The Rocky Mount banking market consists of Wilson, Nash, and Edgecomb Counties, North Carolina. The HHI would increase by 135 points to 2236.

(12) The Wilmington RMA banking market consists of New Hanover, Brunswick, and Pender Counties, North Carolina. The HHI would increase by 61 points to 1285.

(13) The Winston-Salem RMA banking market consists of Forsyth, Stokes, and Davie Counties, North Carolina. The HHI would increase by 156 points to 3194.

(14) The Columbia RMA banking market consists of Richland and Lexington Counties, South Carolina. The HHI would increase by 142 points to 1885.

(15) The Greenville RMA banking market consists of Greenville, and Pickens Counties, South Carolina, and Pelzer, Powdersville, and Piedmont, South Carolina. The HHI would increase by 311 points to 1378.

(16) The Oconee County banking market consists of Oconee County, South Carolina. The HHI would increase by 30 points to 1545.

(17) The Spartanburg RMA banking market consists of Spartanburg County, South Carolina, excluding the Greenville, South Carolina, RMA. The HHI would increase by 54 points to 1315.

## ORDERS ISSUED UNDER FEDERAL RESERVE ACT

### Marine Midland Bank Buffalo, New York

#### *Order Approving Establishment of a Branch and an Offsite Electronic Facility*

Marine Midland Bank, Buffalo, New York ("Bank"), a state member bank, has applied under section 9 of the Federal Reserve Act ("Act") (12 U.S.C. § 321 *et seq.*) to establish a branch office at P&C Store # 130, 3577 West Genesee Street, Syracuse, New York ("Syracuse Branch") and an Offsite Electronic Facility on the first floor of the Wilson Commons Building at the University of Rochester, Rochester, New York ("Rochester ATM").

Notice of the applications, affording interested persons an opportunity to submit comments, has been published. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors contained in the Federal Reserve Act.

Bank is the fifth largest commercial banking organization in New York State, controlling deposits of \$12.4 billion, which represent 5.1 percent of the total deposits in commercial banks in the state.<sup>1</sup> Bank is wholly owned by HSBC Holdings plc, London, England, which also wholly owns Hongkong and Shanghai Banking Corporation Limited, Hong Kong.

#### *Community Reinvestment Act Performance Record*

In acting on branch applications,<sup>2</sup> the Board is required to take into account the bank's record under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of branch applications.

The Board has received comments from the Greater Rochester Community Reinvestment Coalition, Rochester, New York ("Protestant"), that criticize Bank's CRA performance record. Protestant maintains that Rochester needs additional branches in low- and moderate-income areas, as does Syracuse, and opposes Bank's proposed Syracuse

1. Deposit data are as of September 30, 1994.

2. The Board has determined that electronic facilities, such as ATMs, are included in the term "branch".

branch because it is located in a suburb of Syracuse. Protestant also alleges that Bank's data filed under the Home Mortgage Disclosure Act ("HMDA") show insufficient lending in low- and moderate-income census tracts in the Rochester Metropolitan Statistical Area ("MSA")<sup>3</sup> in 1992 and 1993 and indicate the possibility of illegal discrimination in that MSA in 1993.

The Board has carefully reviewed the entire record of Bank's CRA performance, the comments received, Bank's response to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").<sup>4</sup>

The Board notes that Bank's overall CRA performance record was recently reviewed in connection with its application to acquire six retail branch banking offices of Hongkong and Shanghai Banking Corporation Limited in New York, New York. This review included consideration of Bank's special mortgage programs, small business lending, community development activities, and ascertainment and marketing efforts. For reasons set forth in the order approving that application, the Board concluded that Bank's overall performance record was generally consistent with approval of the acquisition.<sup>5</sup>

#### A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record, and that reports on these examinations will be given great weight in the applications process.<sup>6</sup> The Board notes that Bank received a "satisfactory" rating from the Office of the Comptroller of the Currency for CRA performance as of March 31, 1992, and a "satisfactory" rating from the Federal Reserve Bank of New York<sup>7</sup> ("Reserve Bank") for CRA performance as of January 31, 1994.

#### B. HMDA Data and Lending Practices

The Board has reviewed Bank's 1992 and 1993 HMDA data<sup>8</sup> for Rochester and Syracuse. These data reflect some disparities in the rate of loan originations, denials, and applications by racial group or income level.<sup>9</sup> The Board is

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

Bank's most recent CRA examination as of January 31, 1994 (the "1994 Examination"), found that its loan policies and underwriting criteria were reasonable and did not discriminate on any prohibited basis. Specifically, examiners noted that the loan terms, qualifying ratios and underwriting guidelines for residential mortgage loans were reasonable and comparable with industry standards. The examination also noted that Bank used a second review program for all declined residential mortgage applications, in which underwriting supervisors reviewed the original underwriter's decision and had to concur in the denial of an application.

The 1994 Examination did not find any practices that were intended to discourage credit applications. Examiners noted that Bank solicited credit applications from all segments of its communities, including low- and moderate-income areas. Moreover, the examination found that Bank's credit practices complied with antidiscrimination laws and regulations. Examiners also found that Bank generally had a reasonable geographic distribution of residential mortgage and home improvement loans and applications from low- and moderate-income census tracts throughout its delineated service areas.

Bank offers several special mortgage programs to its communities. Since 1990, Bank has participated in the Federal National Mortgage Association's Community Homebuyers and FannieNeighbors programs, both of which provide flexible down payment methods for borrowers who do not exceed the Department of Housing and Urban Development's median income guidelines. In addition, Bank recently started its own Affordable Housing Loan Program for low- and moderate-income borrowers who do not qualify for other residential lending programs; Bank has committed \$10 million to this program to finance residential mortgage loans and an additional \$300,000 to assist in financing down payments. In Rochester, Bank participates with the City of Rochester and Rochester Neighborhood Housing Services in a city-wide housing rehabilitation initiative, to which it has offered \$100,000 at very low rates for the loan pool and will commit \$1 million in below-market home improvement loans with flexible credit standards. In 1994, Bank introduced a low minimum amount personal installment loan program and a secured credit card program.

3. Protestant also believes that similar issues are raised by the HMDA data for the Syracuse area. In addition, Protestant asked the Board to review the HMDA data for Binghamton and Buffalo, New York.

4. 54 *Federal Register* 13,742 (1989).

5. See *Marine Midland Bank*, 81 *Federal Reserve Bulletin* 56 (1995).

6. *Id.* at 13,745.

7. Bank has been a state member bank of the Federal Reserve System since December 31, 1993.

8. The Board's review included HMDA data for both Bank and Marine Midland Mortgage Corporation.

9. Data for Binghamton and Buffalo showed generally similar patterns.



Bank also participates in several governmentally insured loan programs. Bank has been named one of the top two Small Business Administration ("SBA") lenders for New York State during 1992 and 1993, and continues to hold the SBA's preferred lender status for its commitment to small business lending. In addition to SBA lending, Bank offers VA, FHA 203B,<sup>10</sup> and State of New York Mortgage Association ("SONYMA") loans to borrowers who meet the programs' income requirements.

The 1994 Examination found that Bank participates in various community development programs in New York State and provides loans and lines of credit to a wide variety of local organizations that support housing, economic development, rehabilitation or small business development. From July 1992 to July 1994, the bank's community development financing totalled \$27.2 million. Examiners also found that many of Bank's officers and employees provided technical assistance to organizations located throughout the state that promote community development programs.

In the Rochester area, Bank opened a \$1.97 million line of credit to a not-for-profit corporation for construction of a low-income housing project. Bank also had working capital lines of credit to not-for-profit organizations. For example, Bank had a working capital line to a housing development corporation that provides weatherization services for low-income housing, and one to a housing council that assists in solving housing problems in Rochester and throughout Monroe County. In addition, Bank provided capitalization funding to a local minority enterprise small business association for businesses owned by women and minorities in the area, in which funds provided for direct loans and investments are leveraged three times by the SBA. Bank also had loans outstanding for renovation of a low-income apartment complex, to a developer of affordable housing, to a not-for-profit agency for a homeless shelter/community residence, to a not-for-profit corporation operating low- and moderate-income housing projects, and to a not-for-profit low- and moderate-income housing project on city-owned land.

In Syracuse, Bank has granted a \$1.2 million credit line to a not-for-profit corporation that revives low-income residential areas. Bank has also made a loan for rehabilitation and permanent financing to an organization that provides affordable housing, and has funded a commitment to a not-for-profit agency that purchases homes and refurbishes them for affordable housing. In addition, Bank has committed \$200,000 annually to an association of five local banks and a non-profit business development corporation, which will focus on and service small business loans under \$50,000 and will emphasize businesses owned by women and minorities.

### C. Ascertainment and Marketing

Bank ascertains community credit needs in various ways. For example, Bank has a directed call program, and its officers and employees participate in a number of community organizations.<sup>11</sup> Moreover, in June 1993, Bank conducted a CRA survey in five New York State markets using a random sample of customers residing in low- and moderate-income zip codes to determine the level of awareness of Bank and its products and services.

Bank markets its products and services primarily through advertisements in daily newspapers, local weekly news and trade publications, and some journals and special audience publications that focus on specific minority groups and low- and moderate-income areas including two in the Rochester region. Bank also conducts free seminars throughout its delineated community. During the 18 months covered by the 1994 Examination, Bank conducted 16 first-time home-buyer seminars, one SONYMA seminar, and three seminars entitled "Women and Investing." Bank's representatives actively marketed its student loan and educational financing options throughout New York State, and participated in housing fairs sponsored by the Long Island Board of Realtors, the Federal National Mortgage Association and the New York State Housing Coalition. Bank also advertised in publications and annual reports by not-for-profit agencies including Kensington-Bailey Neighborhood Housing Services, People's Equal Action and Community Effort (P.E.A.C.E.) Inc., Spanish Action Coalition, Inc., The Ibero-American Action League, Inc., and Syracuse Housing Partnership, among others.

### D. Branch Locations

As of the 1994 Examination date, Bank had 312 branch offices and 309 ATM locations in New York State. Bank opened two offices in 1992, none in 1993, and subsequent to the Examination date, acquired six branches in 1994. Examiners concluded that Bank has an adequate branch closing policy that requires Bank to take actions to minimize the impact of a branch closing on the local community. Branch hours vary by location and are based on customer convenience and local competition. In the Rochester MSA, 36 percent of Bank's branches are in low- to moderate-income census tracts, including five branches in the areas identified by Protestant, more than any other bank. In the Syracuse MSA, 29 percent of its branches are in low- to moderate-income census tracts.

10. A fixed-rate, HUD-insured loan product only available in New York.

11. In addition, the 1994 Examination noted that the directed call program reached 66 organizations involved with affordable housing development, community development, and rehabilitation.

## E. Conclusion

The Board has carefully considered the entire record, including Protestant's comments and Bank's CRA record of performance. In light of all the facts of record, the Board believes that Bank's efforts to help meet the credit needs of all segments of its communities, including low- and moderate-income neighborhoods, are consistent with approval of these applications and that Protestant's comments do not warrant their denial.

### *Other Considerations*

The Board has also concluded that the factors it is required to consider under section 9 of the Federal Reserve Act and regulations thereunder, including Bank's financial condition, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval of these applications.

Based on the foregoing and all other facts of record, including commitments made by Bank, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is specifically conditioned on all commitments made in connection with applications. The commitments and conditions relied on by the Board are deemed conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law. This approval is subject to completion of the facilities and their being in operation within one year of the date of this order, and to approval by the appropriate state authorities.

By order of the Board of Governors, effective January 25, 1995.

Voting for this action: Chairman Greenspan, and Governors Lindsey, Phillips, and Yellen. Absent and not voting: Vice Chairman Blinder and Governors Kelley and LaWare.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

## **ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT**

**Turkiye Vakiflar Bankasi, T.A.O.**  
**Ankara, Turkey**

### *Order Approving Establishment of a Branch*

Turkiye Vakiflar Bankasi, T.A.O. ("Bank"), Ankara, Turkey, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish a state-licensed branch in New York, New York. A foreign bank

must obtain the approval of the Board to establish a branch, agency, commercial lending company, or representative office in the United States under the Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Post*, October 22, 1992). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank, with assets of \$2.7 billion,<sup>1</sup> is the seventh largest bank in Turkey. It operates more than 300 branch offices in Turkey, and has representative offices in Germany and Austria. The General Directorate of Foundations, an agency of the Turkish government, owns 80 percent of Bank's shares. Bank's pension fund owns the remainder of Bank's shares.

Bank currently operates a representative office in New York. Bank does not engage in nonbanking activities in the United States and would be a qualifying foreign banking organization within the meaning of Regulation K after establishing the proposed branch. 12 C.F.R. 211.23(b).

In order to approve an application by a foreign bank to establish a branch in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant engages directly in the business of banking outside the United States and has furnished the Board with the information it needs to assess adequately the application. The Board also must determine that each of the foreign bank applicant and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisors. 12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24(c)(1). The IBA and Regulation K also permit the Board to take into account additional standards. 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2).

Bank engages directly in the business of banking outside of the United States through its banking operations in Turkey. Bank also has provided the Board with the information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the bank's worldwide operations, including its relationship to any affiliate, to assess the bank's overall financial condition and its compliance with law and regulation. 12 C.F.R.

1. Financial data are as of September 30, 1994, unless otherwise noted.

211.24(c)(1).<sup>2</sup> In making its determination under this standard, the Board has considered the following information.

Bank is supervised primarily by the Turkish Undersecretariat of Treasury and Foreign Trade (the "Treasury") through its Banking Directorate and the Board of Sworn Auditors ("Auditors"), as well as by the Central Bank of Turkey ("Central Bank"). The Treasury serves as Bank's primary home country supervisor. As a state-owned institution, Bank is also subject to supervision by the Prime Ministry Supreme Board of Supervisors ("Board of Supervisors"). To monitor the condition of Bank, these supervisory authorities use information obtained through on-site examinations, periodic financial and other reporting, meetings with Bank management, and information exchanges among the authorities.

The Treasury assumes the leading role in the supervision of Bank through annual on-site targeted or comprehensive examinations. These examinations are conducted by the Auditors and include review of Bank's capital adequacy, asset quality, managerial resources, and compliance with applicable banking regulations. The Auditors also conduct periodic special examinations and audits of institutions that engage in or are suspected of engaging in questionable activities.

The Treasury and the Central Bank also monitor Bank's condition through review of periodic financial reports. Bank is required to submit to the Treasury and to the Central Bank various weekly, monthly, quarterly, and annual financial statements, including balance sheets and income statements for Bank's headquarters and domestic and foreign branches. Bank also is required to submit annual reports to the Treasury, the Turkish Ministry of Industry and Commerce, and the Central Bank on the financial position and transactions of all branches abroad. Recently enacted amendments to Turkish banking law will require Bank to submit separate audited balance sheets and income statements for all affiliated companies to the Treasury on an annual basis.<sup>3</sup> The Board of Supervisors receives regulatory reports prepared by Bank, including those relating to affiliates, and has the authority to investigate, inspect, and audit affiliates.

2. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

- (i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
- (ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
- (iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
- (iv) Receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis; and
- (v) Evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive, consolidated supervision. No single factor is essential and other elements may inform the Board's determination.

3. Under Turkish banking law, an ownership interest of 10 percent or more of a company's voting stock triggers certain reporting obligations and requirements governing transactions with affiliates.

Bank's internal auditors conduct annual audits of individual branches, departments, and units of Bank. At least two auditors who represent the interests of Bank's shareholders hold non-voting seats on Bank's board of directors. These auditors review and approve all quarterly and annual financial statements that are submitted to the Treasury and the Central Bank. Bank's annual financial reports also must be reviewed by an independent external auditor that has been certified by the Turkish Board of Independent Auditors. The auditor's report assesses whether Bank has conformed to international generally accepted accounting principles, and reviews asset quality, liquidity, adequacy of loan loss reserves, and capitalization. All external audit reports must be submitted to the Treasury and the Central Bank.

The Treasury obtains information and monitors the condition of Bank's affiliates through review of periodic financial statements, consultation with other regulatory entities, and through examination, if necessary. In addition, Turkish law imposes lending and other limits on Bank's transactions with affiliates. The Treasury monitors Bank's compliance with these limits through regular reports submitted by Bank. Turkish banking law also limits Bank's investments in non-financial companies.

A single directorate within the Treasury has overall responsibility for supervising Bank's banking, leasing, insurance, factoring, and capital markets activities and affiliates. The Treasury exercises its supervisory authority over these affiliates by reviewing quarterly and annual balance sheets and income statements, and by conducting on-site examinations, if necessary. The Turkish Board of Securities also regulates Bank's affiliates engaged in capital markets activities, and shares information with the Treasury concerning the condition of these affiliates. Bank's internal auditors submit reports to the Treasury on their reviews of affiliates in which Bank holds a controlling interest.

The Central Bank receives substantially similar reporting from Bank and consults regularly with the Treasury on the condition and activities of Bank and its affiliates engaged in financial activities. In addition, the Board of Supervisors notifies the Treasury of problems identified during inspections of Bank and its affiliates.

Based on all the facts of record, which include the information described above, the Board concludes that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.

The Board has also taken into account the additional standards set forth in section 7 of the IBA and Regulation K. See 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2). Bank has received the consent of the Treasury to establish the proposed state-licensed branch. In addition, subject to certain conditions, the Treasury may share information on Bank's operations with other supervisors, including the Board.

Bank is in compliance with risk-based capital standards adopted by Turkey, which conform generally to the Basle

Capital Accord, with some variation for Turkish accounting practices. In addition, Bank's capital is in excess of the minimum levels that would be required by the Basle Capital Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank are also considered consistent with approval in light of commitments and conditions reflected in the record. Bank appears to have the experience and capacity to support the proposed branch and has established controls and procedures for its U.S. offices to ensure compliance with U.S. law.

Finally, Bank has committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable Federal law, to the extent not prohibited by law or regulation. The Board has reviewed the restrictions on disclosure in Turkey and has communicated with certain government authorities concerning access to information. Bank has committed to cooperate with the Board to obtain any approvals or consents that may be needed to gain access to information that may be requested by the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to all commitments made by Bank, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed branch

should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Bank's U.S. operations or compliance by Bank or its affiliates with applicable Federal statutes, the Board may require termination of any of Bank's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on compliance by Bank with the commitments made in connection with this application, and with the conditions in this order.<sup>4</sup> The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, including its offices and its affiliates.

By order of the Board of Governors, effective January 4, 1995.

Voting for this action: Chairman Greenspan, Vice Chairman Blinder, and Governors Kelley, LaWare, Lindsey, Phillips, and Yellen.

JENNIFER J. JOHNSON  
*Deputy Secretary of the Board*

4. The Board's authority to approve the establishment of the proposed branch office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York, and its agent, the New York State Banking Department, to license the proposed branch office of Bank in accordance with any terms or conditions that the State of New York may impose.

#### *ACTIONS TAKEN UNDER SECTIONS 5(D)(3) AND 18(C) OF THE FEDERAL DEPOSIT INSURANCE 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.

Acquiring Bank(s)	Acquired Thrift	Approval Date
SouthTrust Bank of West Florida, St. Petersburg, Florida	Anchor Savings Bank, Federal Savings Bank, Hewlett, New York	January 11, 1995

*ACTIONS TAKEN UNDER SECTIONS 5(D)(3) AND 18(C) OF THE FEDERAL DEPOSIT INSURANCE 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.

Acquiring Bank(s)	Acquired Thrift	Reserve Bank	Approval Date
Crestar Bank, Richmond, Virginia	TideMark Bank, Newport News, Virginia	Richmond	January 19, 1995

*APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT**By the Secretary of the Board*

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

## Section 3

Applicant(s)	Bank(s)	Effective Date
Bank of Boston Corporation, Boston, Massachusetts BancBoston Holdings, Inc., Boston, Massachusetts	Bank of Boston (Maine), National Association, South Portland, Maine	January 30, 1995
Paladon Management Co., Inc., Panhandle, Texas Paladon Investments, Ltd., Panhandle, Texas	Panhandle Bancshares, Inc., Panhandle, Texas First National Bank of Panhandle, Panhandle, Texas	January 18, 1995

## Section 4

Applicant(s)	Bank(s)	Effective Date
Bank of Boston Corporation, Boston, Massachusetts	Ganis Credit Corporation, Newport Beach, California Thor Credit Corporation, Newport Beach, California	January 20, 1995
Dacotah Bank Holding Co., Aberdeen, South Dakota	Grue Abstract Company, Webster, South Dakota	January 27, 1995
Signet Banking Corporation, Richmond, Virginia	Signet Strategic Capital Corporation, Richmond, Virginia	January 6, 1995

## APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

## By Federal Reserve Banks

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

## Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
The Aurora Holding Company, Aurora, Minnesota	State Bank of Aurora, Aurora, Minnesota	Minneapolis	January 13, 1995
Bancook Corporation, Cook, Nebraska	The First National Bank of Summerfield, Summerfield, Kansas	Kansas City	January 4, 1995
Boatmen's Bancshares, Inc., St. Louis, Missouri	Salem Community Bancorp, Inc., Salem, Illinois	St. Louis	January 23, 1995
Boatmen's-Illinois, Inc., St. Louis, Missouri	Boatmen's Bank of South Central Illinois, Mt. Vernon, Illinois	St. Louis	January 23, 1995
Citizens National Corporation, Wisner, Nebraska	The First National Bank of Attica, Attica, Kansas	Kansas City	January 12, 1995
CNB Bancshares, Inc., Evansville, Indiana	The Bank of Orleans, Orleans, Indiana	St. Louis	January 11, 1995
Commerce Bancshares, Inc., Kansas City, Missouri	Cotton Exchange Bancshares, Inc., Kennett, Missouri	Kansas City	January 18, 1995
Commerce Bancshares, Inc., Kansas City, Missouri	UBI Financial Services, Inc., Wichita, Kansas	Kansas City	January 24, 1995
Commerce Bancshares, Inc., Kansas City, Missouri	Union Bancshares, Inc., Wichita, Kansas	Kansas City	January 24, 1995
Community First BancShares, Inc., Forest, Ohio	Community First Bank, N.A., Forest, Ohio	Cleveland	January 5, 1995
FBOP Corporation, Oak Park, Illinois	North Houston Bank, Houston, Texas	Chicago	January 20, 1995
Firstar Corporation, Milwaukee, Wisconsin	First Moline Financial Corp., Moline, Illinois	Chicago	January 9, 1995
Firstar Corporation of Iowa, Des Moines, Iowa			
First Banks, Inc., Clayton, Missouri	CCB Bancorp, Inc., Santa Ana, California	St. Louis	January 13, 1995



## Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Bank System, Inc., Minneapolis, Minnesota	First Bank, Fergus Falls, National Association, Fergus Falls, Minnesota First Bank Grand Rapids, National Association, Grand Rapids, Minnesota First Bank Maple Grove, National Association, Maple Grove, Minnesota First Bank Minneapolis South, National Association, Minneapolis, Minnesota First Bank Saint Cloud, National Association, Saint Cloud, Minnesota	Minneapolis	January 10, 1995
First State Bancshares, Inc., Scottsbluff, Nebraska	Liberty Industrial Bank, Colorado Springs, Colorado	Kansas City	January 18, 1995
Heritage Bancorp, Inc., Burlington, Kentucky	Heritage Bank, Inc., Burlington, Kentucky	Cleveland	January 4, 1995
HF Limited Partnership, Marshall, Missouri	Wood & Huston Bancorporation, Inc., Marshall, Missouri	Kansas City	January 3, 1995
KeyCorp, Cleveland, Ohio	OmniBancorp, Denver, Colorado	Cleveland	January 4, 1995
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	Financial Services Corporation of the Midwest, Rock Island, Illinois	Chicago	January 13, 1995
Menard Bancshares, Inc., Menard, Texas	Menard National Bank, Menard, Texas	Dallas	December 30, 1994
Mission-Heights Management Company, Ltd., Channelview, Texas	Prime Bancshares, Inc., Channelview, Texas	Dallas	December 30, 1994
Norwest Corporation, Minneapolis, Minnesota	First National Bank of Bay City, Bay City, Texas	Minneapolis	January 5, 1995
Norwest Corporation, Minneapolis, Minnesota	Independent Bancorp of Arizona, Inc., Phoenix, Arizona	Minneapolis	January 12, 1995
Pea River Capital Corporation, Elba, Alabama	The Peoples Bank of Coffee County, Elba, Alabama	Atlanta	January 6, 1995
Philipps Investment Company Limited Partnership, Spring Hill, Florida	Gratiot Bancshares, Inc., Gratiot, Wisconsin	Chicago	January 5, 1995

## Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Philipps Investments Limited Partnership, Wapiti, Wyoming	Gratiot Bancshares, Inc., Gratiot, Wisconsin	Chicago	January 5, 1995
Shawmut National Corporation, Hartford, Connecticut	Shawmut Bank New York, National Association, Schenectady, New York	Boston	January 24, 1995
Shawmut National Corporation, Boston, Massachusetts			
Northeast Federal Corp., Hartford, Connecticut			
Tilden Bancshares, Inc., Tilden, Nebraska	Tilden Enterprises, Inc., Tilden, Nebraska	Kansas City	January 4, 1995
Triangle Bancorp, Inc., Raleigh, North Carolina	Atlantic Community Bancorp, Inc., Rocky Mount, North Carolina	Richmond	January 23, 1995
Union Bancshares, Inc., Wichita, Kansas	CBI-Central Kansas, Inc., Kansas City, Missouri	Kansas City	January 24, 1995
West Bancorp, Inc., Denver, Colorado	Bankers' Bank of the West, Denver, Colorado	Kansas City	January 20, 1995
Wes-Tenn Bancorp, Inc., Covington, Tennessee	West Tennessee Financial Corporation, Selmer, Tennessee	St. Louis	January 10, 1995
Winton Jones Limited Partnership, Wayzata, Minnesota	First National Bank of Farmington, Farmington, Minnesota	Minneapolis	January 19, 1995
Anchor Bancorp, Inc., Wayzata, Minnesota			

## Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
American National Corporation, Chicago, Illinois	ANB Mezzanine Corporation, Chicago, Illinois	Chicago	December 30, 1994
Associated Bank-Corp, Green Bay, Wisconsin	Associated Investment Services, Inc., Green Bay, Wisconsin Associated Brokerage, Inc., Green Bay, Wisconsin Associated Financial Center, Ltd., Menomonee Falls, Wisconsin	Chicago	January 19, 1995

## Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
BanPonce Corporation, Hato Rey, Puerto Rico	Popular International Bank, Hato Rey, Puerto Rico BanPonce Financial, Inc., Mt. Laurel, New Jersey Banco Popular, Federal Savings Bank, Newark, New Jersey	New York	January 20, 1995
Cabot Bankshares, Inc., Cabot, Arkansas	Bank of Cabot Mortgage Company, Cabot, Arkansas	St. Louis	January 19, 1995
Crestar Financial Corporation, Richmond, Virginia	TideMark Bancorp, Inc., Newport News, Virginia	Richmond	January 19, 1995
Firststar Corporation, Milwaukee, Wisconsin	Investors Insurance Agency, Inc., Wayzata, Minnesota	Chicago	January 26, 1995
Firststar Corporation of Minnesota, Bloomington, Minnesota			
First United Bancorporation, Anderson, South Carolina	Eagle Finance Company, Inc., Hartsville, South Carolina	Richmond	December 30, 1994
Huxley Bancorp, Huxley, Iowa	to engage in the activity of making and servicing loans by purchasing loan participations, in an aggregate amount, up to \$500 thousand	Chicago	December 30, 1994
Norwest Corporation, Minneapolis, Minnesota	Norwest Investment Services, Inc., Minneapolis, Minnesota	Minneapolis	January 5, 1995
Premier Bankshares Corporation, Bluefield, Virginia	Premier Trust Company, Bluefield, Virginia	Richmond	December 29, 1994
Security State Agency of Aitkin, Inc., Aitkin, Minnesota	Norshor Agency, Inc., Aitkin, Minnesota	Minneapolis	January 12, 1995

## Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Stearns Financial Services, Inc., Employee Stock Ownership Plan, Albany, Minnesota	Stearns Financial Services, Inc., Albany, Minnesota	Minneapolis	January 18, 1995

## APPLICATIONS APPROVED UNDER BANK MERGER ACT

## By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
BancFirst, Oklahoma City, Oklahoma	State National Bank, Marlow, Oklahoma	Kansas City	January 24, 1995
First Interstate Bank of Commerce, Billings, Montana	First Citizens Bank of Bozeman, Bozeman, Montana	Minneapolis	January 12, 1995
Triangle East Bank, Raleigh, North Carolina	Standard Bank and Trust Company, Dunn, North Carolina Columbus National Bank, Whiteville, North Carolina	Richmond	January 10, 1995
Triangle East Bank, Raleigh, North Carolina	Unity Bank & Trust Company, Rocky Mount, North Carolina	Richmond	January 23, 1995

## 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.*

*Kuntz v. Board of Governors*, No. 95-3044 (6th Cir., filed January 12, 1995). Petition for review of a Board order dated December 19, 1994, approving an application by KeyCorp, Cleveland, Ohio, to acquire BANKVERMONT Corp., Burlington, Vermont.

*In re Subpoena Duces Tecum*, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking pre-decisional supervisory documents. The Board filed its opposition on January 20, 1995.

*Cavallari v. Board of Governors*, No. 94-4183 (2d Cir., filed October 17, 1994). Petition for review of Board order of prohibition against a former outside counsel to a national bank (80 *Federal Reserve Bulletin* 1046 (1994)). The case was consolidated with a petition for review of orders of the Comptroller of the Currency imposing a civil money penalty and cease and desist order against petitioner (*Cavallari v. OCC*, No. 94-4151). The agencies filed their consolidated brief on January 17, 1995.

*Jackson v. Board of Governors*, No. 94-16789 (9th Cir., filed September 22, 1994). Appeal of dismissal of *pro se* action for violation of a prisoner's civil rights. On December 1, 1994, the court dismissed the appeal.

*Board of Governors v. MacCallum*, No. 94 Civ. 5652 (WK) (S.D. New York, filed August 3, 1994). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On August 3, 1994, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. On December 22, 1994, the order was dissolved by agreement of the parties.

*In re Subpoena Duces Tecum*, No. 94-MS-214 (D. D.C., filed June 27, 1994). Subpoena enforcement case in which the plaintiff in a securities fraud class action seeks examination reports and internal Board memos. The Board's opposition to subpoena was filed on July 8, 1994.

*National Title Resource Agency v. Board of Governors*, No. 94-2050 (8th Cir., filed April 28, 1994). Petition for review of Board's order, issued under section 4 of the Bank Holding Company Act, approving the application of Norwest Corp., Minneapolis, Minnesota, to acquire Double Eagle Financial Corp., Phoenix, Ari-

zona, and its subsidiary, United Title Agency, Inc., and thereby engage in title insurance agency activities and real estate settlement services (80 *Federal Reserve Bulletin* 453 (1994)). On January 10, 1995, the court denied the petition and affirmed the Board's order.

*Beckman v. Greenspan*, No. CV 94-41-BCG-RWA (D. Mont., filed April 13, 1994). Action against Board and others seeking damages for alleged violations of constitutional and common law rights. The Board's motion to dismiss was filed May 19, 1994.

*Scott v. Board of Governors*, No. 94-0104 (D. D.C., filed January 21, 1994). Petition for review of a Board order approving the application of Society Corporation, Cleveland, Ohio, to merge with KeyCorp, Albany, New York (80 *Federal Reserve Bulletin* 253 (1994)). On December 7, 1994, the court granted the Board's motion to dismiss.

*In re Subpoena Duces Tecum*, Misc. Nos. 93-261 and 93-260 (D. D.C., filed August 17, 1993). Subpoena enforcement case in which plaintiff seeks examination and other supervisory material in connection with a shareholder derivative action against a bank holding company. On January 25, 1995, the court granted in part and denied in part the plaintiff's motion to compel production. On January 26, 1995, the plaintiff filed his notice of appeal.

*Bennett v. Greenspan*, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action. A jury verdict for the plaintiff was rendered on October 13, 1994. The Board's motion for a new trial on the issue of damages was denied on January 9, 1995.

*Zemel v. Board of Governors*, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. On November 29, 1994, the court granted the Board's motion for summary judgment.

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

#### *FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS*

DLG Financial Corp.  
The Woodlands, Texas

The Federal Reserve Board announced on January 18, 1995, the issuance of a Combined Consent Order of Assessment of Civil Money Penalties against DLG Financial Corp., The Woodlands, Texas, and an Order of Prohibition against Daniel S. De La Garza, the president and sole shareholder of DLG Financial.

Sunnie S. Kim  
Los Angeles, California

The Federal Reserve Board announced on January 18, 1995, the joint issuance with the Office of the Comptroller of the Currency of a Cease and Desist Order against Sunnie S. Kim, a former officer of the NARA Bank, N.A., Los Angeles, California, and the California Center Bank, Los Angeles, California.

#### *WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS*

P.T. Bank Ekspor Impor Indonesia (Persero)  
Jakarta, Indonesia

The Federal Reserve Board announced on January 18, 1995, the execution of a Written Agreement between the Federal Reserve Bank of New York, the Superintendent of Banks of the State of New York, and the P.T. Bank Ekspor Impor Indonesia (Persero), Jakarta, Indonesia.

P.T. Bank Niaga  
Jakarta, Indonesia

The Federal Reserve Board announced on January 26, 1995, the execution of a Second Amendment to the Written Agreement, dated January 8, 1993, involving the Federal Reserve Bank of San Francisco, and the P.T. Bank Niaga, Jakarta, Indonesia, and its Los Angeles Agency.

# Financial and Business Statistics

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# Guide to Tabular Presentation

## SYMBOLS AND ABBREVIATIONS

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

## GENERAL INFORMATION

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

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

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also

include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted<sup>1</sup>

Monetary or credit aggregate	1994				1994				
	Q1	Q2	Q3	Q4	Aug.	Sept.	Oct. <sup>f</sup>	Nov. <sup>f</sup>	Dec.
<i>Reserves of depository institutions<sup>2</sup></i>									
1 Total.....	3.1	-4.4	-2.5	-3.7	-6.0	-7	-6.3	-3.2	-2
2 Required.....	2.5	-3.6	-2.6	-3.2	-4.0	-1.9	-1.2	-7.4	-3.1
3 Nonborrowed.....	3.7	-5.4	-4.2	-2.4	-6.3	-1.1	-4.2	-6	.6
4 Monetary base.....	10.2	8.4	7.3	6.4	6.4 <sup>f</sup>	5.5 <sup>f</sup>	6.8	8.9	1.8
<i>Concepts of money, liquid assets, and debt<sup>4</sup></i>									
5 M1.....	6.0	1.9	3.0	-1.4	-2.2	.9 <sup>f</sup>	-3.5	-9	.0
6 M2.....	2.1 <sup>f</sup>	1.7 <sup>f</sup>	.9 <sup>f</sup>	-.5	-1.9	-.4	-1.7	.5	1.9
7 M3.....	-.5 <sup>f</sup>	-.5 <sup>f</sup>	1.9 <sup>f</sup>	1.9	-1.9	1.4 <sup>f</sup>	2.5	2.1	4.3
8 L.....	2.6 <sup>f</sup>	1.3 <sup>f</sup>	1.3 <sup>f</sup>	n.a.	-1.6	-1.2 <sup>f</sup>	6.6	2.8	n.a.
9 Debt.....	5.3	5.6	4.4	n.a.	6.2	5.7	4.4	6.3	n.a.
<i>Nontransaction components</i>									
10 In M2.....	.3 <sup>f</sup>	1.6 <sup>f</sup>	.0 <sup>f</sup>	-.1	-1.8	-1.1 <sup>f</sup>	-.7	1.3	2.8
11 In M3 only <sup>5</sup> .....	-8.0	-5.6 <sup>f</sup>	7.4 <sup>f</sup>	15.1	-2.2 <sup>f</sup>	11.7 <sup>f</sup>	25.0	10.6	17.1
<i>Time and savings deposits</i>									
Commercial banks									
12 Savings, including MMDAs.....	4.3	-3.3	-4.1	-8.5	-2.8	-3.6	-12.1	-9.9	-11.5
13 Small time.....	-5.2	.1	8.9	16.8	15.1	12.6	17.5	17.5	21.4
14 Large time <sup>6,9</sup> .....	-2.6	-2.1 <sup>f</sup>	9.3 <sup>f</sup>	20.4	12.1 <sup>f</sup>	19.3 <sup>f</sup>	21.5	23.7	17.5
Thrift institutions									
15 Savings, including MMDAs.....	-.5	-.2	-11.1	-17.7	-16.7	-16.9	-15.7	-21.5	-21.0
16 Small time.....	-10.7 <sup>f</sup>	-5.9 <sup>f</sup>	-2.1 <sup>f</sup>	9.6	-3.5 <sup>f</sup>	2.0 <sup>f</sup>	13.4	19.8	5.7
17 Large time <sup>8</sup> .....	-8.5	-4.5 <sup>f</sup>	6.8 <sup>f</sup>	14.2	-5.8 <sup>f</sup>	23.4 <sup>f</sup>	23.0	5.6	5.6
<i>Money market mutual funds</i>									
18 General purpose and broker-dealer.....	1.2 <sup>f</sup>	13.2 <sup>f</sup>	2.1 <sup>f</sup>	8.3	-2.0	-2.0	9.3	15.9	20.9
19 Institution-only.....	-26.7	-22.8	-6.0	15.3	-11.2	-9.9	52.9	2.1	6.8
<i>Debt components<sup>4</sup></i>									
20 Federal.....	7.3	5.4	3.9	n.a.	6.1	6.0	5.4	8.5	n.a.
21 Nonfederal.....	4.6	5.6	4.6	n.a.	6.3	5.5 <sup>f</sup>	4.1	5.5	n.a.

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

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

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

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

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

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

5. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

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

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT<sup>1</sup>

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1994			1994						
	Oct.	Nov.	Dec.	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<b>SUPPLYING RESERVE FUNDS</b>										
1 Reserve Bank credit outstanding	394,856	399,252 <sup>f</sup>	405,187	399,576	400,702	400,887 <sup>f</sup>	400,295	402,024	405,775	410,034
U.S. government securities <sup>2</sup>										
2 Bought outright—System account	354,275	357,686	364,374	358,166	359,509	359,214	363,847	364,693	364,572	364,225
3 Held under repurchase agreements	1,648	2,899	3,278	2,743	3,553	3,134	0	718	3,086	6,832
Federal agency obligations										
4 Bought outright	3,772	3,730	3,653	3,744	3,744	3,684	3,674	3,661	3,644	3,642
5 Held under repurchase agreements	349	969	648	807	1,193	1,694	0	300	1,157	1,046
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	20	103	87	40	57	97	111	28	133	65
8 Seasonal credit	344	159	101	164	140	127	97	91	104	118
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	559	720 <sup>f</sup>	825	705	764	674 <sup>f</sup>	874	575	834	1,480
11 Other Federal Reserve assets	33,890	32,987	32,220	33,208	31,743	32,264	31,692	31,957	32,244	32,626
12 Gold stock	11,054	11,052	11,051	11,052	11,052	11,051	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,825 <sup>f</sup>	22,905 <sup>f</sup>	22,972	22,899 <sup>f</sup>	22,917 <sup>f</sup>	22,934 <sup>f</sup>	22,948	22,962	22,976	22,990
<b>ABSORBING RESERVE FUNDS</b>										
15 Currency in circulation	388,884 <sup>f</sup>	393,906 <sup>f</sup>	398,876	394,309 <sup>f</sup>	394,280 <sup>f</sup>	396,145 <sup>f</sup>	396,044	397,003	398,301	401,975
16 Treasury cash holdings	367	379	350	371	396	390	383	347	342	335
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,553	5,250	6,113	5,225	4,821	5,351	4,337	6,044	6,697	6,973
18 Foreign	192	192	195	181	197	224	175	189	178	219
19 Service-related balances and adjustments	4,849	4,612 <sup>f</sup>	4,573	4,685	4,537	4,451 <sup>f</sup>	4,454	4,876	4,546	4,463
20 Other	336	316	342	318	310	302	317	320	317	278
21 Other Federal Reserve liabilities and capital	11,724	12,020	12,000	11,755	12,098	11,902	11,246	11,706	12,403	12,584
22 Reserve balances with Federal Reserve Banks	24,848	24,553 <sup>f</sup>	24,778	24,701	26,049	24,125 <sup>f</sup>	25,356	23,570	25,035	25,266 <sup>f</sup>
<b>End-of-month figures</b>										
<b>Wednesday figures</b>										
<b>SUPPLYING RESERVE FUNDS</b>										
1 Reserve Bank credit outstanding	395,756	402,176 <sup>f</sup>	411,369	399,901	403,171	402,176 <sup>f</sup>	398,397	402,658	408,235	413,613
U.S. government securities <sup>2</sup>										
2 Bought outright—System account	352,313	359,190	364,519	358,817	359,627	359,190	360,535	364,100	365,323	364,942
3 Held under repurchase agreements	3,615	6,510	9,565	3,310	4,306	6,510	0	1,675	5,120	6,020
Federal agency obligations										
4 Bought outright	3,744	3,674	3,637	3,744	3,744	3,674	3,674	3,644	3,644	3,637
5 Held under repurchase agreements	400	1,655	1,025	850	2,050	1,655	0	700	100	1,000
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	17	31	148	16	338	31	720	22	811	53
8 Seasonal credit	247	113	75	163	131	113	93	97	104	114
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	579	-424 <sup>f</sup>	-715	1,317	930	-424 <sup>f</sup>	1,541	244	657	5,061
11 Other Federal Reserve assets	34,841	31,428	33,115	31,685	32,046	31,428	31,834	32,177	32,476	32,785
12 Gold stock	11,053	11,052	11,051	11,052	11,052	11,052	11,051	11,051	11,051	11,051
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	22,865 <sup>f</sup>	22,934 <sup>f</sup>	23,004	22,899 <sup>f</sup>	22,917 <sup>f</sup>	22,934 <sup>f</sup>	22,948	22,962	22,976	22,990
<b>ABSORBING RESERVE FUNDS</b>										
15 Currency in circulation	389,682 <sup>f</sup>	396,795 <sup>f</sup>	403,853	394,665 <sup>f</sup>	395,885 <sup>f</sup>	396,795 <sup>f</sup>	397,278	398,354	400,566	404,504
16 Treasury cash holdings	363	389	335	397	391	389	347	344	335	335
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,164	5,348	7,161	4,250	4,532	5,348	4,970	5,977	8,751	7,677
18 Foreign	223	230	250	184	198	230	166	206	192	173
19 Service-related balances and adjustments	4,782	4,451 <sup>f</sup>	4,464	4,685	4,537	4,451 <sup>f</sup>	4,454	4,876	4,546	4,463
20 Other	392	302	876	331	290	302	324	314	319	271
21 Other Federal Reserve liabilities and capital	12,584	11,133	11,959	11,567	11,905	11,133	11,354	11,837	12,376	12,273
22 Reserve balances with Federal Reserve Banks	24,502	25,532 <sup>f</sup>	24,543	25,792	27,420	25,532 <sup>f</sup>	21,519	22,782	23,194	25,977

1. Amounts of cash held as reserves are shown in table 1.12, line 2.

2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.

3. Excludes required clearing balances and adjustments to compensate for float.

# A6 Domestic Financial Statistics □ March 1995

## 1.12 RESERVES AND BORROWINGS Depository Institutions<sup>1</sup>

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1991	1992	1993	1994						
	Dec.	Dec.	Dec.	June	July	Aug.	Sept.	Oct.	Nov. <sup>†</sup>	Dec.
1 Reserve balances with Reserve Banks <sup>2</sup>	25,368	29,374	24,637	26,502	25,996	25,284	25,157	24,745	24,715	24,637
2 Total vault cash <sup>3</sup>	34,542	36,812	40,363	36,898	37,635	37,614	38,431	38,231	38,931	40,363
3 Applied vault cash <sup>4</sup>	31,172	33,484	36,682	33,422	34,096	34,052	34,794	34,745	35,291	36,682
4 Surplus vault cash <sup>5</sup>	3,370	3,328	3,681	3,476	3,539	3,562	3,637	3,486	3,640	3,681
5 Total reserves <sup>6</sup>	56,340	62,858	61,319	59,924	60,092	59,337	59,951	59,490	60,006	61,319
6 Required reserves <sup>7</sup>	55,385	61,795	60,171	58,819	58,985	58,333	58,891	58,686	58,999	60,171
7 Excess reserve balances at Reserve Banks <sup>8</sup>	1,155	1,063	1,147	1,105	1,107	1,004	1,060	804	1,008	1,147
8 Total borrowings at Reserve Banks <sup>9</sup>	124	82	209	333	458	469	487	380	249	209
9 Seasonal borrowings <sup>9</sup>	18	31	100	226	364	445	444	339	164	100
10 Extended credit <sup>9</sup>	1	0	0	0	0	0	0	0	0	0
Biweekly averages of daily figures for two week periods ending on dates indicated										
1994										
	Aug. 31	Sept. 14	Sept. 28	Oct. 12	Oct. 26	Nov. 9	Nov. 23	Dec. 7 <sup>†</sup>	Dec. 21	Jan. 4
1 Reserve balances with Reserve Banks <sup>2</sup>	25,099	25,720	24,641	24,824	25,025	23,771	25,360	24,638	24,288	25,124
2 Total vault cash <sup>3</sup>	36,913	38,451	38,397	38,539	37,608	39,236	38,235	39,934	40,862	39,965
3 Applied vault cash <sup>4</sup>	33,455	34,839	34,700	35,138	34,137	35,506	34,677	36,245	37,082	36,428
4 Surplus vault cash <sup>5</sup>	3,458	3,612	3,697	3,401	3,472	3,730	3,558	3,689	3,780	3,538
5 Total reserves <sup>6</sup>	58,554	60,559	59,341	59,962	59,161	59,276	60,037	60,883	61,370	61,551
6 Required reserves <sup>7</sup>	57,559	59,643	58,138	58,907	58,587	58,435	59,092	59,538	60,291	60,449
7 Excess reserve balances at Reserve Banks <sup>8</sup>	995	917	1,204	1,055	574	841	945	1,346	1,080	1,103
8 Total borrowings at Reserve Banks <sup>9</sup>	498	447	535	433	346	351	201	216	179	246
9 Seasonal borrowings <sup>9</sup>	468	437	458	403	326	223	152	112	98	95
10 Extended credit <sup>9</sup>	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault

cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit.

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

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks<sup>1</sup>

Millions of dollars, averages of daily figures

Source and maturity	1994, week ending Monday								
	Oct. 31	Nov. 7	Nov. 14	Nov. 21	Nov. 28	Dec. 5	Dec. 12	Dec. 19	Dec. 26
<i>Federal funds purchased, repurchase agreements, and other selected borrowings</i>									
From commercial banks in the United States									
1 For one day or under continuing contract	69,873	75,143	72,603	76,387	75,368	81,910	78,942	78,752	77,920
2 For all other maturities	15,923	16,685	14,817	17,343	15,334	13,801	13,651	14,003	14,640
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	16,902	17,835	18,979	20,140	18,621	18,989	17,824	17,600	22,326
4 For all other maturities	22,242	22,074	22,471	21,515	21,441	20,252	20,683	20,087	20,816
<i>Repurchase agreements on U.S. government and federal agency securities</i>									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	22,000	22,406	23,109	25,838	17,864	24,632	19,819	20,422	20,530
6 For all other maturities	32,215	31,392	29,513	27,429	33,284	28,624	31,472	31,867	26,825
All other customers									
7 For one day or under continuing contract	32,802	34,363	33,299	35,679	34,426	35,109	35,426	35,089	34,904
8 For all other maturities	17,134	16,875	16,955	17,389	19,759	17,824	18,391	18,726	19,546
<b>MEMO</b>									
<i>Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract</i>									
9 To commercial banks in the United States	59,630	60,309	61,075	60,169	63,006	64,465	63,841	70,480	73,660
10 To all other specified customers <sup>2</sup>	21,842	22,347	22,091	22,698	22,601	23,074	22,093	21,769	20,361

1. Banks with assets of \$4 billion or more as of Dec. 31, 1988.  
Data in this table also appear in the Board's H.5 (507) weekly statistical release. For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.



## 1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Federal Reserve Bank	Current and previous levels								
	Adjustment credit <sup>1</sup>			Seasonal credit <sup>2</sup>			Extended credit <sup>3</sup>		
	On 2/3/95	Effective date	Previous rate	On 2/3/95	Effective date	Previous rate	On 2/3/95	Effective date	Previous rate
Boston .....	5.25	2/1/95	4.75	5.90	2/2/95	5.85	6.40	2/2/95	6.35
New York .....	↑	2/1/95	↑	↑	↑	↑	↑	↑	↑
Philadelphia .....		2/2/95							
Cleveland .....		2/9/95							
Richmond .....		2/1/95							
Atlanta .....		2/2/95							
Chicago .....		2/1/95							
St. Louis .....		2/1/95							
Minneapolis .....		2/2/95							
Kansas City .....		2/1/95							
Dallas .....		2/2/95							
San Francisco .....	5.25	2/1/95	4.75	5.90	2/2/95	5.85	6.40	2/2/95	6.35
	↓		↓	↓		↓	↓		↓

Range of rates for adjustment credit in recent years<sup>4</sup>

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	1981—Nov. 2 .....	13-14	13	1987—Sept. 4 .....	5.5-6	6
1978—Jan. 9 .....	6-6.5	6.5	Dec. 6 .....	13	13	11 .....	6	6
20 .....	6.5	6.5	Dec. 4 .....	12	12			
May 11 .....	6.5-7	7	1982—July 20 .....	11.5-12	11.5	1988—Aug. 9 .....	6-6.5	6.5
12 .....	7	7	23 .....	11.5	11.5	11 .....	6.5	6.5
July 3 .....	7-7.25	7.25	Aug. 2 .....	11-11.5	11	1989—Feb. 24 .....	6.5-7	7
10 .....	7.25	7.25	3 .....	11	11	27 .....	7	7
Aug. 21 .....	7.75	7.75	16 .....	10.5	10.5			
Sept. 22 .....	8	8	27 .....	10-10.5	10	1990—Dec. 19 .....	6.5	6.5
Oct. 16 .....	8-8.5	8.5	30 .....	10	10			
20 .....	8.5	8.5	Oct. 12 .....	9.5-10	9.5	1991—Feb. 1 .....	6-6.5	6
Nov. 1 .....	8.5-9.5	9.5	22 .....	9.5	9.5	4 .....	6	6
3 .....	9.5	9.5	Nov. 22 .....	9-9.5	9	Apr. 30 .....	5.5-6	5.5
			26 .....	9	9	May 2 .....	5.5	5.5
1979—July 20 .....	10	10	Dec. 14 .....	8.5-9	9	Sept. 13 .....	5-5.5	5
Aug. 17 .....	10-10.5	10.5	15 .....	8.5-9	8.5	17 .....	4.5	4.5
20 .....	10.5	10.5	17 .....	8.5	8.5	Nov. 6 .....	4.5	4.5
Sept. 19 .....	10.5-11	11				7 .....	4.5	4.5
21 .....	11	11	1984—Apr. 9 .....	8.5-9	9	Dec. 20 .....	3.5-4.5	3.5
Oct. 8 .....	11-12	12	13 .....	9	9	24 .....	3.5	3.5
10 .....	12	12	Nov. 21 .....	8.5-9	8.5			
1980—Feb. 15 .....	12-13	13	26 .....	8.5	8.5	1992—July 2 .....	3-3.5	3
19 .....	13	13	Dec. 24 .....	8	8	17 .....	3	3
May 29 .....	12-13	13						
30 .....	12	12	1985—May 20 .....	7.5-8	7.5	1994—May 17 .....	3-3.5	3.5
June 13 .....	11-12	11	24 .....	7.5	7.5	18 .....	3.5	3.5
16 .....	11	11				Aug. 16 .....	3.5-4	4
July 28 .....	10-11	10	1986—Mar. 7 .....	7-7.5	7	18 .....	4	4
29 .....	10	10	10 .....	7	7	Nov. 15 .....	4-4.75	4.75
Sept. 26 .....	11	11	Apr. 21 .....	6.5-7	6.5	17 .....	4.75	4.75
Nov. 17 .....	12	12	23 .....	6.5	6.5			
Dec. 5 .....	12-13	13	July 11 .....	6	6	1995—Feb. 1 .....	4.75-5.25	5.25
8 .....	13	13	Aug. 21 .....	5.5-6	5.5	9 .....	5.25	5.25
1981—May 5 .....	13-14	14	22 .....	5.5	5.5			
8 .....	14	14				In effect Feb. 3, 1995 .....	4.75-5.25	5.25

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

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

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than

thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS<sup>1</sup>

Type of deposit <sup>2</sup>	Requirement	
	Percentage of deposits	Effective date
<i>Net transaction accounts</i> <sup>3</sup>		
1 \$0 million–\$54.0 million.....	3	12/20/94
2 More than \$54.0 million <sup>4</sup> .....	10	12/20/94
3 Nonpersonal time deposits <sup>5</sup> .....	0	12/27/90
4 Eurocurrency liabilities <sup>6</sup> .....	0	12/27/90

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

2. The Garn–St Germain Depository Institutions Act of 1982 requires that \$2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 20, 1994, the exemption was raised from \$4.0 million to \$4.2 million. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Includes all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers for the purpose of making payments to third persons or others, other than money market deposit accounts (MMDAs) and similar accounts that permit no more than six preauthorized, automatic, or other transfers per month, of which

no more than three may be checks (accounts subject to such limits are considered savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective Dec. 20, 1994, the amount was increased from \$51.9 million to \$54.0 million.

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

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS<sup>1</sup>

Millions of dollars

Type of transaction and maturity	1991	1992	1993	1994						
				May	June	July	Aug.	Sept.	Oct.	Nov.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	20,158	14,714	17,717	1,395	4,143	0	1,610	0	518	6,109
2 Gross sales	120	1,628	0	0	0	0	0	0	0	0
3 Exchanges	277,314	308,699	332,229	29,807	39,484	29,559	36,281	29,668	29,361	36,543
4 Redemptions	1,000	1,600	0 <sup>f</sup>	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	3,043	1,096	1,223	155	0	0	0	151	450	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	24,454	36,662	31,368	5,413 <sup>f</sup>	1,197	1,692	6,131	961	460	1,790
8 Exchanges	-28,090	-30,543	-36,582	917 <sup>f</sup>	-3,192	-1,626	-4,089	-2,203	0	-5,795
9 Redemptions	1,000	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	6,583	13,118	10,350	0	0	0	0	2,530	0	200
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	-21,211	-34,478	-27,140	-3,449 <sup>f</sup>	-1,197	-1,692	-5,506	-837	-460	-1,123
13 Exchanges	24,594	25,811	0	-917 <sup>f</sup>	3,192	1,626	2,889	2,203	0	4,192
Five to ten years										
14 Gross purchases	1,280	2,818	4,168	0	0	0	0	938	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	-2,037	-1,915	0	-1,510 <sup>f</sup>	0	0	-549	-125	0	-278
17 Exchanges	2,894	3,532	0	0	0	0	750	0	0	1,603
More than ten years										
18 Gross purchases	375	2,333	3,457	0	0	0	0	840	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	-1,209	-269	0	0	0	0	-76	0	0	-389
21 Exchanges	600	1,200	0	-453 <sup>f</sup>	0	0	450	0	0	0
All maturities										
22 Gross purchases	31,439	34,079	36,915	155 <sup>f</sup>	4,143	0	1,610	4,459	968	6,309
23 Gross sales	120	1,628	0	0	0	0	0	0	0	0
24 Redemptions	1,000	1,600	767 <sup>f</sup>	0	0	302 <sup>f</sup>	0	0 <sup>f</sup>	979 <sup>f</sup>	0
Matched transactions										
25 Gross sales	1,570,456	1,482,467	1,475,085	135,796	133,939	125,181	170,356	151,589	137,242	147,858
26 Gross purchases	1,571,534	1,480,140	1,475,941	137,195	133,075	126,677	169,018	151,029	136,556	148,425
Repurchase agreements										
27 Gross purchases	310,084	378,374	475,447	21,517	10,059	28,085	44,948	4,975	17,088	35,456
28 Gross sales	311,752	386,257	470,723	17,112	4,405	35,374	41,199	9,354	15,613	32,561
29 Net change in U.S. Treasury securities	29,729	20,642	41,729 <sup>f</sup>	5,691 <sup>f</sup>	8,933	-6,095 <sup>f</sup>	4,022	-479 <sup>f</sup>	778 <sup>f</sup>	9,771
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	5	0	0	0	0	0	0	0	0	0
32 Redemptions	292	632	774 <sup>f</sup>	70	58	20 <sup>f</sup>	63	31 <sup>f</sup>	62 <sup>f</sup>	70
Repurchase agreements										
33 Gross purchases	22,807	14,565	35,063	4,195	580	9,472	8,491	3,620	2,868	8,615
34 Gross sales	23,595	14,486	34,669	2,895	1,300	8,702	8,109	4,982	2,838	7,360
35 Net change in federal agency obligations	-1,085	-554	-380 <sup>f</sup>	1,230	-778	750 <sup>f</sup>	319	-1,393 <sup>f</sup>	-32 <sup>f</sup>	1,185
36 Total net change in System Open Market Account	28,644	20,089	41,348	6,921 <sup>f</sup>	8,155	-5,345	4,341	-1,872	746	10,956

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements<sup>1</sup>

Millions of dollars

Account	Wednesday					End of month		
	1994					1994		
	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28	Oct. 31	Nov. 30	Dec. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account.....	11,052	11,051	11,051	11,051	11,051	11,053	11,052	11,051
2 Special drawing rights certificate account.....	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin.....	321	330	341	341	321	360	321	320
Loans								
4 To depository institutions.....	144	813	119	915	168	264	144	223
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.....	3,674	3,674	3,644	3,644	3,637	3,744	3,674	3,637
8 Held under repurchase agreements.....	1,655	0	700	100	1,000	400	1,655	1,025
9 Total U.S. Treasury securities.....	365,700	360,535	365,775	370,443	370,962	355,928	365,700	374,084
10 Bought outright <sup>2</sup> .....	359,190	360,535	364,100	365,323	364,942	352,313	359,190	364,519
11 Bills.....	176,294	173,394	176,959	178,182	177,801	169,617	176,294	177,378
12 Notes.....	141,150	144,143	144,143	144,143	144,143	140,860	141,150	144,143
13 Bonds.....	41,746	42,998	42,998	42,998	42,998	41,836	41,746	42,998
14 Held under repurchase agreements.....	6,510	0	1,675	5,120	6,020	3,615	6,510	9,565
15 Total loans and securities.....	371,172	365,022	370,237	375,102	375,767	360,336	371,172	378,969
16 Items in process of collection.....	4,983	7,171	6,085	7,038	11,921	2,477	4,983	4,688
17 Bank premises.....	1,067	1,068	1,071	1,072	1,075	1,068	1,067	1,076
Other assets								
18 Denominated in foreign currencies <sup>3</sup> .....	21,909	21,925	21,941	21,959	21,974	23,922	21,909	22,031
19 All other <sup>4</sup> .....	8,373	8,794	9,140	9,423	9,853	9,848	8,373	10,333
20 Total assets.....	426,895	423,379	427,884	434,002	439,979	417,080	426,895	436,487
LIABILITIES								
21 Federal Reserve notes.....	374,571	375,008	376,077	378,266	382,170	367,540	374,571	381,505
22 Total deposits.....	36,554	31,534	34,474	37,489	38,769	35,050	36,554	39,075
23 Depository institutions.....	30,674	26,074	27,983	28,227	30,648	29,271	30,674	30,789
24 U.S. Treasury—General account.....	5,348	4,970	5,977	8,751	7,677	5,164	5,348	7,161
25 Foreign—Official accounts.....	230	166	206	192	173	223	230	250
26 Other.....	302	324	314	319	271	392	302	876
27 Deferred credit items.....	4,637	5,483	5,496	5,871	6,767	1,906	4,637	3,948
28 Other liabilities and accrued dividends <sup>5</sup> .....	4,210	4,026	4,187	4,610	4,473	3,992	4,210	4,592
29 Total liabilities.....	419,973	416,051	420,233	426,236	432,179	408,488	419,973	429,120
CAPITAL ACCOUNTS								
30 Capital paid in.....	3,668	3,682	3,675	3,680	3,685	3,643	3,668	3,683
31 Surplus.....	3,178	3,336	3,390	3,401	3,401	3,401	3,178	3,683
32 Other capital accounts.....	77	310	585	686	714	1,548	77	0
33 Total liabilities and capital accounts.....	426,895	423,379	427,884	434,002	439,979	417,080	426,895	436,487
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts.....	416,344	415,332	413,713	418,499	411,727	407,851	416,344	410,405
Federal Reserve note statement								
35 Federal Reserve notes outstanding (issued to Banks).....	453,444	455,963	457,181	456,900	455,472	449,946	453,444	454,642
36 Less: Held by Federal Reserve Banks.....	78,873	80,955	81,105	78,634	73,302	82,406	78,873	73,137
37 Federal Reserve notes, net.....	374,571	375,008	376,077	378,266	382,170	367,540	374,571	381,505
Collateral held against notes, net								
38 Gold certificate account.....	11,052	11,051	11,051	11,051	11,051	11,053	11,052	11,051
39 Special drawing rights certificate account.....	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets.....	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities.....	355,502	355,938	357,008	359,197	363,101	348,469	355,502	362,437
42 Total collateral.....	374,571	375,008	376,077	378,266	382,170	367,540	374,571	381,505

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

2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.

3. Valued monthly at market exchange rates.

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

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

# A12 Domestic Financial Statistics □ March 1995

## 1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1994					1994		
	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28	Oct. 31	Nov. 30	Dec. 31
1 Total loans .....	144	813	119	915	168	264	224	223
2 Within fifteen days <sup>1</sup> .....	65	731	32	914	159	133	201	202
3 Sixteen days to ninety days .....	79	82	87	2	8	131	23	21
4 Ninety-one days to one year .....	0	0	0	0	0	0	0	0
5 Total acceptances .....	0	0	0	0	0	0	0	0
6 Within fifteen days <sup>1</sup> .....	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days .....	0	0	0	0	0	0	0	0
8 Ninety-one days to one year .....	0	0	0	0	0	0	0	0
9 Total U.S. Treasury securities .....	359,196	360,535	364,102	365,328	364,948	352,313	359,196	364,519
10 Within fifteen days <sup>1</sup> .....	15,444	12,205	15,299	14,413	18,210	10,538	15,444	11,685
11 Sixteen days to ninety days .....	83,053	83,236	87,927	85,581	81,254	83,281	83,053	87,450
12 Ninety-one days to one year .....	111,940	112,165	107,946	112,405	112,555	109,980	111,940	112,455
13 One year to five years .....	87,773	90,031	90,031	90,031	90,031	88,463	87,773	90,031
14 Five years to ten years .....	27,036	28,053	28,053	28,053	28,053	25,711	27,036	28,053
15 More than ten years .....	33,950	34,845	34,845	34,845	34,845	34,339	33,950	34,845
16 Total federal agency obligations .....	3,675	3,674	3,644	3,644	3,638	3,744	3,675	3,637
17 Within fifteen days <sup>1</sup> .....	334	0	8	232	253	119	334	252
18 Sixteen days to ninety days .....	494	749	742	517	573	725	494	573
19 Ninety-one days to one year .....	915	992	992	992	912	747	915	912
20 One year to five years .....	1,390	1,390	1,390	1,390	1,387	1,603	1,390	1,387
21 Five years to ten years .....	518	518	488	488	488	525	518	488
22 More than ten years .....	25	25	25	25	25	25	25	25

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE<sup>1</sup>

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1994								
					May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS <sup>2</sup>	Seasonally adjusted												
1 Total reserves <sup>3</sup> .....	45.53	54.34	60.48	59.00	59.91	59.71	59.82	59.52	59.48	59.17	59.01	59.00	
2 Nonborrowed reserves <sup>4</sup> .....	45.34	54.22	60.39	58.79	59.71	59.37	59.36	59.05	59.00	58.79	58.76	58.79	
3 Nonborrowed reserves plus extended credit <sup>5</sup> .....	45.34	54.22	60.39	58.79	59.71	59.37	59.36	59.05	59.00	58.79	58.76	58.79	
4 Required reserves .....	44.55	53.19	59.41	57.86	59.00	58.60	58.71	58.51	58.42	58.37	58.00 <sup>f</sup>	57.86	
5 Monetary base <sup>6</sup> .....	317.12	350.61	385.86	417.08	401.73	404.32	407.04	409.20 <sup>f</sup>	411.08 <sup>f</sup>	413.40 <sup>f</sup>	416.46 <sup>f</sup>	417.08	
Not seasonally adjusted													
6 Total reserves <sup>7</sup> .....	46.98	56.06	62.37	60.81	58.97	59.56	59.66	58.84	59.39	58.87	59.32	60.81	
7 Nonborrowed reserves .....	46.78	55.93	62.29	60.61	58.77	59.22	59.20	58.37	58.90	58.49	59.07	60.61	
8 Nonborrowed reserves plus extended credit <sup>8</sup> .....	46.78	55.93	62.29	60.61	58.77	59.22	59.20	58.37	58.90	58.49	59.07	60.61	
9 Required reserves <sup>9</sup> .....	46.00	54.90	61.31	59.67	58.06	58.45	58.55	57.84	58.33	58.06	58.32	59.67	
10 Monetary base <sup>9</sup> .....	321.07	354.55	390.59	422.22	400.26	404.72	408.17	408.97 <sup>f</sup>	411.10 <sup>f</sup>	412.85 <sup>f</sup>	416.75 <sup>f</sup>	422.22	
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS <sup>10</sup>													
11 Total reserves <sup>11</sup> .....	55.53	56.54	62.86	61.32	59.27	59.92	60.09	59.34	59.95	59.49	60.01	61.32	
12 Nonborrowed reserves .....	55.34	56.42	62.78	61.11	59.07	59.59	59.63	58.87	59.47	59.11	59.76	61.11	
13 Nonborrowed reserves plus extended credit <sup>12</sup> .....	55.34	56.42	62.78	61.11	59.07	59.59	59.64	58.87	59.47	59.11	59.76	61.11	
14 Required reserves <sup>13</sup> .....	54.55	55.39	61.80	60.17	58.36	58.82	58.99	58.33	58.89	58.69	59.00	60.17	
15 Monetary base <sup>13</sup> .....	333.61	360.90	397.62	427.19	406.59	410.94	414.39	414.92 <sup>f</sup>	416.70 <sup>f</sup>	418.19 <sup>f</sup>	421.90 <sup>f</sup>	427.19	
16 Excess reserves <sup>13</sup> .....	.98	1.16	1.06	1.15	.92	1.11	1.11	1.00	1.06	.80	1.01	1.15	
17 Borrowings from the Federal Reserve .....	.19	.12	.08	.21	.20	.33	.46	.47	.49	.38	.25	.21	

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

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

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

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

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

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

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

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

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

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

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

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

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



## A14 Domestic Financial Statistics □ March 1995

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES<sup>1</sup>

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1994			
					Sept. <sup>r</sup>	Oct. <sup>r</sup>	Nov. <sup>r</sup>	Dec.
Seasonally adjusted								
<i>Measures<sup>2</sup></i>								
1 M1 .....	897.7	1,024.8	1,128.4	1,147.6	1,151.9	1,148.5	1,147.6	1,147.6
2 M2 .....	3,455.2	3,509.0	3,567.9	3,600.0	3,597.6	3,592.6	3,594.2	3,600.0
3 M3 .....	4,180.4	4,183.0	4,232.0	4,282.4	4,250.9	4,259.6	4,267.0	4,282.4
4 L .....	4,992.9	5,057.1	5,135.0	n.a.	5,176.9	5,205.5	5,217.8	n.a.
5 Debt .....	11,171.1	11,706.1	12,335.4	n.a.	12,809.5	12,856.8	12,924.3	n.a.
<i>M1 components</i>								
6 Currency <sup>3</sup> .....	267.1	292.2	321.4	353.6	347.4	350.0	352.9	353.6
7 Travelers checks <sup>4</sup> .....	7.7	8.1	7.9	8.4	8.4	8.4	8.4	8.4
8 Demand deposits <sup>5</sup> .....	290.0	339.6	384.8	383.3	388.0	385.8	383.4	383.3
9 Other checkable deposits <sup>6</sup> .....	332.8	384.9	414.3	402.3	408.2	404.3	402.8	402.3
<i>Nontransaction components</i>								
10 In M2 <sup>7</sup> .....	2,557.5	2,484.2	2,439.5	2,452.5	2,445.6	2,444.1	2,446.7	2,452.5
11 In M3 <sup>8</sup> only .....	725.2	674.0	664.1	682.4	653.3	666.9	672.8	682.4
<i>Commercial banks</i>								
12 Savings deposits, including MMDAs .....	665.5	754.6	785.3	752.3	773.7	765.9	759.6	752.3
13 Small time deposits <sup>9</sup> .....	602.9	508.7	468.6	502.7	479.8	486.8	493.9	502.7
14 Large time deposits <sup>10, 11</sup> .....	342.4	292.8	277.2	299.1	284.0	289.1	294.8	299.1
<i>Thrift institutions</i>								
15 Savings deposits, including MMDAs .....	375.6	429.0	430.2	393.2	412.9	407.5	400.2	393.2
16 Small time deposits <sup>9</sup> .....	464.5	361.8	317.1	315.5	305.5	308.9	314.0	315.5
17 Large time deposits <sup>10</sup> .....	83.4	67.5	61.8	64.5	62.7	63.9	64.2	64.5
<i>Money market mutual funds</i>								
18 General purpose and broker-dealer .....	370.4	352.0	348.8	374.5	360.5	363.3	368.1	374.5
19 Institution-only .....	181.0	201.5	197.0	176.6	167.9	175.3	175.6	176.6
<i>Debt components</i>								
20 Federal debt .....	2,763.3	3,067.9	3,328.0	n.a.	3,454.0	3,469.4	3,494.0	n.a.
21 Nonfederal debt .....	8,407.8	8,638.1	9,007.4	n.a.	9,355.5	9,387.3	9,430.3	n.a.
Not seasonally adjusted								
<i>Measures<sup>2</sup></i>								
22 M1 .....	916.7	1,046.7	1,153.8	1,173.5	1,146.0	1,147.3	1,155.3	1,173.5
23 M2 .....	3,470.3	3,527.6	3,590.5	3,623.5	3,587.1	3,591.0	3,603.8	3,623.5
24 M3 .....	4,191.9	4,198.2	4,251.4	4,302.9	4,240.2	4,254.1	4,279.9	4,302.9
25 L .....	5,018.0	5,087.6	5,169.9	n.a.	5,164.9	5,197.8	5,241.6	n.a.
26 Debt .....	11,168.5	11,708.9	12,327.6	n.a.	12,765.8	12,816.3	12,895.4	n.a.
<i>M1 components</i>								
27 Currency <sup>3</sup> .....	269.9	295.0	324.9	357.7	347.1	349.7	353.3	357.7
28 Travelers checks <sup>4</sup> .....	7.4	7.8	7.6	8.1	8.8	8.5	8.2	8.1
29 Demand deposits <sup>5</sup> .....	303.1	355.1	402.6	401.1	385.6	388.8	391.7	401.1
30 Other checkable deposits <sup>6</sup> .....	336.3	388.9	418.6	406.6	404.5	400.3	402.0	406.6
<i>Nontransaction components</i>								
31 In M2 <sup>7</sup> .....	2,553.7	2,480.8	2,436.7	2,450.0	2,441.1	2,443.6	2,448.5	2,450.0
32 In M3 <sup>8</sup> .....	721.6	670.6	660.9	679.4	653.1	663.1	676.1	679.4
<i>Commercial banks</i>								
33 Savings deposits, including MMDAs .....	664.0	752.9	783.9	751.1	772.4	765.2	761.3	751.1
34 Small time deposits <sup>9</sup> .....	601.9	507.8	467.6	501.5	481.2	487.7	493.1	501.5
35 Large time deposits <sup>10, 11</sup> .....	341.3	291.7	276.0	297.9	285.0	288.8	295.2	297.9
<i>Thrift institutions</i>								
36 Savings deposits, including MMDAs .....	374.8	428.1	429.4	392.6	412.2	407.1	401.1	392.6
37 Small time deposits <sup>9</sup> .....	463.7	361.1	316.4	314.8	306.4	309.5	313.5	314.8
38 Large time deposits <sup>10</sup> .....	83.1	67.2	61.6	64.3	62.9	63.8	64.2	64.3
<i>Money market mutual funds</i>								
39 General purpose and broker-dealer .....	368.5	350.2	347.2	372.9	355.8	359.2	366.0	372.9
40 Institution-only .....	180.4	200.4	195.8	175.5	165.1	170.5	175.0	175.5
<i>Repurchase agreements and Eurodollars</i>								
41 Overnight and continuing .....	80.6	80.7	92.3	117.2	113.1	114.9	113.6	117.2
42 Term .....	130.1	126.8	143.8	157.3	154.8	155.5	158.0	157.3
<i>Debt components</i>								
43 Federal debt .....	2,765.0	3,069.8	3,329.5	n.a.	3,438.4	3,448.7	3,485.3	n.a.
44 Nonfederal debt .....	8,403.5	8,639.1	8,998.1	n.a.	9,327.3	9,367.6	9,410.1	n.a.

Footnotes appear on following page.

## NOTES TO TABLE 1.21

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

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

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

M2: M1 plus (1) overnight (and continuing contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

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

short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

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

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

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

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

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

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

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

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

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks<sup>1</sup>

Item	1992 Dec.	1993 Dec.	1994								
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov. <sup>1</sup>	Dec.
Interest rates (annual effective yields) <sup>2</sup>											
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts .....	2.33	1.86	1.81	1.83	1.82	1.83	1.85	1.87	1.88	1.92	1.96
2 Savings deposits <sup>3</sup> .....	2.88	2.46	2.45	2.50	2.54	2.57	2.63	2.67	2.72	2.81	2.91
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
3 7 to 91 days .....	2.90	2.65	2.87	2.99	3.08	3.17	3.29	3.36	3.47	3.68	3.81
4 92 to 182 days .....	3.16	2.91	3.13	3.28	3.36	3.44	3.61	3.75	3.93	4.22	4.44
5 183 days to 1 year .....	3.37	3.13	3.42	3.64	3.76	3.88	4.11	4.27	4.49	4.85	5.12
6 More than 1 year to 2½ years .....	3.88	3.55	3.87	4.12	4.26	4.39	4.61	4.80	5.08	5.42	5.74
7 More than 2½ years .....	4.77	4.29	4.67	4.89	5.02	5.14	5.33	5.47	5.76	6.09	6.30
BIF-INSURED SAVINGS BANKS <sup>4</sup>											
8 Negotiable order of withdrawal accounts .....	2.45	1.87	1.86	1.86	1.88	1.89	1.89	1.91	1.88	1.91	1.95
9 Savings deposits <sup>3</sup> .....	3.20	2.63	2.65	2.67	2.69	2.67	2.74	2.78	2.76	2.83	2.89
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
10 7 to 91 days .....	3.13	2.70	2.72	2.77	2.84	2.98	3.03	3.11	3.31	3.49	3.78
11 92 to 182 days .....	3.44	3.02	3.13	3.21	3.41	3.53	3.69	3.87	4.09	4.41	4.88
12 183 days to 1 year .....	3.61	3.31	3.47	3.67	3.92	4.02	4.24	4.47	4.78	5.15	5.49
13 More than 1 year to 2½ years .....	4.02	3.66	3.96	4.12	4.38	4.56	4.83	5.04	5.36	5.68	6.06
14 More than 2½ years .....	5.00	4.62	4.85	5.08	5.24	5.35	5.47	5.64	5.78	6.16	6.40
Amounts outstanding (millions of dollars)											
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts .....	286,541	305,223	293,888	292,797	290,220	290,631	295,320	286,787	294,069	294,276	303,712
16 Savings deposits <sup>3</sup> .....	738,253	766,413	771,869	773,170	767,539	765,751	764,035	755,249	751,300	746,618	734,489
17 Personal .....	578,757	597,838	611,720	612,648	608,132	605,881	600,892	595,175	591,304	584,645	578,529
18 Nonpersonal .....	159,496	168,575	160,149	160,522	159,407	159,870	163,143	160,074	159,996	161,973	155,961
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
19 7 to 91 days .....	38,474	29,455	29,467	29,950	28,763	28,659	27,959	28,312	31,387	31,312	32,495
20 92 to 182 days .....	127,831	110,069	105,615	104,400	102,439	100,424	98,085	96,398	95,328	94,573	95,729
21 183 days to 1 year .....	163,098	146,565	146,733	148,102	151,165	152,216	155,964	157,253	158,564	159,697	161,900
22 More than 1 year to 2½ years .....	152,977	141,223	139,313	140,764	144,686	146,875	150,807	152,514	155,251	158,417	162,461
23 More than 2½ years .....	169,708	181,528	181,977	180,381	181,843	182,944	186,490	190,209	188,456	189,243	190,958
24 IRA and Keogh plan deposits .....	147,350	143,985	142,448	142,047	142,513	142,649	142,617	142,700	142,742	143,075	143,321
BIF-INSURED SAVINGS BANKS <sup>4</sup>											
25 Negotiable order of withdrawal accounts .....	10,871	11,151	11,051	11,052	10,792	10,925	11,016	10,769	11,136	10,998	11,317
26 Savings deposits <sup>3</sup> .....	81,786	80,115	78,982	78,817	77,289	77,337	75,108	74,659	73,416	72,597	70,643
27 Personal .....	78,695	77,035	75,717	75,474	74,121	74,064	72,040	71,525	70,215	69,387	67,674
28 Nonpersonal .....	3,091	3,079	3,265	3,344	3,168	3,273	3,068	3,134	3,201	3,210	2,969
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
29 7 to 91 days .....	3,867	2,793	2,697	2,702	2,614	2,531	2,523	2,402	2,258	2,205	2,166
30 92 to 182 days .....	17,345	12,946	13,058	12,822	12,515	12,511	12,292	12,276	11,896	11,895	11,793
31 183 days to 1 year .....	21,780	17,426	17,504	17,444	17,310	17,591	17,593	17,928	18,213	18,483	18,753
32 More than 1 year to 2½ years .....	18,442	16,546	16,453	16,477	16,493	16,901	16,824	17,287	17,521	17,932	17,802
33 More than 2½ years .....	18,845	20,464	21,454	21,546	21,079	21,573	21,531	21,923	21,625	21,652	21,598
34 IRA and Keogh plan accounts .....	21,713	19,356	19,860	19,772	19,511	19,757	19,445	19,532	19,550	19,521	19,312

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 77 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER<sup>1</sup>

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of deposit	1991 <sup>2</sup>	1992 <sup>2</sup>	1993 <sup>2</sup>	1994					
				May <sup>r</sup>	June <sup>r</sup>	July <sup>r</sup>	Aug. <sup>r</sup>	Sept. <sup>r</sup>	Oct.
DEBITS	Seasonally adjusted								
<i>Demand deposits</i> <sup>3</sup>									
1 All insured banks .....	277,741.7	313,179.6	334,375.0	376,214.2	371,498.9	345,258.7	384,044.9	370,520.1	346,126.1
2 Major New York City banks .....	137,337.2	165,484.6	171,310.7	200,277.1	195,079.6	182,408.2	196,505.6	186,294.9	176,701.9
3 Other banks .....	140,404.5	147,695.1	163,064.2	175,937.1	176,419.3	162,850.5	187,539.3	184,225.2	169,424.2
4 Other checkable deposits <sup>4</sup> .....	3,643.1	3,780.7	3,468.9	3,884.1	3,861.3	3,508.5	3,873.5	3,925.7	3,826.4
5 Savings deposits (including MMDAs) <sup>5</sup> .....	3,206.4	3,310.6	3,511.0	3,498.9	3,784.9	3,405.8	3,852.0	3,802.7	3,545.8
DEPOSIT TURNOVER									
<i>Demand deposits</i> <sup>3</sup>									
6 All insured banks .....	803.7	825.8	785.4	834.0	828.6	756.3	852.3	820.1	766.8
7 Major New York City banks .....	4,267.1	4,794.5	4,200.5	4,714.8	4,480.9	4,074.6	4,635.6	4,503.6	4,300.5
8 Other banks .....	448.1	428.7	423.7	430.6	435.8	395.5	459.4	448.9	412.9
9 Other checkable deposits <sup>4</sup> .....	16.2	14.4	11.8	12.9	12.8	11.5	12.8	13.0	12.8
10 Savings deposits (including MMDAs) <sup>5</sup> .....	5.2	4.7	4.6	4.5	4.9	4.4	5.0	5.0	4.7
DEBITS	Not seasonally adjusted								
<i>Demand deposits</i> <sup>3</sup>									
11 All insured banks .....	277,752.4	313,344.9	334,354.6	364,448.1	387,201.1	347,403.9	394,394.4	365,063.0	352,652.7
12 Major New York City banks .....	137,307.2	165,595.0	171,283.5	188,885.2	204,251.8	182,452.9	202,845.6	186,161.8	181,406.6
13 Other banks .....	140,445.2	147,749.9	163,071.0	175,563.0	182,949.3	164,951.0	191,548.8	178,901.2	171,246.1
14 Other checkable deposits <sup>4</sup> .....	3,645.2	3,783.6	3,467.5	3,700.5	3,918.9	3,515.0	3,861.2	3,960.9	3,797.0
15 Savings deposits (including MMDAs) <sup>5</sup> .....	3,209.2	3,310.0	3,509.5	3,535.3	3,906.8	3,521.8	3,873.3	3,716.4	3,472.3
DEPOSIT TURNOVER									
<i>Demand deposits</i> <sup>3</sup>									
16 All insured banks .....	803.6	826.1	785.4	823.3	868.5	761.9	889.5	811.9	774.8
17 Major New York City banks .....	4,269.0	4,803.5	4,197.9	4,449.3	4,878.2	4,150.3	4,960.2	4,539.5	4,435.8
18 Other banks .....	448.1	428.8	423.8	438.7	452.9	400.4	475.9	437.8	413.4
19 Other checkable deposits <sup>4</sup> .....	16.2	14.4	11.8	12.4	13.1	11.8	13.0	13.3	12.9
20 Savings deposits (including MMDAs) <sup>5</sup> .....	5.2	4.7	4.6	4.5	5.0	4.6	5.0	4.9	4.6

1. Historical tables containing revised data for earlier periods can be obtained from the Publications Section, Division of Support Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering 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. As of January 1994, other checkable deposits (OCDs), previously defined as automatic transfer to demand deposits (ATSDs) and negotiable order of withdrawal (NOW) accounts, were expanded to include telephone and preauthorized transfer accounts. This change redefined OCDs for debits data to be consistent with OCDs for deposits data.

5. Money market deposit accounts.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS<sup>1</sup>

Billions of dollars

Account	Monthly averages								Wednesday figures				
	1993	1994 <sup>1</sup>							1994				
		Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Dec. 7	Dec. 14	Dec. 21	Dec. 28
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted												
Assets													
1 Bank credit.....	3,105.3 <sup>2</sup>	3,224.0	3,260.3	3,270.8	3,280.3	3,287.6	3,297.1	3,323.3	3,308.8	3,313.9	3,330.5	3,333.8	
2 Securities in bank credit.....	911.6 <sup>2</sup>	974.6	979.5	971.8	968.0	957.5	950.6	950.5	947.5	952.7	948.6	953.3	
3 U.S. government securities.....	727.3	750.9	751.5	746.7	740.9	727.9	719.9	717.7	716.9	718.0	716.2	718.4	
4 Other securities.....	184.4 <sup>2</sup>	223.7	228.0	225.1	227.0	229.7	230.7	232.8	230.6	234.7	232.4	234.9	
5 Loans and leases in bank credit <sup>2</sup> .....	2,193.6 <sup>2</sup>	2,249.4	2,280.8	2,298.9	2,312.3	2,330.1	2,346.5	2,372.8	2,361.3	2,361.2	2,382.0	2,380.5	
6 Commercial and industrial.....	583.4 <sup>2</sup>	610.4	618.9	623.6	628.1	634.1	639.4	644.3	641.5	642.8	646.8	645.1	
7 Real estate.....	940.8 <sup>2</sup>	956.0	962.9	971.6	979.1	984.0	990.4	1,000.0	996.2	997.8	1,002.5	1,001.7	
8 Revolving home equity.....	73.2	74.1	74.2	74.4	74.7	75.0	75.6	76.0	75.8	75.8	76.0	76.1	
9 Other.....	867.6 <sup>2</sup>	881.9	888.7	897.2	904.4	908.9	914.8	924.0	920.4	921.9	926.5	925.6	
10 Consumer.....	391.2 <sup>2</sup>	416.3	424.3	430.3	435.2	442.1	444.9	450.2	447.1	448.7	450.3	453.5	
11 Security <sup>3</sup> .....	87.7	76.2	77.7	75.0	69.1	72.1	73.3	76.6	77.1	72.4	81.6	75.5	
12 Other.....	190.5 <sup>2</sup>	190.5	197.1	198.4	200.8	197.8	198.5	201.7	199.3	199.5	200.8	204.9	
13 Interbank loans <sup>4</sup> .....	152.9	156.7	160.2	158.5	159.2	163.6	171.7	174.6	173.0	170.6	178.0	176.5	
14 Cash assets <sup>5</sup> .....	219.2	214.5	210.9	203.3	202.4	209.7	204.8	208.3	203.8	202.3	206.3	212.5	
15 Other assets <sup>6</sup> .....	213.4 <sup>2</sup>	219.2	226.1	227.5	221.1	221.6	223.9	234.8	233.4	236.2	236.0	233.2	
16 Total assets <sup>7</sup> .....	3,632.4 <sup>2</sup>	3,757.4	3,800.1	3,802.8	3,805.6	3,825.1	3,840.7	3,884.1	3,862.4	3,866.3	3,893.8	3,899.1	
Liabilities													
17 Deposits.....	2,537.6	2,507.0	2,513.5	2,517.1	2,520.5	2,534.6	2,530.9	2,537.5	2,537.0	2,536.5	2,533.9	2,539.9	
18 Transaction.....	819.0	808.8	809.8	807.6	803.1	806.9	798.1	797.0	797.3	795.8	791.4	799.0	
19 Nontransaction.....	1,718.6	1,698.2	1,703.6	1,709.5	1,717.4	1,727.7	1,732.8	1,740.5	1,739.7	1,740.7	1,742.5	1,741.0	
20 Large time.....	349.8	334.4	339.2	342.7	349.0	357.9	362.6	365.8	367.5	369.0	365.4	363.2	
21 Other.....	1,368.8	1,363.8	1,364.4	1,366.8	1,368.4	1,369.8	1,370.2	1,374.7	1,372.3	1,371.7	1,377.1	1,377.7	
22 Borrowings.....	523.9	568.8	572.2	567.9	577.0	576.2	578.2	604.7	565.6	588.3	627.7	633.6	
23 From banks in the U.S.....	154.1	155.2	161.7	158.1	156.0	164.7	171.4	176.8	176.0	175.5	177.7	176.8	
24 From nonbanks in the U.S.....	369.8	413.6	410.5	409.7	421.0	411.5	406.8	428.0	389.6	412.8	450.0	456.8	
25 Net due to related foreign offices.....	118.9	184.6	200.7	211.2	215.6	213.9	208.4	221.4	221.2	212.6	224.9	220.0	
26 Other liabilities <sup>8</sup> .....	143.0	172.6	178.8	174.1	173.6	175.0	174.4	183.0	181.9	185.9	184.3	181.0	
27 Total liabilities.....	3,323.5	3,433.0	3,465.2	3,470.2	3,486.7	3,499.7	3,492.0	3,546.7	3,505.7	3,523.3	3,570.7	3,574.5	
28 Residual (assets less liabilities) <sup>9</sup> .....	308.9 <sup>2</sup>	324.4	334.8	332.6	319.0	325.4	348.7	337.4	356.7	343.0	323.1	324.6	
	Not seasonally adjusted												
Assets													
29 Bank credit.....	3,120.9 <sup>2</sup>	3,219.1	3,243.9	3,262.6	3,280.6	3,291.4	3,309.6	3,337.6	3,326.3	3,332.1	3,342.7	3,344.1	
30 Securities in bank credit.....	911.2 <sup>2</sup>	971.1	973.2	971.2	969.4	962.1	957.7	947.9	952.1	951.9	945.3	943.8	
31 U.S. government securities.....	726.8	748.5	745.8	746.0	742.5	729.5	723.6	717.4	721.8	721.0	715.9	712.6	
32 Other securities.....	184.4 <sup>2</sup>	222.6	227.3	225.3	226.9	232.6	234.1	230.5	230.2	230.9	229.4	231.1	
33 Loans and leases in bank credit <sup>2</sup> .....	2,209.7 <sup>2</sup>	2,248.0	2,270.7	2,291.3	2,311.2	2,329.3	2,351.9	2,389.7	2,374.2	2,380.2	2,397.4	2,400.4	
34 Commercial and industrial.....	585.4 <sup>2</sup>	611.4	616.7	619.8	624.3	631.9	640.2	646.4	641.6	642.6	650.3	649.5	
35 Real estate.....	944.0	956.4	963.7	970.6	979.3	985.7	993.4	1,003.1	1,001.1	1,002.9	1,003.6	1,004.1	
36 Revolving home equity.....	73.5	73.9	74.0	74.4	75.0	75.7	76.1	76.2	76.3	76.1	76.2	76.1	
37 Other.....	870.5 <sup>2</sup>	882.5	889.7	896.2	904.3	910.0	917.3	926.9	924.8	926.8	927.3	928.0	
38 Consumer.....	395.5	414.4	421.6	429.6	436.3	441.8	445.0	455.1	448.7	452.5	456.1	460.8	
39 Security <sup>3</sup> .....	89.6	74.3	72.5	72.4	68.3	70.9	73.3	78.6	79.2	78.4	81.7	75.9	
40 Other.....	195.2 <sup>2</sup>	191.5	196.2	198.9	202.9	198.9	199.9	206.6	203.7	203.8	205.7	210.0	
41 Interbank loans <sup>4</sup> .....	161.2 <sup>2</sup>	154.4	155.6	155.0	156.4	161.6	171.9	184.1	182.7	182.3	185.3	184.3	
42 Cash assets <sup>5</sup> .....	232.5	212.2	207.5	197.7	204.0	209.0	211.5	221.2	203.8	211.6	216.9	237.3	
43 Other assets <sup>6</sup> .....	217.4 <sup>2</sup>	216.5	224.4	225.8	222.3	224.0	227.0	239.6	237.5	240.9	238.9	239.1	
44 Total assets <sup>7</sup> .....	3,673.2 <sup>2</sup>	3,745.3	3,774.7	3,783.9	3,806.0	3,829.0	3,862.9	3,925.2	3,893.1	3,909.5	3,926.5	3,947.6	
Liabilities													
45 Deposits.....	2,566.4	2,508.6	2,507.3	2,505.5	2,517.3	2,525.7	2,541.3	2,564.8	2,553.7	2,555.2	2,555.0	2,574.7	
46 Transaction.....	853.5	807.2	801.9	792.4	799.7	800.6	809.6	830.2	813.2	817.5	821.5	846.1	
47 Nontransaction.....	1,713.0	1,701.4	1,705.4	1,713.1	1,717.6	1,725.1	1,731.7	1,734.6	1,740.4	1,737.7	1,733.5	1,728.6	
48 Large time.....	346.0	337.2	339.6	344.2	348.6	353.8	359.3	361.8	364.4	365.1	361.0	359.1	
49 Other.....	1,366.9	1,364.2	1,365.9	1,368.8	1,369.0	1,371.2	1,372.4	1,372.8	1,376.0	1,372.6	1,372.5	1,369.5	
50 Borrowings.....	534.0	575.1	580.1	583.5	588.7	590.5	602.9	618.4	608.4	609.2	634.1	623.2	
51 From banks in the U.S.....	161.4	154.6	156.0	155.1	156.4	161.6	171.9	184.1	182.7	182.3	185.3	184.3	
52 From nonbanks in the U.S.....	372.6	420.4	424.1	428.5	432.3	428.9	431.0	434.3	425.6	426.9	448.8	438.9	
53 Net due to related foreign offices.....	126.0	179.8	192.9	200.4	203.7	212.6	211.6	229.3	217.1	226.6	226.3	240.8	
54 Other liabilities <sup>8</sup> .....	146.5	168.7	175.1	173.5	174.2	178.5	181.8	187.5	187.5	190.8	187.5	185.3	
55 Total liabilities.....	3,373.0	3,432.1	3,455.3	3,462.9	3,483.9	3,507.3	3,537.6	3,599.9	3,566.7	3,581.8	3,602.9	3,624.0	
56 Residual (assets less liabilities) <sup>9</sup> .....	300.2 <sup>2</sup>	313.2	319.4	321.0	322.2	321.6	325.3	325.3	326.4	327.7	323.6	323.6	

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS<sup>1</sup>—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1993	1994 <sup>f</sup>							1994			
		Dec.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Dec. 7	Dec. 14	Dec. 21
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,772.5 <sup>f</sup>	2,877.2	2,903.0	2,914.3	2,921.4	2,931.5	2,942.3	2,962.2	2,947.1	2,957.1	2,967.9	2,968.7
58 Securities in bank credit	834.3 <sup>f</sup>	885.7	892.1	883.2	876.9	868.1	865.4	866.5	863.4	870.2	865.2	867.5
59 U.S. government securities	673.9	690.2	691.6	686.3	679.7	669.7	665.5	665.7	664.4	668.0	664.9	665.0
60 Other securities	160.5 <sup>f</sup>	195.5	200.5	196.9	197.2	198.4	199.9	200.7	199.0	202.1	200.3	202.5
61 Loans and leases in bank credit <sup>2</sup>	1,938.2 <sup>f</sup>	1,991.5	2,010.9	2,031.1	2,044.5	2,063.3	2,076.9	2,095.7	2,083.7	2,086.9	2,102.7	2,101.2
62 Commercial and industrial	435.6 <sup>f</sup>	455.8	461.0	464.4	468.2	472.1	474.7	478.5	475.3	475.6	480.5	480.5
63 Real estate	894.6 <sup>f</sup>	912.8	920.6	929.5	937.3	943.3	949.8	959.4	955.8	957.0	961.6	961.0
64 Revolving home equity	73.2	74.0	74.2	74.4	74.7	75.0	75.6	75.9	75.8	75.8	76.0	76.1
65 Other	821.4 <sup>f</sup>	838.7	846.4	855.1	862.7	868.3	874.2	883.5	880.0	881.2	885.7	884.9
66 Consumer	391.2 <sup>f</sup>	416.3	424.3	430.3	435.2	442.1	444.9	450.2	447.1	448.7	450.3	453.5
67 Security <sup>3</sup>	58.2	49.6	46.5	47.0	43.3	46.7	47.4	46.7	46.4	45.4	50.0	44.5
68 Other	158.6 <sup>f</sup>	157.0	158.6	159.9	160.4	159.2	160.1	160.8	159.2	160.3	160.2	161.8
69 Interbank loans <sup>4</sup>	133.4	131.6	133.7	134.0	135.7	138.9	148.8	152.7	150.5	149.6	156.2	153.7
70 Cash assets <sup>5</sup>	193.8	188.6	185.5	179.6	180.7	187.0	181.6	182.6	179.5	176.9	180.2	186.3
71 Other assets <sup>6</sup>	171.2 <sup>f</sup>	166.4	170.6	172.3	167.6	167.0	168.3	170.5	168.5	170.3	172.7	170.2
72 Total assets <sup>7</sup>	3,212.6 <sup>f</sup>	3,306.8	3,335.5	3,342.9	3,348.1	3,367.0	3,384.3	3,411.1	3,389.0	3,397.3	3,420.0	3,421.9
Liabilities												
73 Deposits	2,379.2	2,369.0	2,371.4	2,371.9	2,368.4	2,374.9	2,371.0	2,374.0	2,371.3	2,371.1	2,371.4	2,377.4
74 Transaction	808.1	798.4	799.9	797.8	793.2	797.4	788.9	787.7	787.8	787.2	782.2	788.9
75 Nontransaction	1,571.1	1,570.6	1,571.5	1,574.2	1,575.2	1,577.4	1,582.1	1,586.4	1,583.5	1,583.9	1,589.2	1,588.4
76 Large time	208.9	210.1	211.4	212.5	211.3	214.7	218.9	220.3	219.6	220.0	221.1	220.2
77 Other	1,362.2	1,360.5	1,360.1	1,361.6	1,363.9	1,362.8	1,363.1	1,366.0	1,363.9	1,363.9	1,368.0	1,368.2
78 Borrowings	416.9	462.4	462.2	461.0	473.5	477.6	476.0	497.2	459.9	484.6	520.1	519.4
79 From banks in the U.S.	122.6	131.9	140.6	139.1	138.3	148.4	154.2	159.8	158.4	160.9	159.6	159.5
80 From nonbanks in the U.S.	294.3	330.5	321.6	321.9	335.2	329.2	321.8	337.5	301.4	323.7	360.6	359.9
81 Net due to related foreign offices	1.7	32.6	44.6	53.4	59.9	64.6	64.6	77.6	71.1	70.8	78.0	83.4
82 Other liabilities <sup>8</sup>	105.1	129.8	132.5	127.6	128.4	128.1	126.8	124.5	122.8	125.8	126.2	124.3
83 Total liabilities	2,902.9	2,993.9	3,010.8	3,013.9	3,030.1	3,045.2	3,038.4	3,073.4	3,025.2	3,052.2	3,095.8	3,104.5
84 Residual (assets less liabilities) <sup>9</sup>	309.6 <sup>f</sup>	312.9	324.8	329.0	317.9	321.8	345.8	337.6	363.8	345.0	324.2	317.4
Not seasonally adjusted												
Assets												
85 Bank credit	2,779.3 <sup>f</sup>	2,876.2	2,895.1	2,910.0	2,925.6	2,937.8	2,952.9	2,967.1	2,957.0	2,964.5	2,972.1	2,968.8
86 Securities in bank credit	831.7 <sup>f</sup>	885.1	887.8	884.0	879.8	873.1	871.1	861.9	866.3	866.9	860.1	856.4
87 U.S. government securities	671.2	689.8	687.7	686.8	682.4	671.4	667.8	663.1	667.5	667.7	662.2	657.1
88 Other securities	160.5 <sup>f</sup>	195.3	200.1	197.2	197.3	201.7	203.3	198.8	198.8	199.1	197.9	199.4
89 Loans and leases in bank credit <sup>2</sup>	1,947.6 <sup>f</sup>	1,991.0	2,007.4	2,026.0	2,045.8	2,064.7	2,081.8	2,105.1	2,090.8	2,097.6	2,111.9	2,112.4
90 Commercial and industrial	435.6 <sup>f</sup>	456.9	459.6	461.5	465.7	471.5	475.6	478.4	474.4	474.9	481.0	481.3
91 Real estate	897.9 <sup>f</sup>	913.5	921.4	928.4	937.5	944.9	952.7	962.6	960.4	962.2	963.1	963.7
92 Revolving home equity	73.5	73.9	74.0	74.4	75.0	75.7	76.0	76.2	76.3	76.1	76.2	76.1
93 Other	824.5	839.6	847.4	854.0	862.5	869.2	876.7	886.5	884.1	886.1	886.9	887.6
94 Consumer	395.5	414.4	421.6	429.6	436.3	441.8	445.0	455.1	448.7	452.5	456.1	460.8
95 Security <sup>3</sup>	57.5	48.8	45.7	46.0	43.6	46.0	47.3	46.1	46.3	46.4	49.3	42.7
96 Other	161.1 <sup>f</sup>	157.5	159.0	160.5	162.7	160.5	161.2	162.9	161.0	161.6	162.4	163.9
97 Interbank loans <sup>4</sup>	138.7	130.7	129.6	131.9	132.6	136.3	148.9	158.8	158.5	157.6	161.3	155.9
98 Cash assets <sup>5</sup>	206.8	186.1	182.4	173.4	181.4	185.3	188.2	179.7	186.2	186.2	190.7	209.9
99 Other assets <sup>6</sup>	173.2 <sup>f</sup>	165.3	170.1	170.9	169.0	169.4	169.5	172.3	168.8	171.7	173.0	174.2
100 Total assets <sup>7</sup>	3,239.3 <sup>f</sup>	3,301.4	3,320.7	3,329.1	3,351.3	3,371.9	3,402.5	3,436.4	3,406.8	3,422.6	3,439.8	3,451.6
Liabilities												
101 Deposits	2,411.2	2,366.7	2,364.1	2,360.3	2,366.7	2,372.2	2,385.6	2,404.3	2,392.6	2,393.4	2,394.9	2,413.5
102 Transaction	842.4	796.9	791.9	782.8	789.4	791.0	800.4	820.6	804.2	808.6	812.0	835.6
103 Nontransaction	1,568.8	1,569.8	1,572.3	1,577.5	1,577.2	1,581.1	1,585.3	1,583.7	1,588.4	1,584.9	1,582.9	1,577.9
104 Large time	207.5	209.6	211.1	213.9	212.3	215.8	219.4	218.8	220.0	219.4	218.8	217.3
105 Other	1,361.3	1,360.2	1,361.2	1,363.6	1,364.9	1,365.3	1,365.9	1,364.8	1,368.4	1,365.5	1,364.0	1,360.6
106 Borrowings	425.6	468.3	469.8	475.6	483.7	489.7	500.4	510.8	500.4	506.4	525.8	511.4
107 From banks in the U.S.	127.5	132.1	134.6	135.8	137.9	145.5	154.5	165.9	164.1	165.8	166.5	165.9
108 From nonbanks in the U.S.	298.1	336.2	335.2	339.7	345.9	344.2	345.9	344.9	336.3	340.6	359.3	345.5
109 Net due to related foreign offices	-1.8	32.9	43.5	51.0	55.4	62.3	64.1	73.9	66.6	71.1	72.0	81.6
110 Other liabilities <sup>8</sup>	107.8	126.3	129.9	127.3	129.1	131.9	132.8	127.7	126.6	129.7	129.2	127.2
111 Total liabilities	2,942.8	2,994.2	3,007.4	3,014.1	3,034.9	3,056.0	3,083.0	3,116.7	3,086.1	3,100.6	3,121.9	3,133.7
112 Residual (assets less liabilities) <sup>9</sup>	296.5 <sup>f</sup>	307.2	313.3	315.0	316.4	315.9	319.5	319.6	320.7	322.0	317.9	317.9

Footnotes appear on following page.

## NOTES TO TABLE 1.26

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

2. Excludes federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

3. Consists of reserve repurchase agreements with broker-dealers and loans to purchase and carry securities.

4. Consists of federal funds sold to, reverse repurchase agreements with, and loans to commercial banks in the United States.

5. Includes vault cash, cash items in process of collection, demand balances due from depository institutions in the United States, balances due from Federal Reserve Banks, and other cash assets.

6. Excludes the due-from position with related foreign offices, which is included in lines 25, 53, 81, and 109.

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

8. Excludes the due-to position with related foreign offices, which is included in lines 25, 53, 81, and 109.

9. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

NOTE. Data have been benchmarked to the September 1994 Call Report. Earlier tables were benchmarked to the June 1994 Call Report. In addition, seasonally adjusted data reflect new seasonal factors.



## 1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1994								
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<b>ASSETS</b>									
1 Cash and balances due from depository institutions	114,500	102,414	119,851	120,520	119,636	109,554	115,474	117,958	132,014
2 U.S. Treasury and government securities	305,139	300,233	302,400	299,623	302,617	303,847	303,528	299,048	293,571
3 Trading account	26,700	22,978	26,552	21,680	24,125	24,765	23,768	21,152	17,116
4 Investment account	278,439	277,256	275,848	277,944	278,492	279,082	279,760	277,896	276,455
5 Mortgage-backed securities <sup>1</sup>	91,636	91,499	92,735	92,528	93,608	93,801	94,786	95,055	94,343
All others, by maturity									
6 One year or less	43,096	42,541	41,135	44,240	45,063	45,730	44,878	43,420	43,583
7 One year through five years	78,029	77,235	75,071	74,177	74,093	73,822	74,726	74,677	73,890
8 More than five years	65,677	65,980	66,907	66,998	65,728	65,728	65,370	64,743	64,639
9 Other securities	120,038	117,339	116,326	115,692	114,482	112,148	111,921	110,942	112,176
10 Trading account	1,846	1,721	1,830	1,775	1,849	1,660	1,758	2,053	2,135
11 Investment account	62,499	62,743	62,623	62,904	62,746	62,441	62,433	62,219	62,177
12 State and local government, by maturity	21,706	21,684	21,730	21,829	21,817	21,567	21,426	21,413	21,441
13 One year or less	5,400	5,439	5,419	5,424	5,502	5,496	5,457	5,482	5,472
14 More than one year	16,306	16,245	16,311	16,404	16,315	16,071	15,969	15,931	15,969
15 Other bonds, corporate stocks, and securities	40,793	41,060	40,894	41,075	40,930	40,874	41,007	40,805	40,736
16 Other trading account assets	55,693	52,875	51,872	51,014	49,887	48,046	47,730	46,669	47,864
17 Federal funds sold <sup>2</sup>	99,136	99,777	97,740	105,780	107,882	105,518	105,276	111,556	107,395
18 To commercial banks in the United States	68,342	70,180	68,877	72,972	77,877	74,436	74,867	80,354	79,484
19 To nonbank brokers and dealers in securities	25,600	23,794	23,333	27,298	24,406	25,029	24,761	26,209	21,551
20 To others <sup>3</sup>	5,193	5,803	5,529	5,510	5,599	6,053	5,647	4,994	6,361
21 Other loans and leases, gross	1,129,609	1,129,041	1,134,465	1,134,335	1,142,808 <sup>4</sup>	1,137,188	1,142,977	1,154,995	1,156,139
22 Commercial and industrial	309,275	308,155	310,205	311,316	311,378	308,962	309,655	314,656	314,176
23 Bankers acceptances and commercial paper	3,270	3,143	3,273	3,295	3,420 <sup>5</sup>	3,252	2,976	3,019	2,680
24 All other	306,005	305,012	306,932	308,021	307,958 <sup>6</sup>	305,710	306,679	311,638	311,496
25 U.S. addressees	304,034 <sup>7</sup>	302,977	304,731	305,899 <sup>8</sup>	305,683 <sup>9</sup>	303,406	304,495	309,556	309,416
26 Non-U.S. addressees	1,970	2,035	2,201	2,121	2,275	2,304	2,184	2,082	2,080
27 Real estate loans	448,517	449,586	449,948	450,716	453,289	455,192	456,407	456,900	456,401
28 Revolving, home equity	46,303	46,318	46,357	46,584	46,812	46,858	46,720	46,774	46,686
29 All other	402,214	403,268	403,591	404,132	406,477	408,334	409,687	410,126	409,716
30 To individuals for personal expenditures	234,561	235,525	234,684	234,508	237,353 <sup>10</sup>	232,834	235,029	237,853	240,776
31 To depository and financial institutions	47,330 <sup>11</sup>	46,498	47,923	48,783	48,237	50,964	50,844	52,160	52,805
32 Commercial banks in the United States	27,325	27,123	28,145	28,749	27,923	31,444	31,607	32,516	32,792
33 Banks in foreign countries	3,063	2,334	2,835	3,217	3,614	2,803	2,703	2,890	2,851
34 Nonbank depository and other financial institutions	16,941	17,041	16,942	16,817	16,700	16,717	16,534	16,754	17,162
35 For purchasing and carrying securities	16,296	17,041	17,006	16,004	18,628	15,668	16,059	17,636	16,050
36 To finance agricultural production	6,357	6,335	6,344	6,300	6,347	6,236	6,232	6,286	6,389
37 To states and political subdivisions	11,453	11,373	11,296	11,392	11,493	11,396	11,324	11,338	11,299
38 To foreign governments and official institutions	917	921	1,087	906	1,070	916	923	880	934
39 All other loans <sup>12</sup>	24,531	23,031	25,374	23,661	24,048	23,975	25,124	25,745	25,564
40 Lease-financing receivables	30,372	30,575	30,598	30,749	30,965	31,044	31,382	31,540	31,743
41 LESS: Unearned income	1,597	1,598	1,609	1,611	1,595	1,606	1,756	1,769	1,764
42 Loan and lease reserve <sup>13</sup>	34,606	34,826	34,765	34,704	34,721	34,616	34,554	34,460	34,267
43 Other loans and leases, net	1,093,406	1,092,617	1,098,092	1,098,020	1,106,492 <sup>14</sup>	1,100,966	1,106,667	1,118,766	1,120,108
44 All other assets	141,350	138,946	136,734	134,852	140,643 <sup>15</sup>	136,410	138,650	140,928	136,366
45 <b>Total assets<sup>16</sup></b>	<b>1,873,568</b>	<b>1,851,326</b>	<b>1,871,142</b>	<b>1,874,487</b>	<b>1,891,753</b>	<b>1,868,442</b>	<b>1,881,514</b>	<b>1,899,198</b>	<b>1,901,630</b>

Footnotes appear on the following page.

## 1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1994								
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<b>LIABILITIES</b>									
46 Deposits.....	1,149,509	1,138,825	1,157,563	1,150,053	1,158,859	1,153,177	1,157,592	1,159,222	1,173,858
47 Demand deposits <sup>1</sup> .....	299,232	287,119	308,311	302,406	308,991	298,539	306,960	307,963	327,647
48 Individuals, partnerships, and corporations.....	250,961	244,352	257,254	253,224	259,552	252,689	259,483	259,175	274,439
49 Other holders.....	48,272	42,767	51,058	49,182	49,439	45,850	47,477	48,789	53,208
50 States and political subdivisions.....	8,755	7,607	9,180	8,976	9,648	8,809	9,375	10,405	9,845
51 U.S. government.....	2,554	2,262	3,157	2,867	2,345	1,821	3,058	2,506	2,144
52 Depository institutions in the United States.....	21,485	18,171	22,064	20,748	20,655	20,071	19,260	19,631	23,143
53 Banks in foreign countries.....	5,424	4,811	5,508	6,115	6,508	5,574	5,772	5,538	5,910
54 Foreign governments and official institutions.....	756	693	774	1,466	680	761	598	846	816
55 Certified and officers' checks.....	9,298	9,223	10,374	9,010	9,603	8,813	9,414	9,862	11,350
56 Transaction balances other than demand deposits <sup>2</sup> .....	125,644	125,756	125,659	125,070	125,698	128,755	126,770	128,378	127,581
57 Nontransaction balances.....	724,632	725,950	723,593	722,577	724,170	725,883	723,861	722,880	718,630
58 Individuals, partnerships, and corporations.....	704,023	705,467	703,312	701,736	703,073	706,123	704,552	702,696	698,678
59 Other holders.....	20,609	20,483	20,281	20,841	21,097	19,760	19,309	20,185	19,952
60 States and political subdivisions.....	16,932	16,968	16,941	17,242	17,372	17,341	17,015	16,965	16,833
61 U.S. government.....	1,725	1,545	1,423	1,402	1,426	304	301	1,278	1,279
62 Depository institutions in the United States.....	1,519	1,492	1,477	1,671	1,773	1,592	1,470	1,409	1,327
63 Foreign governments, official institutions, and banks.....	433	478	439	526	526	523	523	533	513
64 Liabilities for borrowed money <sup>5</sup> .....	369,587 <sup>f</sup>	358,219 <sup>f</sup>	358,147 <sup>f</sup>	364,079 <sup>f</sup>	380,588 <sup>f</sup>	365,098	366,424	383,294	365,997
65 Borrowings from Federal Reserve Banks.....	0	54	0	100	0	607	0	765	0
66 Treasury tax and loan notes.....	20,506 <sup>f</sup>	6,177	4,513 <sup>f</sup>	4,320	15,354	137	2,786	27,985	9,835
67 Other liabilities for borrowed money <sup>6</sup> .....	349,081 <sup>f</sup>	351,988 <sup>f</sup>	353,634 <sup>f</sup>	359,658 <sup>f</sup>	365,234 <sup>f</sup>	364,355	363,639	354,543	356,163
68 Other liabilities (including subordinated notes and debentures).....	180,970 <sup>f</sup>	180,378 <sup>f</sup>	181,822 <sup>f</sup>	186,966 <sup>f</sup>	178,471 <sup>f</sup>	175,594	182,373	183,364	187,867
69 Total liabilities.....	1,700,066	1,677,422	1,697,531	1,701,097	1,717,918	1,693,869	1,706,389	1,725,879	1,727,722
70 Residual (total assets less total liabilities) <sup>7</sup> .....	173,502	173,904	173,611	173,390	173,835	174,573	175,125	173,318	173,908
<b>MEMO</b>									
71 Total loans and leases, gross, adjusted, plus securities <sup>8</sup> .....	1,558,253	1,549,087	1,553,908	1,553,710	1,561,989 <sup>f</sup>	1,552,821	1,557,228	1,563,671	1,557,006
72 Time deposits in amounts of \$100,000 or more.....	99,739 <sup>f</sup>	99,298 <sup>f</sup>	98,666 <sup>f</sup>	99,654 <sup>f</sup>	100,141 <sup>f</sup>	99,650	98,973	98,311	97,481
73 Loans sold outright to affiliates <sup>9</sup> .....	681	677	669	667	670	660	668	667	617
74 Commercial and industrial.....	339	339	338	337	340	340	340	339	298
75 Other.....	342	338	331	330	330	320	328	328	319
76 Foreign branch credit extended to U.S. residents <sup>10</sup> .....	22,743	22,662	22,646	23,034	23,211	23,138	23,123	23,108	22,936
77 Net owed to related institutions abroad.....	51,274	55,984	58,042	67,078	56,131	60,516	64,502	65,832	75,100

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.

2. Includes securities purchased under agreements to resell.

3. Includes allocated transfer risk reserve.

4. Includes negotiable order of withdrawal (NOWs) and automatic transfer service (ATS) accounts, and telephone and preauthorized transfers of savings deposits.

5. Includes borrowings only from other than directly related institutions.

6. Includes federal funds purchased and securities sold under agreements to repurchase.

7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.

8. Excludes loans to and federal funds transactions with commercial banks in the United States.

9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

## 1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS

## Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1994								
	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<b>ASSETS</b>									
1 Cash and balances due from depository institutions	14,700	14,984	14,954	15,677	15,481	15,723	16,633	17,115	17,987
2 U.S. Treasury and government agency securities	38,659	37,688	38,494	37,868	37,757	36,749	35,999	36,386	37,678
3 Other securities	12,494	12,351	12,261	12,624	12,550	12,605	12,775	12,696	12,791
4 Federal funds sold <sup>1</sup>	25,981	26,238	23,403	26,462	30,071	33,324	31,769	29,973	35,824
5 To commercial banks in the United States	6,786	5,686	4,921	6,514	10,018	7,230	7,181	6,614	9,094
6 To others	19,195	20,552	18,482	19,948	20,053	26,094	24,588	23,359	26,730
7 Other loans and leases, gross	162,554	163,066	164,471	164,837	166,162	166,958	168,189	172,187	170,760
8 Commercial and industrial	104,021	104,491	105,521	105,967	106,891 <sup>1</sup>	106,511	106,882	108,268	107,588
9 Bankers acceptances and commercial paper	2,889	3,096	3,143	3,180	3,101	3,179	3,328	3,620	3,668
10 All other	101,131	101,396	102,378	102,787	103,790 <sup>2</sup>	103,332	103,553	104,649	103,920
11 U.S. addressees	97,116	97,402	98,368	98,656	99,692 <sup>2</sup>	99,289	99,485	100,397	99,746
12 Non-U.S. addressees	4,015	3,994	4,010	4,131	4,098	4,043	4,069	4,251	4,174
13 Loans secured by real estate	26,135	26,096	26,134	26,093	26,079	25,902	25,914	25,845	25,788
14 Loans to depository and financial institutions	24,761	24,898	25,119	25,496	25,288 <sup>2</sup>	26,415	27,044	28,714	28,625
15 Commercial banks in the United States	5,094	5,129	5,190	5,386	5,361	5,417	5,736	6,013	5,806
16 Banks in foreign countries	1,998	2,005	1,994	1,949	1,800	1,987	1,912	2,052	2,097
17 Nonbank financial institutions	17,669	17,764	17,935	18,160	18,127 <sup>2</sup>	19,011	19,395	20,649	20,722
18 For purchasing and carrying securities	3,463	3,677	3,799	3,432	4,057	3,923	4,305	5,070	4,671
19 To foreign governments and official institutions	335	338	380	369	372	356	395	423	378
20 All other	3,840	3,566	3,518	3,480	3,476	3,850	3,650	3,867	3,710
21 Other assets (claims on nonrelated parties)	36,344 <sup>2</sup>	36,901 <sup>1</sup>	36,581	37,506 <sup>2</sup>	38,679	45,231	45,571	43,442	42,775
22 Total assets <sup>3</sup>	318,204 <sup>2</sup>	320,672 <sup>2</sup>	318,253	321,610 <sup>2</sup>	325,715	337,310	338,716	338,782	343,193
<b>LIABILITIES</b>									
23 Deposits or credit balances owed to other than directly related institutions	96,149	98,385	97,645	99,184	98,952	101,054	102,211	99,722	99,639
24 Demand deposits <sup>4</sup>	4,046	4,198	4,173	3,878	3,864	3,892	3,885	4,126	4,737
25 Individuals, partnerships, and corporations	3,414	3,412	3,464	3,198	3,253	3,120	3,184	3,211	3,911
26 Other	632	786	709	680	611	772	701	915	826
27 Nontransaction accounts	92,103	94,187	93,472	95,306	95,088	97,162	98,326	95,596	94,902
28 Individuals, partnerships, and corporations	62,702	64,076	63,670	64,322	63,757	64,854	65,416	63,580	64,012
29 Other	29,400	30,110	29,803	30,984	31,331	32,308	32,910	32,016	30,890
30 Borrowings from other than directly related institutions	72,563	74,574	72,846	75,449	75,076	78,632	75,112	77,236	79,948
31 Federal funds purchased <sup>5</sup>	37,099	37,905	36,653	37,824	38,259	42,585	39,217	40,877	43,489
32 From commercial banks in the United States	6,511	7,547	6,065	6,373	7,894	7,443	6,633	7,556	6,620
33 From others	30,588	30,358	30,588	31,451	30,365	35,142	32,584	33,320	36,869
34 Other liabilities for borrowed money	35,464	36,669	36,193	37,624	36,817	36,046	35,895	36,360	36,459
35 To commercial banks in the United States	6,591	6,394	6,387	5,929	6,232	5,838	5,765	6,746	6,425
36 To others	28,873	30,275	29,806	31,695	30,585	30,209	30,130	29,614	30,034
37 Other liabilities to nonrelated parties	34,060	33,784 <sup>2</sup>	33,390	34,665 <sup>1</sup>	35,844	42,825	43,190	40,588	40,192
38 Total liabilities <sup>6</sup>	318,204 <sup>2</sup>	320,672 <sup>2</sup>	318,253	321,610 <sup>2</sup>	325,715	337,310	338,716	338,782	343,193
<b>MEMO</b>									
39 Total loans (gross) and securities, adjusted <sup>7</sup>	227,807	228,529	228,518	229,892	231,160	236,989	235,815	238,615	242,153
40 Net owed to related institutions abroad	87,960 <sup>2</sup>	84,486 <sup>2</sup>	86,284	85,677 <sup>2</sup>	90,827	88,079	90,423	94,253	98,037

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net owed to related institutions abroad.
4. Includes other transaction deposits.

5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

## 1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1994					
	1989	1990	1991	1992	1993	June	July	Aug.	Sept.	Oct.	Nov.
Commercial paper (seasonally adjusted unless noted otherwise)											
<b>1 All issuers .....</b>	<b>525,831</b>	<b>562,656</b>	<b>528,832</b>	<b>545,619</b>	<b>555,075</b>	<b>563,454</b>	<b>572,925</b>	<b>564,639</b>	<b>574,471</b>	<b>592,518</b>	<b>580,673</b>
Financial companies <sup>1</sup>											
Dealer-placed paper <sup>2</sup>											
2 Total .....	183,622	214,706	212,999	226,456	218,947	214,313	222,780	214,769	214,349	224,280	215,748
3 Bank-related (not seasonally adjusted) <sup>3</sup> ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper <sup>4</sup>											
4 Total .....	210,930	200,036	182,463	171,605	180,389	199,555	199,561	199,031	203,573	207,296	202,781
5 Bank-related (not seasonally adjusted) <sup>3</sup> ...	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies <sup>5</sup> .....	131,279	147,914	133,370	147,558	155,739	149,586	150,584	150,839	156,549	160,942	162,144
Bankers dollar acceptances (not seasonally adjusted) <sup>6</sup>											
<b>7 Total .....</b>	<b>62,972</b>	<b>54,771</b>	<b>43,770</b>	<b>38,194</b>	<b>32,348</b>	<b>30,659</b>	<b>30,390</b>	<b>30,448</b>	<b>31,164</b>	<b>30,413</b>	<b>29,760</b>
By holder											
8 Accepting banks .....	9,433	9,017	11,017	10,555	12,421	12,334	11,608	11,543	11,299	11,061	11,689
9 Own bills .....	8,510	7,930	9,347	9,097	10,707	11,273	10,838	10,824	10,475	9,931	10,548
10 Bills bought from other banks .....	924	1,087	1,670	1,458	1,714	1,061	770	719	824	1,130	1,142
Federal Reserve Banks <sup>7</sup>											
11 Foreign correspondents .....	1,066	918	1,739	1,276	725	453	386	325	388	332	234
12 Others .....	52,473	44,836	31,014	26,364	19,202	17,872	18,396	18,580	19,477	19,020	17,836
By basis											
13 Imports into United States .....	15,651	13,095	12,843	12,209	10,217	10,625	10,956	10,486	10,985	10,674	10,272
14 Exports from United States .....	13,683	12,703	10,351	8,096	7,293	6,576	6,399	6,458	6,575	6,754	6,688
15 All other .....	33,638	28,973	20,577	17,890	14,838	13,458	13,035	13,505	13,604	12,986	12,800

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

2. Includes all financial-company paper sold by dealers in the open market.

3. Series were discontinued in January 1989.

4. As reported by financial companies that place their paper directly with investors.

5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

6. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.

7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans<sup>1</sup>

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1992—Jan. 1 .....	6.50	1992 .....	6.25	1993—Jan. ....	6.00	Apr. ....	6.45
July 2 .....	6.00	1993 .....	6.00	Feb. ....	6.00	May ....	6.99
		1994 .....	7.15	Mar. ....	6.00	June ....	7.25
1994—Mar. 24 .....	6.25			Apr. ....	6.00	July ....	7.25
Apr. 19 .....	6.75	1992—Jan. ....	6.50	May ....	6.00	Aug. ....	7.51
May 17 .....	7.25	Feb. ....	6.50	June ....	6.00	Sept. ....	7.75
Aug. 16 .....	7.75	Mar. ....	6.50	July ....	6.00	Oct. ....	7.75
Nov. 15 .....	8.50	Apr. ....	6.50	Aug. ....	6.00	Nov. ....	8.15
1995—Feb. 1 .....	9.00	May ....	6.50	Sept. ....	6.00	Dec. ....	8.50
		June ....	6.50	Oct. ....	6.00		
		July ....	6.02	Nov. ....	6.00	1995—Jan. ....	8.50
		Aug. ....	6.00	Dec. ....	6.00		
		Sept. ....	6.00				
		Oct. ....	6.00	1994—Jan. ....	6.00		
		Nov. ....	6.00	Feb. ....	6.00		
		Dec. ....	6.00	Mar. ....	6.06		

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most

recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

# A26 Domestic Financial Statistics □ March 1995

## 1.35 INTEREST RATES Money and Capital Markets

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

Item	1992	1993	1994	1994				1994, week ending				
				Sept.	Oct.	Nov.	Dec.	Dec. 2	Dec. 9	Dec. 16	Dec. 23	Dec. 30
MONEY MARKET INSTRUMENTS												
1 Federal funds <sup>1,2,3</sup>	3.52	3.02	4.21	4.73	4.76	5.29	5.45	5.85	5.47	5.48	5.56	5.45
2 Discount window borrowing <sup>2,4</sup>	3.25	3.00	3.60	4.00	4.00	4.40	4.75	4.75	4.75	4.75	4.75	4.75
Commercial paper <sup>3,5,6</sup>												
3 1-month	3.71	3.17	4.43	4.90	5.02	5.40	6.08	5.79	6.09	6.12	6.05	6.06
4 3-month	3.75	3.22	4.66	5.02	5.51	5.81	6.26	6.05	6.26	6.30	6.25	6.29
5 6-month	3.80	3.30	4.93	5.32	5.70	6.01	6.62	6.30	6.58	6.67	6.63	6.70
Finance paper, directly placed <sup>3,5,7</sup>												
6 1-month	3.62	3.12	4.33	4.79	4.91	5.30	5.93	5.68	5.94	6.02	5.90	5.86
7 3-month	3.65	3.16	4.53	4.89	5.36	5.67	6.12	5.95	6.11	6.18	6.12	6.11
8 6-month	3.63	3.15	4.56	4.99	5.30	5.58	6.17	5.95	6.13	6.24	6.18	6.19
Bankers acceptances <sup>3,5,8</sup>												
9 3-month	3.62	3.13	4.56	4.95	5.41	5.71	6.18	5.99	6.17	6.20	6.14	6.23
10 6-month	3.67	3.21	4.83	5.24	5.59	5.93	6.53	6.26	6.51	6.55	6.53	6.61
Certificates of deposit, secondary market <sup>3,9</sup>												
11 1-month	3.64	3.11	4.38	4.85	4.98	5.38	6.01	5.85	6.04	6.07	5.95	5.96
12 3-month	3.68	3.17	4.63	5.03	5.51	5.79	6.29	6.08	6.28	6.30	6.26	6.36
13 6-month	3.76	3.28	4.96	5.40	5.79	6.11	6.78	6.47	6.72	6.82	6.78	6.88
14 Eurodollar deposits, 3-month <sup>3,10</sup>	3.70	3.18	4.63	5.01	5.52	5.78	6.27	6.06	6.28	6.28	6.24	6.34
U.S. Treasury bills												
Secondary market <sup>3,5</sup>												
15 3-month	3.43	3.00	4.25	4.62	4.95	5.29	5.60	5.53	5.70	5.66	5.49	5.52
16 6-month	3.54	3.12	4.64	5.04	5.39	5.72	6.21	5.97	6.20	6.27	6.20	6.23
17 1-year	3.71	3.29	5.02	5.43	5.75	6.13	6.67	6.45	6.62	6.73	6.66	6.74
Auction average <sup>3,5,11</sup>												
18 3-month	3.45	3.02	4.29	4.64	4.96	5.25	5.64	5.44	5.83	5.76	5.59	5.56
19 6-month	3.57	3.14	4.66	5.02	5.39	5.69	6.21	5.86	6.33	6.32	6.30	6.24
20 1-year	3.75	3.33	4.98	5.38	5.72	6.09	6.75	n.a.	n.a.	6.75	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities <sup>12</sup>												
21 1-year	3.89	3.43	5.32	5.76	6.11	6.54	7.14	6.89	7.10	7.20	7.12	7.21
22 2-year	4.77	4.05	5.94	6.39	6.73	7.15	7.59	7.41	7.51	7.61	7.63	7.69
23 3-year	5.30	4.44	6.27	6.69	7.04	7.44	7.71	7.62	7.64	7.73	7.74	7.79
24 5-year	6.19	5.14	6.69	7.08	7.40	7.72	7.78	7.79	7.74	7.78	7.79	7.81
25 7-year	6.63	5.54	6.91	7.28	7.58	7.83	7.80	7.83	7.76	7.81	7.82	7.81
26 10-year	7.01	5.87	7.09	7.46	7.74	7.96	7.81	7.89	7.79	7.82	7.82	7.81
27 20-year	n.a.	6.29	7.49	7.87	8.08	8.20	7.99	8.10	7.99	8.00	7.97	7.96
28 30-year	7.67	6.59	7.37	7.71	7.94	8.08	7.87	7.99	7.88	7.87	7.85	7.83
Composite												
29 More than 10 years (long-term)	7.52	6.45	7.41	7.81	8.02	8.16	7.97	8.07	7.97	7.97	7.95	7.93
STATE AND LOCAL NOTES AND BONDS												
Moody's series <sup>13</sup>												
30 Aaa	6.09	5.38	5.77	5.87	6.05	6.57	6.62	6.65	6.55	6.62	6.65	6.65
31 Baa	6.48	5.82	6.17	6.23	6.37	6.89	7.17	6.96	7.15	7.15	7.18	7.18
32 Bond Buyer series <sup>14</sup>	6.44	5.60	6.18	6.28	6.52	6.97	6.80	6.90	6.88	6.77	6.74	6.71
CORPORATE BONDS												
33 Seasoned issues, all industries <sup>15</sup>	8.55	7.54	8.26	8.60	8.83	8.94	8.73	8.84	8.74	8.73	8.71	8.70
Rating group												
34 Aaa	8.14	7.22	7.97	8.34	8.57	8.68	8.46	8.57	8.47	8.46	8.45	8.43
35 Aa	8.46	7.40	8.15	8.49	8.71	8.83	8.62	8.73	8.63	8.62	8.60	8.59
36 A	8.62	7.58	8.28	8.61	8.82	8.94	8.73	8.84	8.75	8.74	8.71	8.70
37 Baa	8.98	7.93	8.63	8.98	9.20	9.32	9.10	9.21	9.11	9.10	9.08	9.08
38 A-rated, recently offered utility bonds <sup>16</sup>	8.52	7.46	8.29	8.62	8.80	8.95	8.78	8.81	8.78	8.79	8.75	8.78
MEMO												
Dividend-price ratio <sup>17</sup>												
39 Preferred stocks <sup>18</sup>	7.46	6.89	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
40 Common stocks	2.99	2.78	2.82	2.80	2.82	2.86	2.91	2.91	2.93	2.91	2.90	2.89

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.

2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.

3. Annualized using a 360-day year for bank interest.

4. Rate for the Federal Reserve Bank of New York.

5. Quoted on a discount basis.

6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.

7. An average of offering rates on paper directly placed by finance companies.

8. Representative closing yields for acceptances of the highest-rated money center banks.

9. An average of dealer offering rates on nationally traded certificates of deposit.

10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.

11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.

12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.

13. General obligations based on Thursday figures; Moody's Investors Service.

14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moody's A1 rating. Based on Thursday figures.

15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.

17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.

18. Data for the preferred stock yield was discontinued as of June 29, 1994.

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

## 1.36 STOCK MARKET Selected Statistics

Indicator	1992	1993	1994	1994									
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
	Prices and trading volume (averages of daily figures)												
Common stock prices (indexes)													
1 New York Stock Exchange (Dec. 31, 1965 = 50) .....	229.00	249.71	254.16	247.97	249.56	251.21	249.29	256.08	257.61	255.22	252.48	248.65	
2 Industrial .....	284.26	300.10	315.32	304.48	307.58	308.66	307.34	316.56	322.19	321.53	319.33	313.92	
3 Transportation .....	201.02	242.68	247.17	250.43	244.75	246.64	244.21	244.67	239.10	230.71	227.44	218.93	
4 Utility .....	99.48	114.55	104.96	105.04	102.89	103.27	102.73	105.61	102.30	101.67	100.07	100.01	
5 Finance .....	179.29	216.55	209.75	208.12	211.30	215.89	210.91	214.77	211.90	203.33	198.38	195.25	
6 Standard & Poor's Corporation (1941-43 = 10) <sup>1</sup> .....	415.75	451.63	460.42	447.23	450.90	454.83	451.40	464.24	466.96	463.81	461.01	455.19	
7 American Stock Exchange (Aug. 31, 1973 = 50) <sup>2</sup> .....	391.28	438.77	449.49	437.01	437.54	436.08	430.10	444.89	456.31	456.25	445.16	427.39	
Volume of trading (thousands of shares)													
8 New York Stock Exchange .....	202,558	263,374	290,652	301,242	269,812	265,341	250,382	277,877	292,356	301,327	297,001	302,049	
9 American Stock Exchange .....	14,171	18,188	n.a.	15,805	15,727	18,400	14,378	15,874	18,785	20,731	18,465	18,745	
	Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers <sup>3</sup> .....	43,990	60,310	61,160	60,700	59,870	60,800	61,930	63,070	61,630	62,150	61,000	61,160	
Free credit balances at brokers <sup>4</sup>													
11 Margin accounts <sup>5</sup> .....	8,970	12,360	14,095	13,175	12,715	12,560	12,620	12,090	12,415	12,875	13,635	14,095	
12 Cash accounts .....	22,510	27,715	28,870	24,800	23,265	28,585	25,790	24,400	25,230	24,180	25,625	28,870	
	Margin requirements (percent of market value and effective date) <sup>6</sup>												
	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. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. Series initiated in June 1984.

6. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such

credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

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



## 1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1992	1993	1994	1994					
				July	Aug.	Sept.	Oct.	Nov.	Dec.
<i>U.S. budget<sup>1</sup></i>									
1 Receipts, total	1,090,453	1,153,226	1,257,187	84,827	97,338	135,895	89,024	87,673	130,810
2 On-budget	788,027	841,292	922,161	60,145	70,949	105,212	65,385	62,083	103,859
3 Off-budget	302,426	311,934	335,026	24,681	26,389	30,683	23,639	25,590	26,951
4 Outlays, total	1,380,856	1,408,532	1,460,557	118,025	121,608	131,903	121,480 <sup>f</sup>	125,131	134,874
5 On-budget	1,128,518	1,141,945	1,181,185	93,164	95,279	103,189	95,307 <sup>f</sup>	99,464	123,490
6 Off-budget	252,339	266,587	279,372	24,861	26,329	28,714	26,174	25,668	11,383
7 Surplus or deficit (-), total	-290,403	-255,306	-203,370	-33,198	-24,270	3,993	-32,457 <sup>f</sup>	-37,458	-4,063
8 On-budget	-340,490	-300,653	-259,024	-33,018	-24,330	2,024	-29,922 <sup>f</sup>	-37,381	-19,631
9 Off-budget	50,087	45,347	55,654	-180	60	1,969	-2,535	-78	15,568
<i>Source of financing (total)</i>									
10 Borrowing from the public	310,918	248,594	184,998	-3,245	52,350	-11,996	32,457	40,528	-13,316
11 Operating cash (decrease, or increase (-))	-17,305	6,283	16,564	30,705	-9,802	-5,855	-480	9,366	476
12 Other	-3,210	429	1,808	5,737	-18,374	13,858	480 <sup>f</sup>	-12,436	16,903
<i>MEMO</i>									
13 Treasury operating balance (level, end of period)	58,789	52,506	35,942	20,285	30,087	35,942	36,422	27,056	26,580
14 Federal Reserve Banks	24,586	17,289	6,848	3,683	5,994	6,848	5,164	5,348	7,161
15 Tax and loan accounts	34,203	35,217	29,094	16,603	24,093	29,094	31,258	21,709	19,419

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

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on

gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS<sup>1</sup>

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1993	1994	1993		1994		1994		
			H1	H2	H1	H2	Oct.	Nov.	Dec.
RECEIPTS									
1 All sources	1,153,226	1,257,453	593,212	582,038	652,236	625,557	89,024	87,673	130,810
2 Individual income taxes, net	509,680	543,055	255,556	262,073	275,053	273,474	43,239	37,414	54,315
3 Withheld	430,211	459,699	209,517	228,423	225,387	240,062	40,480	37,882	50,680
4 Presidential Election Campaign Fund	28	70	25	2	63	10	0	2	0
5 Nonwithheld	154,989	160,364	113,510	41,768	118,245	42,031	3,919	1,857	3,635
6 Refunds	75,546	77,077	67,468	8,115	68,642	9,207	1,160	2,327	579
Corporation income taxes									
7 Gross receipts	131,548	154,205	69,044	68,266	80,536	78,392	5,513	2,682	32,616
8 Refunds	14,027	13,820	7,198	6,514	6,933	7,331	2,043	1,185	700
9 Social insurance taxes and contributions, net	428,300	461,475	227,177	206,176	248,301	220,141	32,687	37,387	36,358
10 Employment taxes and contributions <sup>2</sup>	396,939	428,810	208,776	192,749	228,714	206,613	31,263	33,786	35,708
11 Self-employment taxes and contributions <sup>3</sup>	20,604	24,433	16,270	4,335	20,762	4,135	464	0	0
12 Unemployment insurance	26,556	28,004	16,074	11,010	17,301	11,177	1,073	3,249	230
13 Other net receipts <sup>4</sup>	4,805	4,661	2,326	2,417	2,284	2,349	351	352	420
14 Excise taxes	48,057	55,225	23,398	25,994	26,444	30,062	4,275	5,518	4,587
15 Customs deposits	18,802	20,099	8,860	10,215	9,500	11,042	1,848	1,827	1,747
16 Estate and gift taxes	12,577	15,225	6,494	6,617	8,197	7,071	1,206	1,220	1,092
17 Miscellaneous receipts <sup>5</sup>	18,273	22,041	9,879	9,227	11,170	13,305	2,300	2,811	1,375
OUTLAYS									
18 All types	1,408,532	1,461,067	673,915	727,685 <sup>f</sup>	710,620 <sup>f</sup>	753,255	121,480	125,131	134,874
19 National defense	291,086	281,451	140,535	146,672 <sup>f</sup>	133,739	141,092	18,801	22,428	26,348
20 International affairs	16,826	17,249	6,565	10,186	5,800	12,056	4,339	2,177	1,334
21 General science, space, and technology	17,030	17,602	7,996	8,880	8,502	8,979	1,115	1,673	1,529
22 Energy	4,319	5,398	2,462	1,663	2,036	2,949	525	166	417
23 Natural resources and environment	20,239	20,902	8,592	11,221 <sup>f</sup>	9,179	12,373	3,418	1,797	1,622
24 Agriculture	20,443	15,131	11,872	7,516	7,451	7,697	2,048	2,784	1,938
25 Commerce and housing credit	-22,725	-4,851	-14,537	-1,490	-5,114	-2,678	858	-1,244	-2,166
26 Transportation	35,004	36,835	16,076	19,570 <sup>f</sup>	16,772	20,489	3,434	3,506	3,021
27 Community and regional development	9,051	11,877	4,929	4,288	5,592	7,070	1,171	1,109	1,102
28 Education, training, employment, and social services	50,012	44,730	24,080	26,753 <sup>f</sup>	18,976	25,887	3,705	4,025	5,779
29 Health	99,415	106,495	49,882	52,958	53,121	54,123	8,631	9,525	9,246
30 Social security and Medicare	435,137	464,314	195,933	223,735	232,777	236,819	37,801	39,299	41,216
31 Income security	207,257	213,972	107,870	102,380 <sup>f</sup>	109,103	101,743	15,275	16,151	19,331
32 Veterans benefits and services	35,720	37,637	16,385	19,852	16,686	19,757	1,677	3,337	4,277
33 Administration of justice	14,955	15,283	7,482	7,400	7,718	7,800	1,340	1,176	1,278
34 General government	13,009	11,348	5,205	6,531	5,076	7,393	1,261	1,556	1,972
35 Net interest <sup>6</sup>	198,811	202,957	99,635	99,914	99,844	109,435	18,669	18,242	19,302
36 Undistributed offsetting receipts <sup>7</sup>	-37,386	-37,772	-17,035	-20,344	-17,308	-20,065	-2,596	-2,575	-2,671

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.

3. Old-age, disability, and hospital insurance.

4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

6. Includes interest received by trust funds.

7. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCES: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1995*.

## 1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992	1993				1994			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
<b>1 Federal debt outstanding</b>	<b>4,196</b>	<b>4,250</b>	<b>4,373</b>	<b>4,436</b>	<b>4,562</b>	<b>4,602</b>	<b>4,673</b>	<b>4,721<sup>f</sup></b>	<b>4,800</b>
2 Public debt securities	4,177	4,231	4,352	4,412	4,536	4,576	4,646	4,693	n.a.
3 Held by public	3,129	3,188	3,252	3,295	3,382	3,434	3,443 <sup>f</sup>	3,480	n.a.
4 Held by agencies	1,048	1,043	1,100	1,117	1,154	1,142	1,203 <sup>f</sup>	1,213	n.a.
5 Agency securities	19	20	21	25	27	26	28 <sup>f</sup>	29	n.a.
6 Held by public	19	20	21	25	27	26	27	29	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
<b>8 Debt subject to statutory limit</b>	<b>4,086</b>	<b>4,140</b>	<b>4,256</b>	<b>4,316</b>	<b>4,446</b>	<b>4,491</b>	<b>4,559</b>	<b>4,605</b>	<b>4,711</b>
9 Public debt securities	4,085	4,139	4,256	4,315	4,445	4,491	4,559	4,605	4,711
10 Other debt <sup>1</sup>	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,370	4,900	4,900	4,900	4,900	4,900	4,900

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

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

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

Billions of dollars, end of period

Type and holder	1991	1992	1993	1994	1994			
					Q1	Q2	Q3	Q4
<b>1 Total gross public debt</b>	<b>3,801.7</b>	<b>4,177.0</b>	<b>4,535.7</b>	<b>n.a.</b>	<b>4,575.9</b>	<b>4,645.8</b>	<b>4,692.8</b>	<b>n.a.</b>
<i>By type</i>								
2 Interest-bearing	3,798.9	4,173.9	4,532.3	4,769.2	4,572.6	4,642.5	4,689.5	4,769.2
3 Marketable	2,471.6	2,754.1	2,989.5	3,126.0	3,042.9	3,051.0	3,091.6	3,126.0
4 Bills	590.4	657.7	714.6	733.8	721.2	698.5	697.3	733.8
5 Notes	1,430.8	1,608.9	1,764.0	1,867.0	1,802.5	1,835.7	1,867.5	1,867.0
6 Bonds	435.5	472.5	495.9	510.3	504.2	501.8	511.8	510.3
7 Nonmarketable <sup>1</sup>	1,327.2	1,419.8	1,542.9	1,643.1	1,529.7	1,591.5	1,597.9	1,643.1
8 State and local government series	159.7	153.5	149.5	132.6	145.5	143.4	137.4	132.6
9 Foreign issues <sup>2</sup>	41.9	37.4	43.5	42.5	42.7	42.2	42.0	42.5
10 Government	41.9	37.4	43.5	42.5	42.7	42.2	42.0	42.5
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	135.9	155.0	169.4	177.8	172.6	174.9	176.4	177.8
13 Government account series <sup>3</sup>	959.2	1,043.5	1,150.0	1,259.8	1,138.4	1,200.6	1,211.7	1,259.8
14 Non-interest-bearing	2.8	3.1	3.4	31.0	3.3	3.3	3.2	31.0
<i>By holder<sup>4</sup></i>								
15 U.S. Treasury and other federal agencies and trust funds	968.7	1,047.8	1,153.5	↑	1,141.7	1,203.0	1,213.1	↑
16 Federal Reserve Banks	281.8	302.5	334.2	↑	342.6	357.7	355.2	↑
17 Private investors	2,563.2	2,839.9	3,047.7	↑	3,094.6	3,088.2	3,127.8	↑
18 Commercial banks	233.4	294.0	316.0	↑	345.0 <sup>f</sup>	330.7 <sup>f</sup>	325.0	↑
19 Money market funds	80.0	79.4	80.5	↑	70.5	59.5	59.9	↑
20 Insurance companies	168.7	197.5	216.0	n.a.	236.9 <sup>f</sup>	244.1 <sup>f</sup>	250.0	n.a.
21 Other companies	150.8	192.5	213.0	↑	216.3	226.3	229.3	↑
22 State and local treasuries	520.3	534.8	564.0	↑	517.4 <sup>f</sup>	520.1 <sup>f</sup>	521.0	↑
<i>Individuals</i>								
23 Savings bonds	138.1	157.3	171.9	↑	175.0	177.1	178.6	↑
24 Other securities	125.8	131.9	137.9	↑	140.1	144.0	148.6	↑
25 Foreign and international <sup>5</sup>	491.8	549.7	623.3	↑	632.7 <sup>f</sup>	632.5 <sup>f</sup>	653.8	↑
26 Other miscellaneous investors <sup>6</sup>	651.3	702.4	725.0	↑	760.7 <sup>f</sup>	754.0 <sup>f</sup>	761.6	↑

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign balances and international accounts in the United States.

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions<sup>1</sup>

Millions of dollars, daily averages

Item	1994			1994, week ending								
	Sept.	Oct.	Nov.	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21	Dec. 28
<b>OUTRIGHT TRANSACTIONS<sup>2</sup></b>												
<i>By type of security</i>												
1 U.S. Treasury bills	52,362	53,226	53,350	49,072	44,646 <sup>f</sup>	69,320	54,915	46,232	57,812	58,332	58,271	49,130
Coupon securities, by maturity												
2 Five years or less	80,253 <sup>f</sup>	87,677 <sup>f</sup>	101,637	94,390 <sup>f</sup>	95,546 <sup>f</sup>	108,153	108,468	97,280	115,203	91,013	80,604	56,838
3 More than five years	40,275	42,801 <sup>f</sup>	52,337	49,959 <sup>f</sup>	52,267 <sup>f</sup>	59,668	51,878	46,486	50,510	38,323	28,754	26,223
4 Federal agency	17,398	17,787	19,003	19,748	16,133	18,394	19,681	21,507	23,080	22,669	22,369	25,442
5 Mortgage-backed	34,616	38,452	31,733	26,645	42,862	35,861	31,400	18,842	31,638	36,313	23,603	11,179
<i>By type of counterparty</i>												
6 With interdealer broker												
U.S. Treasury	99,684 <sup>f</sup>	106,361 <sup>f</sup>	121,000	112,898 <sup>f</sup>	114,555 <sup>f</sup>	136,995	127,867	107,823	131,712	111,298	95,694	73,710
Federal agency	732	650	544	825	511	470	557	527	468	683	485	399
8 Mortgage-backed	13,004	14,137	10,683	9,300	13,453	12,226	11,266	6,339	9,305	11,065	9,975	3,380
9 With other												
U.S. Treasury	73,205 <sup>f</sup>	77,342 <sup>f</sup>	86,325 <sup>f</sup>	80,524 <sup>f</sup>	77,904 <sup>f</sup>	100,146	87,395	82,175	91,813	76,370	71,934	58,482
10 Federal agency	16,665	17,137	18,459	18,924	15,622	17,924	19,124	20,980	22,612	21,987	21,884	25,043
11 Mortgage-backed	21,613	24,316	21,050	17,345	29,409	23,634	20,134	12,503	22,333	25,247	13,628	7,798
<b>FUTURES TRANSACTIONS<sup>3</sup></b>												
<i>By type of deliverable security</i>												
12 U.S. Treasury bills	1,157	1,080	1,667	606	873	2,522	2,024	1,675	2,672	1,442	843	865
Coupon securities, by maturity												
13 Five years or less	3,521	2,593	3,642	2,490	2,082	4,268	3,951	4,728	5,549	2,806	2,658	1,714
14 More than five years	13,548	12,402	14,287	13,582	12,179	16,870	14,178	14,202	17,302	11,238	8,474	5,509
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
<b>OPTIONS TRANSACTIONS<sup>4</sup></b>												
<i>By type of underlying security</i>												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	3,566	4,712	2,722	2,729	2,203	3,748	3,070	1,866	1,877	864	1,548	1,063
19 More than five years	4,714	5,527	5,327	4,605	4,902	6,568	6,043	4,084	3,649	3,201	2,825	2,034
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	523	559	463	753	364	422	494	458	468	267	236	324

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

Dealers report cumulative transactions for each week ending Wednesday.

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

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

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

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

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

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

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing<sup>1</sup>

Millions of dollars

Item	1994			1994, week ending							
	Sept.	Oct.	Nov.	Nov. 2	Nov. 9	Nov. 16	Nov. 23	Nov. 30	Dec. 7	Dec. 14	Dec. 21
<b>Positions<sup>2</sup></b>											
<b>NET OUTRIGHT POSITIONS<sup>3</sup></b>											
<i>By type of security</i>											
1 U.S. Treasury bills	1,906	3,177	12,980	4,251	6,260	16,778	12,958	18,418	16,225	22,114	15,696
2 Coupon securities, by maturity											
2 Five years or less	-16,175	-16,957	-6,941	-14,383	-7,634	-8,299	-2,146	-7,560	-8,827	-12,994	-4,305
3 More than five years	-22,799	-27,282	-30,270	-28,513	-27,736	-33,172	-32,612	-28,060	-32,519	-30,407	-31,539
4 Federal agency	21,306	22,584	20,097	22,739	22,151	18,761	20,745	17,977	21,742	19,650	19,508
5 Mortgage-backed	37,645	37,701	36,127	38,947	35,102	37,598	36,077	34,926	32,397	32,061	34,996
<b>NET FUTURES POSITIONS</b>											
<i>By type of deliverable security</i>											
6 U.S. Treasury bills	-2,829	-776	-275	-2,752	-1,313	-717	604	1,035	-383	-1,691	-1,612
7 Coupon securities, by maturity											
7 Five years or less	8,285	8,205 <sup>f</sup>	7,470	8,517 <sup>f</sup>	8,162	7,406	6,747	7,264	8,240	6,901	3,916
8 More than five years	-1,681	83 <sup>f</sup>	2,308	5 <sup>f</sup>	1,871	5,106	1,347	1,566	1,506	342	345
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
<b>Financing<sup>5</sup></b>											
<i>Reverse repurchase agreements</i>											
11 Overnight and continuing	261,844	259,660	248,670	258,797	241,378	269,105	223,898	257,407	267,953	245,936	227,393
12 Term	387,958	388,809	343,089	385,956	391,524	312,801	355,649	300,136	364,244	374,706	353,877
<i>Securities borrowed</i>											
13 Overnight and continuing	174,381	181,291	180,702	183,089	179,611	187,161	178,637	176,715	183,995	176,735	183,162
14 Term	44,574	45,783	46,394	51,228	54,201	40,062	48,052	41,881	44,203	48,395	45,331
<i>Securities received as pledge</i>											
15 Overnight and continuing	2,015	2,058	2,392	2,100	1,915	1,933	2,658	3,146	3,472	3,258	3,016
16 Term	129	53	32	n.a.	32	n.a.	n.a.	n.a.	n.a.	n.a.	26
<i>Repurchase agreements</i>											
17 Overnight and continuing	473,761	461,787	438,464	461,525	452,491	482,294	365,714	446,770	462,503	447,454	423,925
18 Term	359,336	360,693	338,786	363,599	373,293	289,697	402,988	282,076	343,304	362,227	345,402
<i>Securities loaned</i>											
19 Overnight and continuing	5,402	5,592	6,262	5,828	5,904	6,847	5,968	6,454	6,407	6,119	5,403
20 Term	922	1,234	1,285	1,743	1,609	1,476	1,018	904	1,631	1,355	1,351
<i>Securities pledged</i>											
21 Overnight and continuing	32,972	34,263	33,695	34,786	31,205	31,165	36,266	35,831	38,562	33,544	34,771
22 Term	4,525	4,095	3,416	4,610	4,516	4,027	2,159	2,619	1,646	1,753	1,450
<i>Collateralized loans</i>											
23 Overnight and continuing	18,407	19,273	17,871	20,729	18,093	18,472	16,333	17,771	16,354	13,060	11,828
24 Term	6,130	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>MEMO: Matched book<sup>6</sup></b>											
<i>Securities in</i>											
25 Overnight and continuing	225,440	228,104	224,758	232,463	223,740	249,760	209,480	213,850	246,477	228,039	217,211
26 Term	355,640	363,804	323,287	364,511	368,392	293,829	336,610	282,540	336,578	341,469	325,317
<i>Securities out</i>											
27 Overnight and continuing	283,925	276,523	260,138	268,206	280,615	290,586	215,238	251,808	280,575	261,263	244,323
28 Term	294,295	301,669	272,124	306,609	309,287	234,890	310,998	223,467	280,174	294,017	284,788

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

2. Securities positions are reported at market value.

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

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

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

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

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

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

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

## 1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1990	1991	1992	1993	1994				
					June	July	Aug.	Sept.	Oct.
<b>1 Federal and federally sponsored agencies.....</b>	<b>434,668</b>	<b>442,772</b>	<b>483,970</b>	<b>570,711</b>	<b>646,661</b>	<b>659,206</b>	<b>674,020</b>	<b>0</b>	<b>0</b>
2 Federal agencies.....	42,159	41,035	41,829	45,193	43,040	43,416	43,861	42,544	39,037
3 Defense Department <sup>1,3</sup> .....	7	7	7	6	6	6	6	6	6
4 Export-Import Bank <sup>2,3</sup> .....	11,376	9,809	7,208	5,315	4,389	4,389	4,389	3,932	3,932
5 Federal Housing Administration <sup>4</sup> .....	393	397	374	255	138	82	101	112	114
6 Government National Mortgage Association certificates of participation <sup>5</sup> .....	0	0	0	0	0	0	0	0	0
7 Postal Service <sup>6</sup> .....	6,948	8,421	10,660	9,732	9,473	9,473	9,773	8,973	7,773
8 Tennessee Valley Authority.....	23,435	22,401	23,580	29,885	29,037	29,466	29,592	29,521	27,212
9 United States Railway Association <sup>6</sup> .....	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies <sup>7</sup> .....	392,509	401,737	442,141	525,518	603,621	615,790	630,159	0	0
11 Federal Home Loan Banks.....	117,895	107,543	114,733	141,577	160,822	166,137	169,284	174,414	185,894
12 Federal Home Loan Mortgage Corporation.....	30,941	30,262	29,631	49,993	73,340	78,929	81,270	83,947	88,680
13 Federal National Mortgage Association.....	123,403	133,937	166,300	201,112	227,897	230,484	237,564	239,320	242,575
14 Farm Credit Banks <sup>8</sup> .....	53,590	52,199	51,910	53,123	53,692	52,276	53,844	54,333	53,609
15 Student Loan Marketing Association <sup>9</sup> .....	34,194	38,319	39,650	39,784	47,940	48,069	48,313	49,692	0
16 Financing Corporation <sup>10</sup> .....	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation <sup>11</sup> .....	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation <sup>12</sup> .....	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
<b>MEMO</b>									
<b>19 Federal Financing Bank debt<sup>13</sup>.....</b>	<b>179,083</b>	<b>185,576</b>	<b>154,994</b>	<b>128,187</b>	<b>115,603</b>	<b>113,689</b>	<b>112,804</b>	<b>109,357</b>	<b>106,935</b>
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank <sup>3</sup> .....	11,370	9,803	7,202	5,309	4,383	4,383	4,383	3,926	3,926
21 Postal Service <sup>6</sup> .....	6,698	8,201	10,440	9,732	9,473	9,473	9,773	8,973	7,773
22 Student Loan Marketing Association.....	4,850	4,820	4,790	4,760	0	0	0	0	0
23 Tennessee Valley Authority.....	14,055	10,725	6,975	6,325	4,375	4,375	4,375	3,400	3,200
24 United States Railway Association <sup>6</sup> .....	0	0	0	0	0	0	0	0	0
<i>Other lending<sup>14</sup></i>									
25 Farmers Home Administration.....	52,324	48,534	42,979	38,619	35,999	35,104	34,594	34,129	33,869
26 Rural Electrification Administration.....	18,890	18,562	18,172	17,578	17,357	17,372	17,402	17,316	17,322
27 Other.....	70,896	84,931	64,436	45,864	44,016	42,982	42,322	41,613	40,845

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. On-budget since Sept. 30, 1976.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.

8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.

9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.

10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.

11. The Farm Credit Financial Assistance Corporation, established in January 1988, to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.

12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.

13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

# A34 Domestic Financial Statistics □ March 1995

## 1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1991	1992	1993	1994							
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>1 All issues, new and refunding<sup>1</sup></b>	<b>154,402</b>	<b>226,818</b>	<b>279,945</b>	<b>13,563</b>	<b>15,076</b>	<b>13,400</b>	<b>12,175</b>	<b>7,810</b>	<b>10,537</b>	<b>11,685</b>	<b>9,502</b>
<i>By type of issue</i>											
2 General obligation	55,100	78,611	90,599	4,029	5,556	7,110	4,177	2,309	2,891	5,592	2,261
3 Revenue	99,302	136,580	189,346	8,359	9,223	5,340	8,133	5,325	6,899	6,093	7,241
<i>By type of issuer</i>											
4 State	24,939	24,874	27,999	1,158	1,733	4,686	1,675	1,009	952	1,528	151
5 Special district or statutory authority <sup>2</sup>	80,614	138,327	178,714	8,085	9,335	4,931	7,963	4,962	6,511	6,148	7,270
6 Municipality, county, or township	48,849	63,617	73,232	3,145	3,711	2,833	2,672	1,663	2,327	4,009	2,081
<b>7 Issues for new capital</b>	<b>116,953</b>	<b>101,865</b>	<b>91,434</b>	<b>9,465</b>	<b>9,913</b>	<b>10,843</b>	<b>10,479</b>	<b>6,155</b>	<b>8,893</b>	<b>10,137</b>	<b>8,486</b>
<i>By use of proceeds</i>											
8 Education	21,121	18,852	16,831	1,933	1,945	1,147	2,075	883	1,596	1,716	1,725
9 Transportation	13,395	14,357	9,167	1,037	2,033	290	1,088	334	1,135	799	299
10 Utilities and conservation	21,039	12,164	12,014	423	856	694	784	433	1,887	644	1,244
11 Social welfare	25,648	16,744	13,837	2,136	1,312	1,698	2,117	1,897	1,887	1,535	2,172
12 Industrial aid	8,376	6,188	6,862	657	935	959	1,128	403	420	688	1,007
13 Other purposes	30,275	33,560	32,723	2,939	2,645	5,560	3,401	2,011	2,396	4,750	2,039

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

SOURCES. Securities Data Company beginning January 1993; Investment Dealer's Digest before then.

## 1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1991	1992	1993	1994							
				Apr.	May	June	July	Aug.	Sept.	Oct. <sup>f</sup>	Nov.
<b>1 All issues<sup>1</sup></b>	<b>465,246</b>	<b>559,827</b>	<b>764,509</b>	<b>35,110</b>	<b>44,263</b>	<b>49,457</b>	<b>29,153<sup>2</sup></b>	<b>38,437<sup>2</sup></b>	<b>29,406<sup>2</sup></b>	<b>32,161</b>	<b>33,566</b>
<b>2 Bonds<sup>2</sup></b>	<b>389,822</b>	<b>471,502</b>	<b>641,498</b>	<b>29,645</b>	<b>40,589</b>	<b>43,126</b>	<b>25,489<sup>2</sup></b>	<b>35,061<sup>2</sup></b>	<b>25,973<sup>2</sup></b>	<b>28,600</b>	<b>28,100</b>
<i>By type of offering</i>											
3 Public, domestic	286,930	378,058	486,879	26,436	33,414	38,387	21,772 <sup>2</sup>	30,655 <sup>2</sup>	22,726 <sup>2</sup>	24,000	23,300
4 Private placement, domestic	74,930	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,962	27,591	38,379	3,209	7,175	4,738	3,718	4,406	3,248	4,600	4,800
<i>By industry group</i>											
6 Manufacturing	86,628	82,058	88,002	2,229	3,266	2,093	1,857 <sup>2</sup>	2,251	2,165	2,500	2,600
7 Commercial and miscellaneous	36,666	43,111	60,443	990	2,496	3,177	1,413	3,604 <sup>2</sup>	2,052 <sup>2</sup>	2,039	2,302
8 Transportation	13,598	9,979	10,756	97	150	1,082	248	315	229	327	339
9 Public utility	23,944	48,055	56,272	546	1,071	681	472	520 <sup>2</sup>	707	1,601	1,649
10 Communication	9,431	15,394	31,950	1,298	944	618	429	345	526	379	421
11 Real estate and financial	219,555	272,904	394,076	24,484	32,662	35,475	21,070 <sup>2</sup>	28,027 <sup>2</sup>	20,294 <sup>2</sup>	21,754	20,789
<b>12 Stocks<sup>2</sup></b>	<b>75,424</b>	<b>88,325</b>	<b>113,472</b>	<b>5,465</b>	<b>3,674</b>	<b>6,331</b>	<b>3,664</b>	<b>3,376<sup>2</sup></b>	<b>3,433<sup>2</sup></b>	<b>3,561</b>	<b>5,466</b>
<i>By type of offering</i>											
13 Public preferred	17,085	21,339	18,897	2,248	695	1,366	599	710	555	1,191	279
14 Common	48,230	57,118	82,657	3,218	2,979	4,965	3,065	2,666 <sup>2</sup>	2,877 <sup>2</sup>	2,370	5,187
15 Private placement <sup>3</sup>	10,109	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
16 Manufacturing	24,111	22,723	22,271	2,696	956	1,056	489	569	904 <sup>2</sup>	745	1,970
17 Commercial and miscellaneous	19,418	20,231	25,761	773	850	1,853	708	838	821 <sup>2</sup>	1,105	1,717
18 Transportation	2,439	2,595	2,237	106	105	449	75	50	223	79	76
19 Public utility	3,474	6,532	7,050	75	239	297	0	180	78	4	333
20 Communication	475	2,366	3,439	0	32	28	0	0	0	0	0
21 Real estate and financial	25,507	33,879	49,889	1,815	1,492	2,647	2,386	1,734 <sup>2</sup>	1,407 <sup>2</sup>	1,628	1,350

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data cover only public offerings.

3. Monthly data are not available.

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



1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets<sup>1</sup>

Millions of dollars

Item	1992	1993	1994							
			Apr.	May	June	July	Aug.	Sept.	Oct. <sup>2</sup>	Nov.
1 Sales of own shares <sup>2</sup>	647,055	851,885	71,164	65,179	65,333	59,258	64,833	62,263	59,285	56,849
2 Redemptions of own shares	447,140	567,881	61,925	55,036	56,068	50,275	53,242	53,383	53,743	55,757
3 Net sales <sup>3</sup>	199,915	284,004	9,239	10,144	9,265	8,983	1,592	8,880	5,543	1,092
4 Assets <sup>4</sup>	1,056,310	1,510,209	1,510,827	1,529,478	1,509,998	1,552,652	1,604,961	1,588,277	1,601,363	1,549,186
5 Cash <sup>5</sup>	73,999	100,209	118,221	119,982	114,885	120,129	120,315	121,575	126,766	125,843
6 Other	982,311	1,409,838	1,392,606	1,409,496	1,395,113	1,432,523	1,484,646	1,466,702	1,474,597	1,423,344

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.

2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.

3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.

4. Market value at end of period, less current liabilities.

5. Includes all U.S. Treasury securities and other short-term debt securities.

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

## 1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1991	1992	1993	1992	1993					1994		
				Q4	Q1	Q2	Q3	Q4		Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	390.3	405.1	485.8	432.5	442.5	473.1	493.5	533.9	508.2	546.4	556.0	
2 Profits before taxes	365.2	395.9	462.4	413.5	432.7	456.6	458.7	501.7	483.5	523.1	538.1	
3 Profits-tax liability	131.1	139.7	173.2	148.6	159.8	171.8	169.9	191.5	184.1	201.7	208.6	
4 Profits after taxes	234.1	256.2	289.2	264.8	273.0	284.8	288.9	310.2	299.4	321.4	329.5	
5 Dividends	160.0	171.1	191.7	182.1	188.2	190.7	193.2	194.6	196.3	202.5	207.9	
6 Undistributed profits	74.1	85.1	97.5	82.7	84.7	94.1	95.6	115.6	103.0	118.9	121.6	
7 Inventory valuation	5.8	-6.4	-6.2	2.1	-11.2	-10.0	3.0	-6.5	-12.3	-14.1	-19.6	
8 Capital consumption adjustment	19.4	15.7	29.5	16.9	21.0	26.5	31.7	38.8	37.0	37.4	37.5	

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

## 1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1992	1993	1994 <sup>1</sup>	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Total nonfarm business	546.60	586.73	638.37	563.48	578.95	594.56	604.51	619.34	637.08	651.92	645.13
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other <sup>2</sup>	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

1. Figures are amounts anticipated by business.

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

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

# A36 Domestic Financial Statistics □ March 1995

## 1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities<sup>1</sup>

Billions of dollars, end of period; not seasonally adjusted

Account	1991	1992	1993	1993				1994		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
ASSETS										
1 Accounts receivable, gross <sup>2</sup>	484.6	491.8	482.8	477.9	473.7	474.0	482.8	494.5	511.3	524.2
2 Consumer	121.7	118.3	116.5	112.6	110.6	111.0	116.5	120.1	124.3	130.3
3 Business	295.8	301.3	294.6	292.7	291.8	291.9	294.6	302.3	313.2	317.2
4 Real estate	67.1	72.2	71.7	72.5	71.4	71.1	71.7	72.1	73.8	76.6
5 LESS: Reserves for unearned income	56.1	53.2	50.7	50.1	49.7	49.5	50.7	51.2	51.9	51.1
6 Reserves for losses	13.1	16.2	11.2	15.2	10.8	11.2	11.2	11.6	12.1	12.1
7 Accounts receivable, net	415.4	422.4	420.9	412.6	413.2	413.3	420.9	431.7	447.3	460.9
8 All other	144.9	142.5	170.9	150.6	151.5	163.9	170.9	171.2	174.6	177.2
9 Total assets	560.3	564.9	591.8	563.3	564.7	577.3	591.8	602.9	621.9	638.1
LIABILITIES AND CAPITAL										
10 Bank loans	42.3	37.6	25.3	34.1	29.4	25.8	25.3	24.2	23.3	21.6
11 Commercial paper	159.5	156.4	159.2	149.8	144.5	149.9	159.2	165.9	171.2	171.0
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	35.5	39.5	42.7	43.1	45.0	44.6	42.7	41.1	44.7	50.0
15 Not elsewhere classified	190.2	196.3	206.0	197.3	199.9	204.2	206.0	211.7	219.6	228.2
16 All other liabilities	68.4	68.0	87.1	72.5	77.8	83.8	87.1	90.5	89.9	95.0
17 Capital, surplus, and undivided profits	64.5	67.1	71.4	66.5	68.1	68.9	71.4	69.5	73.2	72.3
18 Total liabilities and capital	560.3	564.9	591.8	563.3	564.7	577.3	591.8	602.9	621.9	638.1

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

2. Before deduction for unearned income and losses.

## 1.52 DOMESTIC FINANCE COMPANIES Consumer, Real Estate, and Business Credit<sup>1</sup>

Millions of dollars, amounts outstanding, end of period

Type of credit	1991	1992	1993	1994					
				June	July	Aug.	Sept.	Oct.	Nov.
	Seasonally adjusted								
1 Total	523,824	540,679	546,020	576,239	571,470	579,032	590,512	596,397	603,274
2 Consumer	154,389	157,857	160,802	168,531	166,639	166,921	172,547	173,178	175,135
3 Real estate <sup>2</sup>	67,376	72,496	71,991	74,503	75,321	75,524	76,424	76,971	77,991
4 Business	302,060	310,325	313,226	333,205	329,510	336,587	341,542	346,248	350,148
	Not seasonally adjusted								
5 Total	527,329	544,691	550,387	577,546	568,648	575,769	588,525	596,054	604,115
6 Consumer	155,671	159,558	162,770	167,909	164,749	166,501	172,002	172,813	174,928
7 Motor vehicles	62,232	57,259	56,057	59,788	58,107	58,589	60,522	60,750	61,372
8 Other consumer <sup>3</sup>	59,468	61,020	60,396	64,530	65,095	66,608	69,784	70,812	72,312
9 Securitized motor vehicles <sup>4</sup>	23,361	29,734	36,024	32,705	31,848	31,787	32,372	31,592	31,494
10 Securitized other consumer <sup>4</sup>	10,610	11,545	10,293	10,886	9,699	9,517	9,324	9,659	9,750
11 Real estate <sup>2</sup>	67,132	72,243	71,727	73,755	75,379	76,012	76,585	77,235	77,907
12 Business	304,526	312,890	315,890	335,882	328,520	333,256	339,938	346,006	351,280
13 Motor vehicles	91,554	89,011	95,173	105,828	101,878	102,655	106,365	110,089	113,222
14 Retail <sup>5</sup>	23,967	20,541	18,091	21,024	20,670	20,272	21,164	21,645	22,113
15 Wholesale <sup>6</sup>	31,164	29,890	31,148	31,188	26,154	25,875	27,201	29,302	30,614
16 Leasing	36,423	38,580	45,934	53,616	55,054	56,508	58,000	59,142	60,495
17 Equipment	140,396	151,424	145,452	151,542	151,480	151,388	152,782	152,675	154,312
18 Retail	30,952	33,521	35,513	39,062	39,348	39,629	39,357	38,584	38,912
19 Wholesale <sup>6</sup>	9,671	8,680	8,001	8,419	8,859	8,968	9,119	9,134	9,484
20 Leasing	99,773	109,223	101,938	104,061	103,273	102,791	104,306	104,957	105,916
21 Other business <sup>7</sup>	63,802	60,856	53,997	55,849	54,444	56,389	58,101	59,314	59,893
22 Securitized business assets <sup>4</sup>	8,774	11,599	21,268	22,663	20,718	22,824	22,690	23,928	23,853
23 Retail	576	1,120	2,483	2,619	2,480	2,656	2,564	2,956	2,853
24 Wholesale	5,285	5,756	10,584	14,240	12,817	14,147	14,411	15,173	15,311
25 Leasing	2,913	4,723	8,201	5,804	5,421	6,021	5,715	5,799	5,689

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

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

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

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

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

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

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

## 1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1992	1993	1994	1994						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
<i>Terms<sup>1</sup></i>										
1 Purchase price (thousands of dollars).....	158.1	163.1	170.4	172.6	166.0	167.6	170.6	173.4	178.2	184.9
2 Amount of loan (thousands of dollars).....	118.1	123.0	130.8	130.0	129.0	129.3	133.7	131.9	136.2	136.2
3 Loan-to-price ratio (percent).....	76.6	78.0	78.8	78.0	79.4	79.0	79.4	78.3	78.0	76.9
4 Maturity (years).....	25.6	26.1	27.5	26.5	27.5	28.0	27.9	27.6	27.9	28.0
5 Fees and charges (percent of loan amount) <sup>2</sup> .....	1.60	1.30	1.29	1.30	1.35	1.38	1.36	1.22	1.30	1.38
<i>Yield (percent per year)</i>										
6 Contract rate <sup>3</sup> .....	7.98	7.02	7.26	7.41	7.50	7.45	7.48	7.55	7.59	7.61
7 Effective rate <sup>3</sup> .....	8.25	7.24	7.47	7.62	7.71	7.67	7.70	7.76	7.81	7.83
8 Contract rate (HUD series) <sup>4</sup> .....	8.43	7.37	n.a.	8.72	8.64	8.68	8.96	9.19	9.34	n.a.
SECONDARY MARKETS										
<i>Yield (percent per year)</i>										
9 FHA mortgages (Section 203) <sup>5</sup> .....	8.46	7.46	n.a.	9.03	8.65	8.66	9.10	9.23	9.53	n.a.
10 GNMA securities <sup>6</sup> .....	7.71	6.65	7.96	8.01	8.23	8.15	8.28	8.66	8.86	8.76
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
<i>Mortgage holdings (end of period)</i>										
11 Total.....	158,119	190,861	222,057	208,180	210,666	212,680	215,249	218,479	220,377	222,057
12 FHA/VA insured.....	22,593	23,857	28,377	25,390	25,477	25,604	25,800	26,226	27,118	28,377
13 Conventional.....	135,526	167,004	194,499	182,790	185,189	187,076	189,449	192,253	193,259	194,499
<i>Mortgage transactions (during period)</i>										
14 Purchases.....	75,905	92,037	62,389	4,386	4,628	4,077	4,266	5,003	3,549	3,399
<i>Mortgage commitments (during period)</i>										
15 Issued <sup>7</sup> .....	74,970	92,537	54,038	4,268	3,798	3,776	4,880	3,421	2,696	2,910
16 To sell <sup>8</sup> .....	10,493	5,097	1,820	1	0	0	0	48	20	55
FEDERAL HOME LOAN MORTGAGE CORPORATION										
<i>Mortgage holdings (end of period)<sup>8</sup></i>										
17 Total.....	33,665	55,012	72,693	62,232	62,993	64,118	66,478	69,340	70,757	72,693
18 FHA/VA insured.....	352	321	276	299	296	291	287	284	279	276
19 Conventional.....	33,313	54,691	72,416	61,933	62,697	63,827	66,191	69,057	70,477	72,416
<i>Mortgage transactions (during period)</i>										
20 Purchases.....	191,125	229,242	124,697	8,341	6,535	6,407	5,512	8,351	3,022	4,890
21 Sales.....	179,208	208,723	117,110	8,097	6,338	5,828	5,213	8,139	2,865	3,769
<i>Mortgage commitments (during period)<sup>9</sup></i>										
22 Contracted.....	261,637	274,599	136,067	7,252	5,820	5,649	5,035	7,288	3,454	2,412

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

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

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

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

5. Average gross yield on thirty-year, minimum-downpayment first mortgages insured by the Federal Housing Administration (FHA) for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month.

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs.

7. Does not include standby commitments issued, but includes standby commitments converted.

8. Includes participation loans as well as whole loans.

9. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING<sup>1</sup>

Millions of dollars, end of period

Type of holder and property	1990	1991	1992	1993		1994		
				Q3	Q4	Q1	Q2	Q3
<b>1 All holders</b>	<b>3,763,628</b>	<b>3,926,154</b>	<b>4,056,233</b>	<b>4,174,202</b>	<b>4,215,480</b>	<b>4,239,496</b>	<b>4,290,640</b>	<b>4,346,606</b>
<i>By type of property</i>								
2 One- to four-family residences	2,617,044	2,781,416	2,963,391	3,098,344	3,147,255	3,178,389	3,225,062	3,276,039
3 Multifamily residences	309,369	306,410	295,417	290,690	290,489	288,988	290,109	291,907
4 Commercial	758,313	759,023	716,687	704,032	696,542	690,726	692,584	694,842
5 Farm	78,903	79,306	80,738	81,136	81,194	81,393	82,886	83,818
<i>By type of holder</i>								
6 Major financial institutions	1,914,315	1,846,726	1,769,187	1,769,950	1,767,835	1,746,474	1,763,249	1,784,191
7 Commercial banks <sup>2</sup>	844,826	876,100	894,513	922,670	940,444	937,944	956,793	981,350
8 One- to four-family	455,931	483,623	507,780	537,661	556,538	554,117	570,325	590,244
9 Multifamily	37,015	36,935	38,024	37,655	38,635	38,451	37,948	38,130
10 Commercial	334,648	337,095	328,826	326,507	324,409	324,122	326,605	330,568
11 Farm	17,231	18,447	19,882	20,848	20,862	21,254	21,916	22,408
12 Savings institutions <sup>3</sup>	801,628	705,367	627,972	609,654	598,330	584,531	585,671	587,375
13 One- to four-family	600,154	538,358	489,622	478,456	469,959	458,075	462,240	466,414
14 Multifamily	91,806	79,881	69,791	68,440	67,362	66,914	66,245	65,611
15 Commercial	109,168	86,741	68,235	62,439	60,704	59,245	56,887	55,058
16 Farm	500	388	324	320	305	297	299	292
17 Life insurance companies	267,861	265,258	246,702	237,626	229,061	223,999	220,785	215,466
18 One- to four-family	13,005	11,547	11,441	9,835	9,458	9,245	9,107	8,877
19 Multifamily	28,979	29,562	27,770	26,844	25,814	25,232	24,855	24,227
20 Commercial	215,121	214,105	198,269	191,660	184,305	180,152	177,463	172,977
21 Farm	10,756	10,044	9,222	9,287	9,484	9,370	9,360	9,385
22 Federal and related agencies	239,003	266,146	286,263	306,578	317,486	323,464	327,690	334,284
23 Government National Mortgage Association	20	19	30	43	22	20	12	12
24 One- to four-family	20	19	30	37	15	13	12	12
25 Multifamily	0	0	0	7	7	7	0	0
26 Farmers Home Administration <sup>4</sup>	41,439	41,713	41,695	41,424	41,386	41,209	41,370	41,390
27 One- to four-family	18,527	18,496	16,912	15,714	15,303	14,870	14,599	14,063
28 Multifamily	9,640	10,141	10,575	10,830	10,940	11,037	11,147	11,254
29 Commercial	4,690	4,905	5,158	5,347	5,406	5,399	5,526	5,587
30 Farm	8,582	8,171	9,050	9,533	9,739	9,903	10,239	10,485
31 Federal Housing and Veterans' Administrations	8,801	10,733	12,581	11,797	12,215	11,344	11,169	10,657
32 One- to four-family	3,593	4,036	5,153	4,850	5,364	4,738	4,826	4,503
33 Multifamily	5,208	6,697	7,428	6,947	6,851	6,606	6,343	6,154
34 Resolution Trust Corporation	32,600	45,822	32,045	19,925	17,284	14,241	13,908	15,401
35 One- to four-family	15,800	14,535	12,960	9,381	7,203	6,308	6,045	6,984
36 Multifamily	8,064	15,018	9,621	6,002	5,327	4,208	4,230	4,528
37 Commercial	8,736	16,269	9,464	5,543	4,754	3,726	3,633	3,889
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	104,870	112,283	137,584	160,721	166,642	172,343	175,377	177,200
40 One- to four-family	94,323	100,387	124,016	146,009	151,310	156,576	159,437	161,255
41 Multifamily	10,547	11,896	13,568	14,712	15,332	15,767	15,940	15,945
42 Federal Land Banks	29,416	28,767	28,664	28,810	28,460	28,181	28,475	28,538
43 One- to four-family	1,838	1,693	1,687	1,695	1,675	1,658	1,675	1,679
44 Farm	27,577	27,074	26,977	27,115	26,785	26,523	26,800	26,859
45 Federal Home Loan Mortgage Corporation	21,857	26,809	33,665	43,858	51,476	56,127	57,379	61,087
46 One- to four-family	19,185	24,125	31,032	41,314	48,929	53,571	54,799	58,432
47 Multifamily	2,672	2,684	2,633	2,544	2,547	2,556	2,580	2,655
48 Mortgage pools or trusts <sup>5</sup>	1,079,103	1,250,666	1,425,546	1,517,003	1,550,818	1,604,449	1,643,627	1,668,496
49 Government National Mortgage Association	403,613	425,295	419,516	415,076	414,066	423,446	435,709	444,976
50 One- to four-family	391,505	415,767	410,675	405,963	404,864	414,194	426,363	435,511
51 Multifamily	12,108	9,528	8,841	9,113	9,202	9,251	9,346	9,465
52 Federal Home Loan Mortgage Corporation	316,359	359,163	407,514	433,090	443,029	459,949	470,183	469,062
53 One- to four-family	308,369	351,906	401,525	428,155	438,494	455,779	466,361	465,614
54 Multifamily	7,990	7,257	5,989	4,935	4,535	4,170	3,822	3,448
55 Federal National Mortgage Association	299,833	371,984	444,979	481,880	495,525	507,376	514,855	523,512
56 One- to four-family	291,194	362,667	435,979	473,599	486,804	498,488	505,730	514,375
57 Multifamily	8,639	9,317	9,000	8,281	8,721	8,887	9,125	9,137
58 Farmers Home Administration <sup>4</sup>	66	47	38	30	28	26	22	20
59 One- to four-family	17	11	8	6	5	5	4	3
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	24	19	17	14	13	12	10	9
62 Farm	26	17	13	10	10	9	8	8
63 Private mortgage conduits	59,232	94,177	153,499	186,927	198,171	213,653	222,858	230,926
64 One- to four-family	53,335	84,000	132,000	158,000	164,000	177,000	182,000	182,000
65 Multifamily	731	3,698	6,305	7,991	8,701	9,202	11,514	13,891
66 Commercial	5,166	6,479	15,194	20,936	25,469	27,451	31,844	34,735
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others <sup>6</sup>	531,208	562,616	575,237	580,670	579,341	565,109	556,074	559,635
69 One- to four-family	350,247	370,246	382,572	388,669	387,352	373,752	364,178	365,772
70 Multifamily	85,969	83,796	85,871	86,391	86,516	86,700	87,014	87,462
71 Commercial	80,761	93,410	91,524	91,588	91,482	90,621	90,617	92,020
72 Farm	14,232	15,164	15,270	14,023	14,009	14,037	14,264	14,380

1. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.

3. Includes savings banks and savings and loan associations.

4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.

5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.

6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCES: Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 64 from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT<sup>1</sup>

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1991	1992	1993	1994					
				June	July	Aug.	Sept.	Oct. <sup>1</sup>	Nov.
				Seasonally adjusted					
1 Total .....	728,389	731,098	794,300	847,715	854,469	869,628	879,961	891,603	904,487
2 Automobile .....	259,594	257,678	282,036	303,526	305,193	309,721	315,162	318,036	322,808
3 Revolving .....	245,281	257,304	287,875	309,472	313,591	321,365	322,823	327,707	334,428
4 Other .....	223,514	216,117	224,389	234,717	235,685	238,542	241,976	245,860	247,251
Not seasonally adjusted									
5 Total .....	744,039	747,690	812,782	842,126	847,727	868,049	880,609	891,442	906,162
By major holder									
6 Commercial banks .....	340,713	330,088	368,549	386,235	393,927	404,438	410,312	414,833	421,634
7 Finance companies .....	121,700	118,279	116,453	124,318	123,202	125,197	130,306	131,562	133,684
8 Credit unions .....	90,302	91,694	101,634	108,183	109,838	113,122	114,699	116,325	118,050
9 Savings institutions .....	41,373	37,049	37,855	38,134	38,055	37,975	37,943	38,122	38,275
10 Nonfinancial business .....	46,658	49,184	57,637	55,374	55,775	56,496	55,967	56,020	58,591
11 Pools of securitized assets <sup>2</sup> .....	103,293	121,396	130,654	129,882	126,930	130,821	131,382	134,580	135,928
By major type of credit <sup>3</sup>									
12 Automobile .....	259,863	258,226	282,825	302,874	304,026	310,925	316,778	320,182	323,104
13 Commercial banks .....	112,666	109,623	123,358	136,038	138,907	142,452	144,260	146,456	148,128
14 Finance companies .....	62,232	57,259	56,057	59,788	58,107	58,589	60,522	60,750	61,372
15 Pools of securitized assets <sup>2</sup> .....	28,588	33,888	39,490	35,817	34,436	34,584	35,149	34,394	33,664
16 Revolving .....	258,841	271,368	303,444	305,758	309,716	319,003	321,205	325,872	336,158
17 Commercial banks .....	138,005	132,966	149,527	153,032	156,940	161,417	164,724	165,561	171,244
18 Nonfinancial business .....	41,658	43,974	52,113	49,845	50,218	50,873	50,314	50,332	52,819
19 Pools of securitized assets <sup>2</sup> .....	63,333	74,931	79,887	82,075	81,704	85,644	85,051	88,762	90,775
20 Other .....	225,335	218,096	226,513	233,494	233,985	238,121	242,626	245,388	246,900
21 Commercial banks .....	90,042	87,499	95,664	97,165	98,080	100,569	101,328	102,816	102,262
22 Finance companies .....	59,468	61,020	60,396	64,530	65,095	66,608	69,784	70,812	72,312
23 Nonfinancial business .....	5,000	5,210	5,524	5,529	5,557	5,623	5,653	5,688	5,772
24 Pools of securitized assets <sup>2</sup> .....	11,372	12,577	11,277	11,990	10,790	10,593	11,182	11,424	11,489

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

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

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

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

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT<sup>1</sup>

Percent per year except as noted

Item	1991	1992	1993	1994						
				May	June	July	Aug.	Sept.	Oct.	Nov.
INTEREST RATES										
Commercial banks <sup>2</sup>										
1 48-month new car .....	11.14	9.29	8.09	7.76	n.a.	n.a.	8.41	n.a.	n.a.	8.75
2 24-month personal .....	15.18	14.04	13.47	12.96	n.a.	n.a.	13.33	n.a.	n.a.	13.59
3 120-month mobile home .....	13.70	12.67	11.87	11.60	n.a.	n.a.	12.04	n.a.	n.a.	n.a.
4 Credit card .....	18.23	17.78	16.83	16.15	n.a.	n.a.	16.25	n.a.	n.a.	n.a.
Auto finance companies										
5 New car .....	12.41	9.93	9.48	9.92	9.96	10.17	10.32	10.13	10.39	10.53
6 Used car .....	15.60	13.80	12.79	13.51	13.78	13.86	13.92	13.98	14.01	14.19
OTHER TERMS <sup>3</sup>										
Maturity (months)										
7 New car .....	55.1	54.0	54.5	53.5	53.3	53.9	54.2	54.3	54.9	54.6
8 Used car .....	47.2	47.9	48.8	50.6	50.0	50.2	50.1	50.2	50.2	50.3
Loan-to-value ratio										
9 New car .....	88	89	91	93	94	93	93	93	92	93
10 Used car .....	96	97	98	99	100	100	100	100	100	100
Amount financed (dollars)										
11 New car .....	12,494	13,584	14,332	15,194	15,180	15,319	15,283	15,419	15,827	15,971
12 Used car .....	8,884	9,119	9,875	10,606	10,656	10,735	10,755	10,906	10,554	11,202

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS<sup>1</sup>

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1989	1990	1991	1992	1993	1993				1994		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors . . . . .	729.0	635.6	475.8	536.1	628.1	481.4	740.5	613.3	677.2	651.2	543.4	612.3
By sector and instrument												
2 U.S. government . . . . .	146.4	246.9	278.2	304.0	256.1	240.5	336.4	173.4	274.2	210.6	122.9	134.1
3 Treasury securities . . . . .	144.7	238.7	292.0	303.8	248.3	237.4	332.3	157.2	266.5	211.8	118.2	129.8
4 Budget agency issues and mortgages . . . . .	1.6	8.2	-13.8	.2	7.8	3.2	4.1	16.3	7.7	-1.3	4.7	4.4
5 Private . . . . .	582.7	388.7	197.5	232.1	372.0	240.9	404.1	439.9	403.0	440.6	420.5	478.1
By instrument												
6 Tax-exempt obligations . . . . .	69.8	48.7	68.7	31.1	78.1	88.7	130.3	66.2	27.4	22.6	-9.8	-41.2
7 Corporate bonds . . . . .	73.8	47.1	78.8	67.5	75.2	85.7	75.7	72.0	67.4	35.1	38.9	24.6
8 Mortgages . . . . .	281.2	199.5	161.4	123.9	155.6	99.8	152.2	222.1	148.5	151.5	162.2	219.4
9 Home mortgages . . . . .	224.5	185.6	163.8	179.5	183.9	120.9	193.5	236.5	184.5	180.2	144.9	199.6
10 Multifamily residential . . . . .	11.5	4.8	-3.1	-11.2	-6.1	-5.5	-11.4	-4.9	-2.6	-6.1	4.3	7.1
11 Commercial . . . . .	47.8	9.3	.4	-45.5	-22.5	-15.7	-30.9	-9.9	-33.6	-23.4	7.1	8.9
12 Farm . . . . .	-2.5	-3	.4	1.1	.5	.2	1.0	.4	.2	.8	6.0	3.7
13 Consumer credit . . . . .	45.8	16.0	-15.0	5.5	62.3	20.3	41.6	76.2	111.3	72.7	121.9	127.1
14 Bank loans n.e.c. . . . .	27.3	.4	-40.9	-13.8	5.0	-16.2	-2	7.8	28.5	74.2	73.0	93.5
15 Commercial paper . . . . .	21.4	9.7	-18.4	8.6	10.0	-14.1	33.2	17.2	3.8	8.0	16.4	33.8
16 Other loans . . . . .	63.3	67.4	-37.1	9.2	-14.3	-23.3	-28.6	-21.7	16.2	76.5	17.8	20.9
By borrowing sector												
17 Household . . . . .	281.6	218.9	170.9	217.7	284.5	167.5	264.1	368.5	337.7	299.4	303.6	370.5
18 Nonfinancial business . . . . .	233.1	123.7	-35.9	-2.0	21.9	-11.6	26.7	24.1	48.2	131.4	144.7	156.4
19 Farm . . . . .	.6	2.3	2.1	1.0	2.0	-2.3	2.7	4.1	3.6	3.1	11.8	3.6
20 Nonfarm noncorporate . . . . .	40.3	10.1	-28.5	-43.9	-26.0	-28.6	-33.4	-26.2	-15.6	8.4	16.5	26.9
21 Corporate . . . . .	192.1	111.3	-9.6	40.9	45.8	19.3	57.4	46.3	60.2	119.9	116.4	125.9
22 State and local government . . . . .	68.0	46.0	62.6	16.4	65.7	85.0	113.2	47.3	17.1	9.9	-27.8	-48.8
23 Foreign net borrowing in United States . . . . .	10.2	23.9	13.9	21.3	46.9	38.9	42.8	83.1	22.9	-66.3	-1.9	-3.4
24 Bonds . . . . .	4.9	21.4	14.1	14.4	59.4	66.5	45.3	84.5	41.4	29.0	11.1	6.6
25 Bank loans n.e.c. . . . .	-1	-2.9	3.1	2.3	.7	1.5	6.6	1.0	-6.3	6.0	-8	.9
26 Commercial paper . . . . .	13.1	12.3	6.4	5.2	-9.0	-21.7	-6	-1.6	-12.0	-101.8	-5.2	-8.1
27 U.S. government and other loans . . . . .	-7.6	-7.0	-9.8	-6	-4.2	-7.5	-8.4	-8	-1	.5	-7.0	-2.7
28 Total domestic plus foreign . . . . .	739.2	659.4	489.6	557.4	675.0	520.3	783.3	696.4	700.2	584.9	541.5	608.9
Financial sectors												
29 Total net borrowing by financial sectors . . . . .	225.1	202.9	152.6	237.1	286.1	180.4	175.5	438.9	349.8	477.0	294.9	345.6
By instrument												
30 U.S. government-related . . . . .	149.5	167.4	145.7	155.8	161.2	169.4	56.6	287.3	131.3	320.8	245.2	224.9
31 Government-sponsored enterprises securities . . . . .	25.2	17.1	9.2	40.3	80.6	32.2	68.8	167.8	53.4	160.0	146.6	152.1
32 Mortgage pool securities . . . . .	124.3	150.3	136.6	115.6	80.6	137.2	-12.2	119.5	77.9	180.0	98.6	72.8
33 Loans from U.S. government . . . . .	.0	-1	.0	.0	.0	.0	.0	.0	.0	-19.2	.0	.0
34 Private . . . . .	75.7	35.5	6.8	81.3	125.0	11.0	118.9	151.6	218.5	156.2	49.7	120.7
35 Corporate bonds . . . . .	41.5	46.3	67.6	78.5	118.3	99.0	92.4	143.4	138.3	148.6	59.9	65.3
36 Mortgages . . . . .	.3	.6	.5	.6	3.6	1.4	1.4	6.2	5.5	.2	.6	.1
37 Bank loans n.e.c. . . . .	13.5	4.7	8.8	2.2	-14.0	-34.6	12.8	-16.1	-18.0	-18.3	-45.1	-17.6
38 Open market paper . . . . .	31.3	8.6	-32.0	-7	-6.2	-75.1	-16.2	-9.4	76.0	36.6	2.1	42.1
39 Loans from Federal Home Loan Banks . . . . .	-11.0	-24.7	-38.0	.8	23.3	20.4	28.4	27.4	16.8	-10.8	32.3	30.7
By borrowing sector												
40 Government-sponsored enterprises . . . . .	25.2	17.0	9.1	40.2	80.6	32.2	68.8	167.8	53.4	140.8	146.6	152.1
41 Federally related mortgage pools . . . . .	124.3	150.3	136.6	115.6	80.6	137.2	-12.2	119.5	77.9	180.0	98.6	72.8
42 Private . . . . .	75.7	35.5	6.8	81.3	125.0	11.0	118.9	151.6	218.5	156.2	49.7	120.7
43 Commercial banks . . . . .	-1.4	-7	-11.7	8.8	5.6	3.5	11.3	6.5	1.2	2.0	12.4	22.8
44 Bank holding companies . . . . .	6.2	-27.7	-2.5	2.3	8.8	21.1	1.3	.5	12.2	3.5	8.2	11.7
45 Funding corporations . . . . .	12.5	15.4	-6.5	13.2	2.9	-31.4	-1.6	7.9	36.7	47.4	-17.1	47.0
46 Savings institutions . . . . .	-15.1	-30.2	-44.5	-6.7	11.1	9.7	12.6	13.5	8.8	-5.6	5.8	14.8
47 Credit unions . . . . .	.0	.0	.0	.0	.2	.0	.3	.3	.1	.1	.2	.5
48 Life insurance companies . . . . .	.0	.0	.0	.0	.2	.1	.6	-1	.4	.0	.0	.0
49 Finance companies . . . . .	27.4	24.0	18.6	-3.6	.2	-19.6	-13.6	17.5	16.3	63.3	67.0	16.9
50 Mortgage companies . . . . .	10.1	.0	-2.4	8.0	-1.0	-25.2	32.4	-8	-10.4	-27.6	-33.2	-10.0
51 Real estate investment trusts (REITs) . . . . .	1.4	.8	1.2	.3	3.5	.4	1.3	6.0	6.2	1.2	2.2	2.3
52 Issuers of asset-backed securities (ABSs) . . . . .	28.3	52.3	51.0	56.3	81.5	62.0	60.5	85.8	117.6	81.8	4.0	22.3

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS<sup>1</sup>—Continued

Transaction category or sector	1989	1990	1991	1992	1993	1993				1994		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
All sectors												
53 Total net borrowing, all sectors	964.4	862.3	642.2	794.5	961.2	700.7	958.8	1,135.3	1,050.0	1,061.9	836.4	954.5
54 U.S. government securities	295.8	414.4	424.0	459.8	417.3	409.9	393.0	460.7	405.5	550.5	368.1	359.0
55 Tax-exempt securities	69.8	48.7	68.7	31.1	78.1	88.7	130.3	66.2	27.4	22.6	-9.8	-41.2
56 Corporate and foreign bonds	120.2	114.7	160.5	160.4	252.9	251.2	213.4	299.9	247.1	212.6	109.8	96.5
57 Mortgages	281.6	200.1	161.9	124.5	159.2	101.2	153.5	228.3	154.0	151.8	162.7	219.6
58 Consumer credit	45.8	16.0	-15.0	5.5	62.3	20.3	41.6	76.2	111.3	72.7	121.9	127.1
59 Bank loans n.e.c.	40.7	2.2	-29.1	-9.4	-8.3	-49.2	19.2	-7.3	4.2	61.9	27.1	76.8
60 Open market paper	65.9	30.7	-44.0	13.1	-5.1	-110.9	16.4	6.3	67.7	-57.2	13.3	67.8
61 Other loans	44.7	35.6	-84.9	9.5	4.7	-10.4	-8.7	4.9	32.9	47.0	43.1	49.0
Funds raised through mutual funds and corporate equities												
62 Total net share issues	-60.8	19.7	215.4	296.0	436.9	343.9	471.9	498.0	434.0	214.5	218.6	117.4
63 Mutual funds	37.2	65.3	151.5	211.9	316.8	268.9	358.0	348.9	291.5	114.0	152.7	131.2
64 Corporate equities	-98.0	-45.6	64.0	84.1	120.1	75.0	113.9	149.1	142.4	100.5	65.8	-13.8
65 Nonfinancial corporations	-124.2	-63.0	18.3	27.0	21.3	8.2	23.2	32.3	21.5	-9.6	-2.0	-50.0
66 Financial corporations	9.0	10.0	15.1	26.4	38.2	35.2	38.6	38.2	40.9	40.7	29.0	21.6
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.7	60.6	31.6	52.1	78.6	80.0	69.4	38.9	14.6

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS<sup>1</sup>

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

Transaction category or sector	1989	1990	1991	1992	1993	1993				1994		
						Q1	Q2	Q3	Q4	Q1	Q2	Q3
NET LENDING IN CREDIT MARKETS <sup>2</sup>												
1 Total net lending in credit markets	964.4	862.3	642.2	794.5	961.2	700.7	958.8	1,135.3	1,050.0	1,061.9	836.4	954.5
2 Private domestic nonfinancial sectors	137.0	190.1	-7.5	72.0	6.8	-23.1	-3.7	-39.5	93.3	458.8	346.1	208.8
3 Households	94.7	157.2	-39.6	70.7	-9.6	-74.8	-75.6	-69.7	181.8	462.2	412.3	316.4
4 Nonfarm noncorporate business	-8	-1.7	-3.7	-1.1	-3.2	-3.0	-3.2	-3.3	-3.5	-3.6	-1.8	-1.9
5 Nonfinancial corporate business	13.7	-3.7	6.7	29.2	18.0	-2.4	17.3	41.2	16.0	21.9	23.8	-1.1
6 State and local governments	29.3	38.3	29.2	-26.8	1.5	57.0	57.7	-7.7	-101.0	-21.6	-88.2	-104.0
7 U.S. government	-3.1	33.7	10.5	-11.9	-18.4	-23.2	-27.1	-15.4	-7.9	-40.8	-8.2	-6.6
8 Foreign	86.6	85.5	26.6	100.5	126.0	65.9	93.4	123.5	221.2	127.5	51.9	113.1
9 Financial sectors	743.8	553.0	612.5	633.9	846.8	681.1	896.2	1,066.6	743.3	516.4	446.7	639.3
10 Government sponsored enterprises	-4.1	13.9	15.2	69.0	90.2	16.7	128.0	144.8	71.2	92.4	101.1	135.6
11 Federally related mortgage pools	124.3	150.3	136.6	115.6	80.6	137.2	-12.2	119.5	77.9	180.0	98.6	72.8
12 Monetary authority	-7.3	8.1	31.1	27.9	36.2	42.5	35.7	28.2	38.5	48.8	17.9	24.0
13 Commercial banking	177.2	125.1	80.8	95.3	142.2	100.5	133.4	146.7	188.1	184.7	112.7	183.5
14 U.S. commercial banks	146.1	94.9	35.7	69.5	149.6	103.4	137.4	160.3	197.3	120.6	128.4	164.7
15 Foreign banking offices	26.7	28.4	48.5	16.5	-9.8	-1.4	-14.3	-16.9	-6.5	59.0	-17.8	19.2
16 Bank holding companies	2.8	-2.8	-1.5	5.6	.0	-4.5	7.9	1.2	-4.8	3.1	.2	-2.4
17 Banks in U.S. affiliated areas	1.6	4.5	-1.9	3.7	2.4	3.0	2.4	2.2	2.1	2.1	1.9	1.9
18 Funding corporations	8.0	16.1	15.8	23.5	18.1	-3.8	1.1	32.4	42.6	17.8	35.3	18.7
19 Thrift institutions	-90.0	-154.0	-123.5	-61.3	-2.0	-30.7	15.2	21.0	-13.3	13.5	42.1	44.7
20 Life insurance companies	101.8	94.4	83.2	79.1	105.1	113.0	109.4	111.8	86.4	53.7	6.1	33.3
21 Other insurance companies	29.7	26.5	32.6	12.8	33.3	27.3	36.0	37.6	32.1	27.9	20.8	16.0
22 Private pension funds	81.1	17.2	85.7	37.3	40.2	118.0	11.1	91.9	-60.1	-97.7	-30.7	-13.4
23 State and local government retirement funds	46.1	34.9	46.0	34.4	25.5	-9.8	47.5	27.4	36.9	45.3	51.2	41.1
24 Finance companies	32.0	29.0	-12.7	1.7	-9.0	-33.3	-34.7	9.4	22.6	72.1	49.8	59.0
25 Mortgage companies	20.1	.0	11.2	.1	.0	-50.4	65.1	-1.6	-13.3	-55.4	-66.2	-20.0
26 Mutual funds	23.8	41.4	90.3	123.7	164.0	148.6	194.4	174.6	138.4	-72.6	11.3	-18.6
27 Closed-end funds	6.6	.2	14.7	17.4	10.2	16.7	10.5	5.9	7.7	8.7	3.6	1.4
28 Money market funds	67.1	80.9	30.1	1.3	12.9	-57.3	33.3	25.3	50.3	-37.4	33.7	54.4
29 Real estate investment trusts (REITs)	.5	-7	-7	1.1	.6	.2	.8	1.0	.2	.7	.7	.7
30 Brokers and dealers	80.2	2.8	17.5	-6.9	9.2	75.2	52.5	-7.8	-82.8	-56.1	-52.6	-14.4
31 Asset-backed securities issuers (ABSs)	27.1	51.1	48.9	53.8	80.1	61.5	59.4	88.6	111.1	81.0	6.2	17.5
32 Bank personal trusts	19.7	15.9	10.0	8.0	9.5	9.1	10.0	9.9	8.9	9.3	5.2	2.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 Net flows through credit markets	964.4	862.3	642.2	794.5	961.2	700.7	958.8	1,135.3	1,050.0	1,061.9	836.4	954.5
Other financial sources												
34 Official foreign exchange	24.8	2.0	-5.9	-1.6	.8	3.4	-4.0	1.7	2.2	-2	-11.2	-6
35 Special drawing rights certificates	3.5	1.5	.0	-2.0	.0	.0	.0	.0	.0	.0	.0	.0
36 Treasury currency	.6	1.0	.0	.2	.4	.3	.4	.4	.7	.7	.6	.8
37 Life insurance reserves	28.8	25.7	25.7	27.3	35.2	38.6	35.3	46.6	20.5	20.0	8.1	23.8
38 Pension fund reserves	321.2	165.1	360.3	249.7	304.7	331.7	333.7	359.9	193.6	-18.8	64.3	197.8
39 Interbank claims	-16.2	35.4	-3.9	61.7	42.1	63.8	130.2	-7.6	-18.1	150.8	195.7	-44.5
40 Checkable deposits and currency	6.4	43.3	86.4	113.8	117.3	99.7	214.4	73.1	81.9	173.1	-68.0	-81.0
41 Small time and savings deposits	98.7	63.7	1.5	-57.2	-70.3	-108.5	-67.8	-68.1	-36.6	2.5	-59.9	-61.5
42 Large time deposits	16.9	-66.1	-58.5	-73.2	-23.5	-21.6	-26.8	-59.5	13.7	-39.6	-4.8	80.6
43 Money market fund shares	90.1	70.3	41.2	3.9	15.8	-46.8	61.8	.6	47.7	-10.9	67.8	50.3
44 Security repurchase agreements	77.8	-24.2	-16.5	35.5	65.5	170.7	37.9	67.8	-14.4	12.8	176.3	68.3
45 Foreign deposits	35.7	38.2	-16.7	-7.2	-22.1	-11.9	-17.1	-50.7	-8.6	24.9	35.9	5.0
46 Mutual fund shares	37.2	65.3	151.5	211.9	316.8	268.9	358.0	348.9	291.5	114.0	152.7	131.2
47 Corporate equities	-98.0	-45.6	64.0	84.1	120.1	75.0	113.9	149.1	142.4	100.5	65.8	-13.8
48 Security credit	15.6	3.5	51.4	4.2	61.9	44.8	40.0	76.6	86.5	29.7	-17.3	-62.3
49 Trade debt	68.2	37.0	3.6	41.5	49.0	43.4	51.0	49.6	51.9	30.3	67.2	61.6
50 Taxes payable	2.4	-4.8	-6.2	8.5	4.6	7.9	7.3	-1.8	4.9	13.7	-3.4	5.9
51 Noncorporate proprietors' equity	-25.8	-28.3	-3.3	18.4	-10.2	-6.6	-14.8	6.2	-25.8	-45.8	-47.2	-39.9
52 Investment in bank personal trusts	19.6	29.7	16.1	-7.1	1.6	-4.2	-7.2	.1	17.6	15.4	-15.5	6.7
53 Miscellaneous	313.8	135.7	197.2	257.6	302.1	197.9	404.0	222.3	384.0	279.6	204.8	316.8
54 Total financial sources	1,985.7	1,410.6	1,530.2	1,764.5	2,273.0	1,847.1	2,608.9	2,350.7	2,285.5	1,914.8	1,648.4	1,599.4
Floats not included in assets (-)												
55 U.S. government checkable deposits	8.4	3.3	-13.1	.7	-1.5	4.7	2.9	2.1	-15.5	-2.4	.3	14.7
56 Other checkable deposits	-2.2	8.5	4.5	1.6	-1.3	-2.0	8.3	-5.2	-6.2	.6	-1.1	-6.2
57 Trade credit	7.0	9.1	9.7	4.1	16.5	5.8	25.7	22.2	12.5	-27.0	-10.3	-2.2
Liabilities not identified as assets (-)												
58 Treasury currency	-2	.2	-6	-2	-2	-2	-2	-2	-2	-2	-2	.0
59 Interbank claims	-4.4	1.6	26.2	-4.9	4.2	2.7	.5	-10.4	24.0	-29.1	5.3	11.4
60 Security repurchase agreements	32.4	-24.0	6.2	27.9	81.1	179.6	60.8	66.6	17.3	7.1	119.1	63.8
61 Taxes payable	2.7	.1	1.3	14.0	1.0	-6.9	18.2	1.2	-8.6	-7	12.4	-1.4
62 Miscellaneous	-55.6	-35.4	-45.3	-46.0	-45.3	-101.5	-97.6	-18.4	36.4	-87.6	-173.7	79.9
63 Total identified to sectors as assets	1,997.6	1,447.2	1,541.2	1,767.2	2,218.5	1,765.0	2,590.2	2,292.9	2,225.9	2,054.2	1,696.6	1,439.4

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.



1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING<sup>1</sup>

Billions of dollars, end of period

Transaction category or sector	1990	1991	1992	1993	1993				1994		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
Nonfinancial sectors											
1 Total credit market debt owed by domestic nonfinancial sectors	10,712.6	11,181.5	11,720.7	12,363.1	11,816.1	12,008.9	12,155.3	12,363.1	12,485.5	12,629.7	12,775.0
By sector and instrument											
2 U.S. government	2,498.1	2,776.4	3,080.3	3,336.5	3,140.2	3,201.2	3,247.3	3,336.5	3,387.7	3,395.5	3,432.5
3 Treasury securities	2,465.8	2,757.8	3,061.6	3,309.9	3,120.6	3,180.6	3,222.6	3,309.9	3,361.4	3,368.0	3,403.9
4 Budget agency issues and mortgages	32.4	18.6	18.8	26.6	19.6	20.6	24.7	26.6	26.3	27.5	28.6
5 Private	8,214.5	8,405.1	8,640.4	9,026.6	8,675.9	8,807.7	8,908.1	9,026.6	9,097.8	9,234.3	9,342.5
By instrument											
6 Tax-exempt obligations	1,039.9	1,108.6	1,139.7	1,217.8	1,160.7	1,202.2	1,210.0	1,217.8	1,222.3	1,229.5	1,209.9
7 Corporate bonds	1,008.2	1,086.9	1,154.4	1,229.6	1,175.9	1,194.8	1,212.8	1,229.6	1,238.4	1,248.1	1,254.3
8 Mortgages	3,758.5	3,920.0	4,043.9	4,206.5	4,061.5	4,109.9	4,166.6	4,206.5	4,230.5	4,281.5	4,337.4
9 Home mortgages	2,616.3	2,780.0	2,959.6	3,147.3	2,979.3	3,038.1	3,098.3	3,147.3	3,178.4	3,225.1	3,276.0
10 Multifamily residential	307.9	304.8	293.6	287.5	292.3	289.4	288.2	287.5	286.0	287.1	288.8
11 Commercial	755.4	755.8	710.3	690.6	709.2	701.4	699.0	690.6	684.7	686.5	688.7
12 Farm	78.9	79.3	80.4	81.2	80.8	81.0	81.1	81.2	81.4	82.9	83.8
13 Consumer credit	812.4	797.4	803.0	866.5	788.2	800.2	824.3	866.5	863.6	895.3	932.1
14 Bank loans n.e.c.	726.9	686.0	672.1	677.2	660.9	666.3	665.6	677.2	688.8	712.6	732.7
15 Commercial paper	116.9	98.5	107.1	117.8	113.9	124.0	123.2	117.8	129.9	135.7	138.7
16 Other loans	751.8	707.8	720.2	711.1	714.9	710.2	705.5	711.1	724.3	731.4	737.5
By borrowing sector											
17 Household	3,614.3	3,784.7	4,002.3	4,292.0	4,012.6	4,093.0	4,190.9	4,292.0	4,330.4	4,420.7	4,518.5
18 Nonfinancial business	3,751.7	3,709.3	3,710.5	3,741.5	3,715.7	3,729.8	3,729.1	3,741.5	3,772.9	3,816.4	3,848.4
19 Farm	135.4	135.0	136.0	138.3	133.4	136.7	138.7	138.3	136.7	142.4	144.3
20 Nonfarm noncorporate	1,147.0	1,116.4	1,074.1	1,049.1	1,067.2	1,059.4	1,052.2	1,049.1	1,050.4	1,055.1	1,061.2
21 Corporate	2,469.2	2,458.0	2,500.4	2,554.1	2,515.1	2,533.7	2,538.3	2,554.1	2,585.7	2,618.9	2,642.9
22 State and local government	848.6	911.1	927.5	993.2	947.6	984.9	988.0	993.2	994.4	997.2	975.7
23 Foreign credit market debt held in United States	285.0	298.8	310.9	357.8	319.8	332.0	351.3	357.8	340.3	341.2	339.0
24 Bonds	115.4	129.5	143.9	203.4	160.6	171.9	193.0	203.4	210.6	213.4	215.0
25 Bank loans n.e.c.	18.5	21.6	23.9	24.6	24.3	25.9	26.2	24.6	26.2	26.0	26.2
26 Commercial paper	75.3	81.8	77.7	68.7	72.3	72.1	71.7	68.7	43.3	42.0	39.9
27 U.S. government and other loans	75.7	65.9	65.3	61.1	62.7	62.0	60.3	61.1	60.3	59.9	57.8
28 Total credit market debt owed by nonfinancial sectors, domestic and foreign	10,997.6	11,480.3	12,031.6	12,720.8	12,135.9	12,340.9	12,506.6	12,720.8	12,825.8	12,971.0	13,114.0
Financial sectors											
29 Total credit market debt owed by financial sectors	2,599.5	2,752.1	3,004.7	3,297.3	3,047.0	3,096.6	3,204.7	3,297.3	3,412.3	3,492.5	3,577.1
By instrument											
30 U.S. government-related	1,418.4	1,564.2	1,720.0	1,881.1	1,755.8	1,774.5	1,845.2	1,881.1	1,954.5	2,021.1	2,075.9
31 Government-sponsored enterprises securities	393.7	402.9	443.1	523.7	451.2	468.4	510.3	523.7	563.7	600.3	638.3
32 Mortgage pool securities	1,019.9	1,156.5	1,272.0	1,352.6	1,299.8	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6
33 Loans from U.S. government	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	0	0	0
34 Private	1,181.1	1,187.9	1,284.8	1,416.1	1,291.3	1,322.2	1,359.5	1,416.1	1,457.9	1,471.4	1,501.1
35 Corporate bonds	572.4	640.0	724.8	844.1	751.0	774.8	810.5	844.1	879.3	895.0	911.1
36 Mortgages	4.3	4.8	5.4	8.9	5.7	6.0	7.6	8.9	9.0	9.1	9.2
37 Bank loans n.e.c.	69.6	78.4	80.5	66.5	70.3	73.3	69.2	66.5	60.3	48.9	44.5
38 Open market paper	417.7	385.7	394.3	393.5	379.3	375.9	373.2	393.5	408.8	409.9	420.1
39 Loans from Federal Home Loan Banks	117.1	79.1	79.9	103.1	85.0	92.1	98.9	103.1	100.4	108.5	116.2
By borrowing sector											
40 Government-sponsored enterprises	398.5	407.7	447.9	528.5	456.0	473.2	515.1	528.5	563.7	600.3	638.3
41 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6	1,299.8	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6
42 Private financial sectors	1,181.1	1,187.9	1,284.8	1,416.1	1,291.3	1,322.2	1,359.5	1,416.1	1,457.9	1,471.4	1,501.1
43 Commercial banks	76.7	65.0	73.8	79.5	73.1	76.6	77.9	79.5	78.4	82.1	87.5
44 Bank holding companies	114.8	112.3	114.6	123.4	119.9	120.2	120.3	123.4	124.2	126.3	129.2
45 Funding corporations	145.7	139.1	161.6	169.9	162.2	166.5	166.3	169.9	190.4	191.1	200.3
46 Savings institutions	139.1	94.6	87.8	99.0	90.3	93.4	96.8	99.0	97.6	99.0	102.7
47 Credit unions	0	0	0	2	0	1	2	2	3	3	3
48 Life insurance companies	0	0	0	2	0	2	1	2	3	3	3
49 Finance companies	374.4	393.0	389.4	390.5	381.3	373.8	380.0	390.5	401.9	414.2	420.9
50 Mortgage companies	24.6	22.2	30.2	29.2	23.9	32.0	31.8	29.2	22.3	14.0	11.5
51 Real estate investment trusts (REITs)	12.4	13.6	13.9	17.4	14.0	14.4	15.8	17.4	17.7	18.3	18.8
52 Issuers of asset-backed securities (ABSs)	278.1	329.1	391.7	473.2	407.2	422.3	443.8	473.2	493.6	494.6	500.2
All sectors											
53 Total credit market debt, domestic and foreign	13,597.1	14,232.3	15,036.3	16,018.1	15,183.0	15,437.5	15,711.3	16,018.1	16,238.1	16,463.5	16,691.0
54 U.S. government securities	3,911.7	4,335.7	4,795.5	5,212.8	4,891.2	4,970.9	5,087.7	5,212.8	5,342.2	5,416.5	5,508.3
55 Tax-exempt securities	1,039.9	1,108.6	1,139.7	1,217.8	1,160.7	1,202.2	1,210.0	1,217.8	1,222.3	1,229.5	1,209.9
56 Corporate and foreign bonds	1,696.0	1,856.5	2,023.1	2,277.0	2,087.4	2,141.5	2,216.3	2,277.0	2,328.3	2,356.5	2,380.4
57 Mortgages	3,762.9	3,924.8	4,049.3	4,215.5	4,067.2	4,116.0	4,174.2	4,215.5	4,239.5	4,290.6	4,346.6
58 Consumer credit	812.4	797.4	803.0	866.5	788.2	800.2	824.3	866.5	863.6	895.3	932.1
59 Bank loans n.e.c.	815.0	785.9	776.6	768.4	755.4	765.5	768.4	775.4	787.5	787.5	803.5
60 Open market paper	609.9	565.9	579.0	580.0	565.5	572.0	568.2	580.0	582.0	587.5	598.7
61 Other loans	949.4	857.5	870.2	880.1	867.4	869.1	869.6	880.1	884.9	899.8	911.5

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES<sup>1</sup>

Billions of dollars except as noted, end of period

Transaction category or sector	1990	1991	1992	1993	1993				1994		
					Q1	Q2	Q3	Q4	Q1	Q2	Q3
CREDIT MARKET DEBT OUTSTANDING <sup>2</sup>											
1 Total credit market assets	13,597.1	14,232.3	15,036.3	16,018.1	15,183.0	15,437.5	15,711.3	16,018.1	16,238.1	16,463.5	16,691.0
2 Private domestic nonfinancial sectors	2,260.8	2,240.2	2,318.0	2,340.9	2,301.4	2,296.4	2,285.0	2,340.9	2,429.1	2,511.5	2,562.9
3 Households	1,499.3	1,446.5	1,523.1	1,557.5	1,501.8	1,501.4	1,488.3	1,557.5	1,657.1	1,747.0	1,826.8
4 Nonfarm noncorporate business	47.8	44.1	42.9	39.7	42.2	41.4	40.6	39.7	38.8	38.4	37.9
5 Nonfinancial corporate business	189.6	196.2	225.4	248.1	220.1	227.3	234.7	248.1	243.7	252.5	249.6
6 State and local governments	524.1	553.3	526.5	495.6	537.3	526.2	521.5	495.6	489.5	473.6	448.6
7 U.S. government	239.0	246.9	235.0	216.6	229.4	223.1	218.8	216.6	206.3	204.7	202.6
8 Foreign	918.3	958.1	1,052.7	1,175.1	1,061.8	1,084.0	1,118.1	1,175.1	1,206.8	1,219.1	1,250.4
9 Financial sectors	10,179.0	10,787.2	11,430.6	12,285.5	11,590.3	11,834.0	12,089.4	12,285.5	12,395.9	12,528.2	12,675.1
10 Government-sponsored enterprises	375.6	390.7	459.7	549.8	463.0	495.5	531.8	549.8	572.0	597.9	631.9
11 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6	1,299.8	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6
12 Monetary authority	241.4	272.5	300.4	336.7	303.6	318.2	324.2	336.7	341.5	351.6	356.8
13 Commercial banking	2,772.5	2,853.3	2,948.6	3,090.8	2,956.6	2,998.8	3,036.4	3,090.8	3,120.2	3,157.1	3,203.1
14 U.S. commercial banks	2,466.7	2,502.5	2,571.9	2,721.5	2,589.4	2,628.5	2,670.2	2,721.5	2,743.8	2,780.3	2,822.4
15 Foreign banking offices	270.8	319.2	335.8	326.0	326.7	327.1	322.3	326.0	331.8	331.7	335.7
16 Bank holding companies	13.4	11.9	17.5	17.5	16.4	18.4	18.7	17.5	18.2	18.3	17.7
17 Banks in U.S. affiliated areas	21.6	19.7	23.4	25.8	24.2	24.8	25.3	25.8	26.4	26.8	27.3
18 Funding corporations	35.7	51.5	75.0	93.1	74.0	74.3	82.4	93.1	97.5	106.3	111.0
19 Thrift institutions	1,320.5	1,192.6	1,134.5	1,132.5	1,124.8	1,129.8	1,136.2	1,132.5	1,134.0	1,145.7	1,157.9
20 Life insurance companies	1,116.5	1,199.6	1,278.8	1,383.9	1,313.3	1,343.9	1,372.1	1,383.9	1,404.2	1,409.1	1,417.8
21 Other insurance companies	344.0	376.6	389.4	422.7	396.3	405.3	414.6	422.7	429.6	434.8	438.8
22 Private pension funds	607.4	693.0	730.4	770.6	759.8	762.6	785.6	770.6	746.2	738.5	735.1
23 State and local government retirement funds	433.9	479.9	514.3	542.6	514.6	526.5	533.4	542.6	553.9	566.7	577.0
24 Finance companies	497.6	484.9	486.6	482.8	477.9	473.7	474.0	482.8	494.5	511.3	524.2
25 Mortgage companies	49.2	60.3	60.5	60.4	47.9	64.1	63.8	60.4	46.6	30.0	25.0
26 Mutual funds	360.2	450.5	574.2	738.2	611.4	659.9	703.6	738.2	720.0	722.9	718.2
27 Closed-end funds	35.6	50.3	67.7	77.9	71.9	74.5	76.0	77.9	80.1	81.0	81.3
28 Money market funds	372.7	402.7	404.1	417.0	404.5	403.9	400.6	417.0	422.2	422.0	425.1
29 Real estate investment trusts (REITs)	7.7	7.0	8.1	8.6	8.1	8.3	8.6	8.6	8.8	9.0	9.1
30 Brokers and dealers	106.5	124.0	117.1	126.3	135.9	149.0	147.1	126.3	112.3	99.2	95.6
31 Asset-backed securities issuers (ABSSs)	268.9	317.8	377.9	458.0	393.3	408.1	430.2	458.0	478.2	479.8	484.2
32 Bank personal trusts	213.4	223.5	231.5	240.9	233.7	236.2	238.7	240.9	243.3	244.6	245.3
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 Total credit market debt	13,597.1	14,232.3	15,036.3	16,018.1	15,183.0	15,437.5	15,711.3	16,018.1	16,238.1	16,463.5	16,691.0
Other liabilities											
34 Official foreign exchange	61.3	55.4	51.8	53.4	54.5	53.9	55.6	53.4	56.4	54.9	55.5
35 Special drawing rights certificates	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.3	16.5	17.0	16.6	16.7	16.8	17.0	17.1	17.3	17.5
37 Life insurance reserves	380.0	405.7	433.0	468.2	442.6	451.4	463.1	468.2	473.2	475.2	481.2
38 Pension fund reserves	3,484.2	4,138.3	4,516.5	4,945.1	4,652.7	4,710.4	4,869.4	4,945.1	4,890.7	4,880.8	5,016.8
39 Interbank claims	95.3	96.4	132.8	175.2	135.7	144.3	165.4	175.2	201.6	223.9	238.9
40 Deposits at financial institutions	5,005.3	5,044.8	5,059.1	5,141.8	5,055.3	5,097.1	5,088.5	5,141.8	5,155.8	5,182.8	5,201.3
41 Checkable deposits and currency	934.2	1,020.6	1,134.4	1,251.7	1,089.1	1,168.0	1,181.9	1,251.7	1,220.5	1,229.3	1,206.5
42 Small time and savings deposits	2,349.2	2,350.7	2,293.5	2,232.2	2,275.7	2,255.0	2,236.6	2,232.2	2,233.8	2,214.7	2,198.3
43 Large time deposits	546.9	488.4	415.2	391.7	410.6	401.1	389.4	391.7	382.6	378.9	402.0
44 Money market fund shares	498.4	539.6	543.6	559.4	556.6	549.8	547.9	559.4	582.4	576.4	586.1
45 Security repurchase agreements	372.3	355.8	392.3	457.8	446.2	450.4	472.5	457.8	472.4	510.3	534.0
46 Foreign deposits	304.3	289.6	280.1	258.0	277.1	272.8	260.2	258.0	264.3	273.2	274.5
47 Mutual fund shares	602.1	813.9	1,042.1	1,429.3	1,134.6	1,225.8	1,342.4	1,429.3	1,439.0	1,443.1	1,563.7
48 Security credit	137.4	188.9	217.3	279.3	225.0	234.7	254.5	279.3	282.7	278.1	263.2
49 Trade debt	942.2	935.9	977.4	1,026.4	976.9	989.7	1,009.6	1,026.4	1,022.3	1,039.5	1,062.5
50 Taxes payable	77.4	71.2	79.6	84.2	82.9	81.2	82.8	84.2	88.8	84.4	88.1
51 Investment in bank personal trusts	522.1	608.3	629.6	660.9	639.0	637.6	651.2	660.9	655.3	640.2	656.8
52 Miscellaneous	2,820.4	2,992.2	3,160.2	3,414.6	3,174.9	3,249.9	3,316.5	3,414.6	3,503.2	3,550.8	3,673.6
53 Total liabilities	27,751.1	29,609.6	31,360.1	33,721.3	31,781.7	32,338.1	33,035.0	33,721.3	34,032.4	34,342.6	35,018.1
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.0	22.3	19.6	20.1	19.8	20.0	20.3	20.1	20.4	20.8	21.0
55 Corporate equities	3,530.2	4,863.6	5,462.9	6,186.5	5,647.3	5,683.7	5,941.7	6,186.5	6,052.2	5,877.7	6,135.1
56 Household equity in noncorporate business	2,529.1	2,444.4	2,411.5	2,427.7	2,419.5	2,434.2	2,445.3	2,427.7	2,457.8	2,478.9	2,487.3
Floats not included in assets (-)											
57 U.S. government checkable deposits	15.0	3.8	6.8	5.6	3.4	3.5	2.2	5.6	.3	.9	1.2
58 Other checkable deposits	35.9	40.4	42.0	40.7	36.7	41.6	33.7	40.7	36.3	38.7	30.6
59 Trade credit	-130.3	-129.3	-124.6	-101.7	-130.9	-135.0	-130.4	-101.7	-121.6	-135.1	-136.0
Liabilities not identified as assets (-)											
60 Treasury currency	-4.1	-4.8	-4.9	-5.1	-5.0	-5.0	-5.1	-5.1	-5.2	-5.2	-5.3
61 Interbank claims	-32.0	-4.2	-9.3	-4.7	-5.8	-5.7	-7.8	-4.7	-7.7	-7.4	-3.5
62 Security repurchase agreements	3.0	9.2	38.1	119.2	94.9	108.0	132.6	119.2	133.0	160.3	186.3
63 Taxes payable	17.8	17.8	25.2	26.2	14.5	24.3	24.3	26.2	15.2	23.6	23.8
64 Miscellaneous	-261.2	-330.7	-398.4	-451.0	-432.7	-409.3	-452.6	-451.0	-470.3	-441.1	-456.3
65 Total identified to sectors as assets	34,188.3	37,337.6	39,679.1	42,726.5	40,293.1	40,853.6	41,845.5	42,726.5	42,982.9	43,085.3	44,020.8

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

## 2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1987=100, except as noted

Measure	1992	1993	1994	1994								
				Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1 Industrial production <sup>1</sup> .....	107.6	112.0	118.1	116.7	117.4	118.0	118.2	119.1	119.0	119.4 <sup>f</sup>	120.3 <sup>f</sup>	121.4
Market groupings												
2 Products, total .....	106.5	110.7	115.9	114.7	115.3	115.9	116.2	116.7	116.4	116.8 <sup>f</sup>	117.6 <sup>f</sup>	118.5
3 Final, total .....	109.0	113.4	118.4	117.3	117.8	118.4	118.5	119.2	118.9	119.1 <sup>f</sup>	119.8 <sup>f</sup>	121.0
4 Consumer goods .....	105.9	109.4	113.1	112.3	112.8	113.5	113.3	113.8	113.0 <sup>f</sup>	112.6 <sup>f</sup>	113.6	114.6
5 Equipment .....	113.4	119.3	126.7	124.9	125.4	125.8	126.4	127.5	128.0 <sup>f</sup>	129.2 <sup>f</sup>	129.6	130.9
6 Intermediate .....	98.8	102.4	108.1	106.9	107.7	108.5	109.1	109.2	108.6 <sup>f</sup>	109.9 <sup>f</sup>	110.8 <sup>f</sup>	110.8
7 Materials .....	109.2	114.1	121.4	119.7	120.5	121.2	121.4	122.8	122.9 <sup>f</sup>	123.4 <sup>f</sup>	124.3 <sup>f</sup>	125.9
Industry groupings												
8 Manufacturing .....	108.0	112.9	119.7	118.4	119.0	119.3	119.8	120.9	120.9	121.4 <sup>f</sup>	122.6	123.9
9 Capacity utilization, manufacturing (percent) <sup>2</sup> ..	79.2	80.9	83.4	83.0	83.2	83.2	83.3	83.8	83.6	83.8 <sup>f</sup>	84.4	85.1
10 Construction contracts <sup>3</sup> .....	97.7	104.4	106.9	103.0	108.0	105.0	109.0	110.0	109.0	107.0	111.0	101.0
11 Nonagricultural employment, total <sup>4</sup> .....	106.5	108.4	111.3	110.5	110.8	111.2	111.4	111.7	112.0	112.2	112.6 <sup>f</sup>	112.9
12 Goods-producing, total .....	94.2	94.3	95.6	95.3	95.3	95.6	95.6	95.8	95.9	96.1	96.6	96.7
13 Manufacturing, total .....	95.3	94.8	95.1	94.8	94.8	95.0	95.0	95.2	95.3	95.5	95.7	96.0
14 Manufacturing, production workers .....	94.9	94.9	96.1	95.7	95.7	96.0	96.0	96.3	96.4	96.7	97.0	97.5
15 Service-producing .....	110.5	112.9	116.3	115.4	115.7	116.1	116.5	116.8	117.1	117.3	117.8 <sup>f</sup>	118.0
16 Personal income, total .....	135.6	141.4	n.a.	148.3	149.0	149.3	150.0	150.7	151.7	153.9	153.6	n.a.
17 Wages and salary disbursements .....	131.6	136.2	n.a.	143.3	144.3	144.5	145.2	145.5	146.4	148.4	148.2	n.a.
18 Manufacturing .....	118.0	120.0	n.a.	124.8	124.9	125.3	125.6	126.2	126.7	128.9	128.0	n.a.
19 Disposable personal income <sup>5</sup> .....	137.0	142.5	n.a.	148.2	149.8	150.1	150.9	151.6	152.6	154.8	154.5	n.a.
20 Retail sales <sup>5</sup> .....	126.9	135.2	145.3	143.1	143.0	144.3	144.5	146.6	147.8	149.6 <sup>f</sup>	149.8 <sup>f</sup>	149.7
Prices <sup>6</sup>												
21 Consumer (1982-84=100) .....	140.3	144.5	148.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
22 Producer finished goods (1982=100) .....	123.2	124.7	125.5	125.0	125.3	125.6	126.0	126.5 <sup>f</sup>	125.5	125.8	126.1	126.2

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

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

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series

covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590-605.

## 2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1992 <sup>f</sup>	1993 <sup>f</sup>	1994	1994							
				May	June	July	Aug.	Sept.	Oct. <sup>f</sup>	Nov. <sup>f</sup>	Dec.
HOUSEHOLD SURVEY DATA <sup>1</sup>											
1 Civilian labor force <sup>2</sup> .....	126,982	128,040	131,056	130,699 <sup>f</sup>	130,538 <sup>f</sup>	130,774 <sup>f</sup>	131,086 <sup>f</sup>	131,291 <sup>f</sup>	131,646	131,718	131,725
2   Employment .....											
3   Nonagricultural industries <sup>3</sup> .....	114,391	116,232	119,651	119,290 <sup>f</sup>	119,341 <sup>f</sup>	119,448 <sup>f</sup>	119,761 <sup>f</sup>	120,233 <sup>f</sup>	120,647	120,903	121,038
4   Agriculture .....	3,207	3,074	3,409	3,413 <sup>f</sup>	3,294 <sup>f</sup>	3,333 <sup>f</sup>	3,436 <sup>f</sup>	3,411 <sup>f</sup>	3,494	3,500	3,532
5   Unemployment .....											
6   Number .....	9,384	8,734	7,996	7,996 <sup>f</sup>	7,903 <sup>f</sup>	7,993 <sup>f</sup>	7,889 <sup>f</sup>	7,647 <sup>f</sup>	7,505	7,315	7,155
7   Rate (percent of civilian labor force) .....	7.4	6.8	6.1	6.1 <sup>f</sup>	6.1 <sup>f</sup>	6.1	6.0 <sup>f</sup>	5.8 <sup>f</sup>	5.7	5.6	5.4
ESTABLISHMENT SURVEY DATA											
6 Nonagricultural payroll employment <sup>4</sup> .....	108,604	110,525	113,423	112,951	113,334	113,624	113,914	114,186	114,348	114,836	115,092
7 Manufacturing .....	18,104	18,003	18,064	18,009	18,044	18,045	18,095	18,096	18,142	18,181	18,235
8 Mining .....	635	611	604	603	605	601	603	605	599	597	595
9 Contract construction .....	4,492	4,642	4,916	4,907	4,927	4,944	4,942	4,972	4,974	5,047	5,041
10 Transportation and public utilities .....	5,721	5,787	5,842	5,843	5,849	5,857	5,866	5,865	5,867	5,881	5,906
11 Trade .....	25,354	25,675	26,362	26,190	26,328	26,439	26,484	26,565	26,629	26,735	26,837
12 Finance .....	6,602	6,712	6,789	6,787	6,798	6,797	6,801	6,794	6,786	6,790	6,793
13 Service .....	29,052	30,278	31,805	31,598	31,765	31,918	32,036	32,138	32,231	32,411	32,521
14 Government .....	18,645	18,817	19,041	19,014	19,018	19,023	19,087	19,151	19,120	19,194	19,164

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE: Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION<sup>1</sup>

Seasonally adjusted

Series	1994				1994				1994				
	Q1	Q2	Q3 <sup>r</sup>	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 <sup>r</sup>	Q4	
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent) <sup>2</sup>				
1 Total industry.....	115.7	117.4	118.8	120.4	139.0	140.0	140.9	141.9	83.2	83.8	84.3	84.8	
2 Manufacturing.....	116.8	118.9	120.5	122.6	142.0	143.1	144.2	145.3	82.3	83.1	83.6	84.4	
3 Primary processing <sup>3</sup> .....	112.4	114.7	115.9	118.0	130.3	131.0	131.6	132.3	86.3	87.6	88.1	89.2	
4 Advanced processing <sup>4</sup> .....	118.9	120.9	122.7	124.8	147.4	148.7	150.0	151.3	80.7	81.3	81.8	82.5	
5 Durable goods.....	122.0	124.1	126.5	129.6	148.8	150.2	151.6	153.0	82.0	82.6	83.4	84.7	
6 Lumber and products.....	104.4	105.4	106.6	108.0	115.1	115.5	116.0	116.5	90.7	91.2	91.9	92.7	
7 Primary metals.....	110.6	114.4	114.1	118.2	124.7	125.0	125.2	125.4	88.6	91.6	91.1	94.3	
8 Iron and steel.....	114.5	120.2	115.8	121.2	127.5	127.9	128.4	128.8	89.8	93.9	90.2	94.1	
9 Nonferrous.....	105.3	106.9	111.4	114.1	120.6	120.5	120.5	120.5	87.3	88.7	92.4	94.6	
10 Industrial machinery and equipment.....	152.1	157.6	162.6	168.1	176.5	179.0	181.6	184.1	86.2	88.0	89.6	91.3	
11 Electrical machinery.....	150.3	156.8	163.5	170.0	175.8	179.9	184.1	188.3	85.5	87.1	88.8	90.3	
12 Motor vehicles and parts.....	140.0	133.3	135.0	141.7	156.7	158.5	160.3	162.2	89.4	84.1	84.2	87.3	
13 Aerospace and miscellaneous transportation equipment.....	83.7	84.2	82.1	82.1	130.1	129.8	129.4	129.1	64.4	64.9	63.5	63.6	
14 Nondurable goods.....	111.0	113.1	113.8	114.8	134.0	134.8	135.5	136.3	82.9	83.9	84.0	84.3	
15 Textile mill products.....	106.8	108.7	108.9	111.7	120.1	120.8	121.4	122.0	88.9	90.1	89.7	91.5	
16 Paper and products.....	115.1	115.9	118.5	120.6	126.0	126.6	127.1	127.7	91.4	91.6	93.2	94.4	
17 Chemicals and products.....	122.1	123.6	124.4	125.1	150.5	151.9	153.3	154.7	81.1	81.4	81.1	80.9	
18 Plastics materials.....	120.6	124.3	126.9	...	129.2	130.0	130.8	...	93.4	95.6	97.0	...	
19 Petroleum products.....	103.7	106.3	104.9	105.8	115.4	115.3	115.2	115.1	89.9	92.2	91.1	91.9	
20 Mining.....	99.3	100.7	100.1	99.2	111.5	111.5	111.5	111.4	89.1	90.3	89.8	89.0	
21 Utilities.....	119.3	117.2	118.1	116.0	134.6	135.0	135.4	135.8	88.6	86.8	87.2	85.4	
22 Electric.....	117.6	118.0	118.2	116.4	132.1	132.6	133.1	133.6	89.0	89.0	88.8	87.1	
	1973	1975	Previous cycle <sup>5</sup>		Latest cycle <sup>6</sup>		1993	1994					
	High	Low	High	Low	High	Low	Dec.	July	Aug.	Sept. <sup>r</sup>	Oct. <sup>r</sup>	Nov. <sup>r</sup>	Dec. <sup>p</sup>
	Capacity utilization rate (percent) <sup>2</sup>												
1 Total industry.....	89.2	72.6	87.3	71.8	84.9	78.0	82.9	84.1	84.5	84.2	84.3	84.7	85.4
2 Manufacturing.....	88.9	70.8	87.3	70.0	85.2	76.6	82.2	83.3	83.8	83.6	83.8	84.4	85.1
3 Primary processing <sup>3</sup> .....	92.2	68.9	89.7	66.8	89.0	77.9	86.9	87.7	88.3	88.2	88.3	89.3	90.0
4 Advanced processing <sup>4</sup> .....	87.5	72.0	86.3	71.4	83.5	76.2	80.3	81.5	82.1	81.8	82.0	82.5	83.1
5 Durable goods.....	88.8	68.5	86.9	65.0	84.0	73.7	81.9	82.8	83.7	83.6	84.0	84.6	85.5
6 Lumber and products.....	90.1	62.2	87.6	60.9	93.3	76.3	91.1	92.2	91.0	92.6	91.8	93.0	93.3
7 Primary metals.....	100.6	66.2	102.4	46.8	92.8	74.0	91.0	90.0	90.7	92.6	92.4	94.0	96.4
8 Iron and steel.....	105.8	66.6	110.4	38.3	95.7	72.1	93.2	90.5	88.0	92.0	92.2	93.2	96.8
9 Nonferrous.....	92.9	61.3	90.5	62.2	88.7	75.0	88.4	89.6	94.2	93.5	92.7	95.2	96.0
10 Industrial machinery and equipment.....	96.4	74.5	92.1	64.9	84.0	72.5	86.5	88.9	89.5	90.2	90.9	91.2	91.7
11 Electrical machinery.....	87.8	63.8	89.4	71.1	84.9	76.6	85.1	88.4	89.2	88.9	89.4	90.1	91.4
12 Motor vehicles and parts.....	93.4	51.1	93.0	44.5	85.1	57.6	87.3	81.1	86.1	85.3	85.7	87.2	89.1
13 Aerospace and miscellaneous transportation equipment.....	77.0	66.6	81.1	66.9	88.4	79.4	65.1	63.9	63.6	62.9	63.1	63.5	64.2
14 Nondurable goods.....	87.9	71.8	87.0	76.9	86.7	80.4	82.7	84.0	84.1	83.8	83.6	84.4	84.8
15 Textile mill products.....	92.0	60.4	91.7	73.8	92.1	78.9	88.3	90.3	89.8	89.0	90.6	91.3	92.6
16 Paper and products.....	96.9	69.0	94.2	82.0	94.8	86.5	93.6	91.8	94.6	93.2	93.2	94.9	95.0
17 Chemicals and products.....	87.9	69.9	85.1	70.1	85.9	78.9	80.8	81.6	81.4	80.4	80.2	81.0	81.4
18 Plastics materials.....	102.0	50.6	90.9	63.4	97.0	74.8	94.4	97.9	97.3	95.7	93.3	...	...
19 Petroleum products.....	96.7	81.1	89.5	68.2	88.5	83.7	91.0	90.5	91.4	91.4	90.3	92.6	92.9
20 Mining.....	94.4	88.4	96.6	80.6	86.5	86.0	88.2	89.8	89.7	89.8	89.0	88.5	89.6
21 Utilities.....	95.6	82.5	88.3	76.2	92.6	83.2	86.1	88.0	87.8	86.0	86.4	85.3	84.5
22 Electric.....	99.0	82.7	88.3	78.7	94.8	86.5	87.4	89.5	89.0	87.9	88.4	87.0	86.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978-80; monthly lows, 1982.

6. Monthly highs, 1988-89; monthly lows, 1990-91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value<sup>1</sup>

Monthly data seasonally adjusted

Group	1992 pro- portion	1994 avg.	1993	1994 <sup>a</sup>												Dec. <sup>b</sup>
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.		
			Index (1987 = 100)													
MAJOR MARKETS																
1 Total index .....	100.0	118.1	114.7	114.7	115.6	116.6	116.7	117.4	118.0	118.2	119.1	119.0	119.4	120.3	121.4	
2 Products .....	60.9	115.9	112.9	113.1	114.0	114.7	114.7	115.3	115.9	116.2	116.7	116.4	116.8	117.6	118.5	
3 Final products .....	46.6	118.4	115.5	115.9	117.0	117.4	117.3	117.8	118.4	118.5	119.2	118.9	119.1	119.8	121.0	
4 Consumer goods, total .....	28.5	113.1	110.9	111.5	112.4	112.9	112.3	112.8	113.5	113.3	113.8	113.0	112.6	113.6	114.6	
5 Durable consumer goods .....	5.5	119.4	117.1	118.6	121.1	119.0	117.8	116.4	118.0	118.0	120.7	119.1	119.5	120.8	123.1	
6 Automotive products .....	2.5	125.5	123.1	126.6	131.5	126.4	124.1	120.1	121.0	119.5	124.9	123.8	124.5	127.1	130.5	
7 Autos and trucks .....	1.6	125.4	125.9	128.3	134.8	127.7	125.0	118.1	118.5	115.0	126.0	122.5	122.3	126.5	131.5	
8 Autos, consumer .....	.9	94.9	95.0	98.7	102.7	98.8	96.0	90.4	89.6	86.5	91.7	90.2	92.9	94.0	100.5	
9 Trucks, consumer .....	.7	180.7	181.8	181.5	192.7	179.6	177.2	168.0	170.7	166.6	189.0	181.5	175.5	185.8	187.3	
10 Auto parts and allied goods .....	.9	123.0	114.7	120.4	121.9	121.1	119.8	121.9	123.8	126.6	120.0	123.9	126.6	125.6	125.8	
11 Other .....	3.0	114.2	112.0	111.8	112.2	112.7	112.5	113.2	115.4	116.7	117.1	115.2	115.3	115.5	116.7	
12 Appliances, televisions and air conditioners .....	.7	126.4	127.5	124.0	121.6	124.3	120.7	125.6	132.8	129.7	135.1	130.2	125.3	129.9	132.9	
13 Carpeting and furniture .....	.8	104.9	100.9	102.3	103.5	103.1	104.5	103.3	103.6	108.4	106.9	104.1	107.6	105.5	106.4	
14 Miscellaneous home goods .....	1.5	113.8	111.2	111.4	112.7	112.8	113.2	113.1	114.2	115.3	114.6	114.6	114.9	114.4	115.1	
15 Nondurable consumer goods .....	23.0	111.6	109.5	109.8	110.4	111.5	111.0	112.0	112.5	112.2	112.2	111.7	111.0	111.9	112.7	
16 Foods and tobacco .....	10.3	110.3	106.6	106.5	107.6	109.8	110.2	110.9	110.5	110.6	111.2	111.9	111.1	112.0	112.9	
17 Clothing .....	2.4	95.8	95.2	93.6	94.5	95.7	96.4	97.2	96.3	96.5	95.9	95.5	96.3	95.7	95.9	
18 Chemical products .....	4.5	129.4	127.9	127.7	128.7	130.3	128.4	129.5	131.4	131.1	129.8	127.5	127.1	129.4	131.2	
19 Paper products .....	2.9	104.8	104.3	104.0	103.9	103.9	105.1	105.6	105.8	105.2	105.9	105.2	103.6	104.8	105.6	
20 Energy .....	2.9	113.8	113.2	118.4	117.3	114.5	110.0	112.4	115.5	114.3	113.1	110.5	110.1	110.0	109.0	
21 Fuels .....	.9	106.5	107.9	105.8	105.4	105.8	108.3	107.4	106.5	105.8	105.8	107.4	103.9	107.9	107.4	
22 Residential utilities .....	2.1	116.9	115.3	123.6	122.2	118.1	110.5	114.4	119.3	117.8	116.1	111.8	112.6	110.8	109.6	
23 Equipment .....	18.1	126.7	122.6	122.7	123.8	124.3	124.9	125.4	125.8	126.4	127.5	128.0	129.2	129.6	130.9	
24 Business equipment .....	14.0	146.9	140.0	140.4	142.0	142.6	143.5	144.5	145.5	146.9	148.9	149.5	151.4	152.0	153.7	
25 Information processing and related .....	5.7	176.5	165.0	167.1	168.5	170.0	170.2	171.8	173.7	177.1	179.7	181.1	183.7	184.8	188.1	
26 Computer and office equipment .....	1.5	284.5	262.5	265.5	267.6	270.9	270.8	271.6	276.5	282.6	288.9	295.8	301.1	307.0	313.0	
27 Industrial .....	4.0	121.1	115.7	114.6	116.4	117.8	119.2	120.7	120.6	122.1	122.3	123.0	124.6	124.9	126.0	
28 Transit .....	2.6	138.7	139.0	140.1	142.3	139.3	138.0	135.3	136.1	132.6	137.9	136.8	138.6	140.4	141.9	
29 Autos and trucks .....	1.2	148.0	147.9	149.1	154.6	148.1	145.9	140.0	141.7	138.2	149.4	147.7	149.2	151.7	152.6	
30 Other .....	1.7	129.4	122.5	121.1	122.3	123.3	127.1	129.4	130.5	132.6	133.5	133.3	134.3	132.9	132.5	
31 Defense and space equipment .....	3.4	71.1	75.2	74.5	73.6	73.7	73.6	72.4	71.3	69.9	69.2	68.8	68.8	69.0	69.3	
32 Oil and gas well drilling .....	.5	90.8	88.1	88.9	91.9	92.1	93.2	94.6	94.2	93.7	89.6	93.9	88.3	86.0	86.0	
33 Manufactured homes .....	.2	...	128.9	132.4	131.5	135.6	132.4	135.2	137.8	133.3	134.5	138.4	142.0	143.1	...	
34 Intermediate products, total .....	14.3	108.1	104.7	104.6	104.9	106.3	106.9	107.7	108.5	109.1	109.2	108.6	109.9	110.8	110.8	
35 Construction supplies .....	5.3	106.7	103.7	102.9	102.7	103.2	104.7	106.1	106.4	107.9	108.2	108.6	109.6	110.2	110.4	
36 Business supplies .....	9.0	109.2	105.5	105.8	106.5	108.4	108.5	108.8	110.1	110.0	109.9	108.7	110.2	111.3	111.2	
37 Materials .....	39.1	121.4	117.5	117.1	118.1	119.5	119.7	120.5	121.2	121.4	122.8	122.9	123.4	124.3	125.9	
38 Durable goods materials .....	20.6	131.2	125.4	125.2	126.2	128.3	129.2	129.8	130.0	130.9	132.6	133.3	134.2	136.0	138.4	
39 Durable consumer parts .....	3.9	132.2	128.5	129.9	129.7	131.5	130.1	129.7	129.2	130.4	133.2	133.1	133.9	136.1	139.0	
40 Equipment parts .....	7.5	143.3	133.2	134.1	135.6	137.9	139.6	140.5	142.1	143.8	145.2	146.7	149.0	150.7	154.1	
41 Other .....	9.1	121.2	117.8	116.0	117.1	119.3	120.4	121.2	120.8	121.1	122.3	122.8	122.6	124.3	125.8	
42 Basic metal materials .....	3.0	119.7	118.5	114.4	116.9	117.6	119.7	120.0	119.6	118.8	119.3	121.1	121.4	123.0	125.8	
43 Nondurable goods materials .....	8.9	118.3	116.3	114.6	115.6	116.7	115.9	118.2	118.1	118.6	120.3	119.8	120.0	121.0	121.7	
44 Textile materials .....	1.1	105.5	101.3	101.8	102.7	104.0	104.4	104.2	104.8	104.8	105.7	105.9	106.5	109.8	112.1	
45 Paper materials .....	1.8	118.7	117.7	113.8	116.3	117.8	116.1	118.9	118.4	117.5	122.5	121.5	120.5	121.9	121.6	
46 Chemical materials .....	4.0	123.0	119.3	119.5	120.0	120.6	120.6	123.8	122.9	123.4	124.8	124.0	124.8	125.1	125.7	
47 Other .....	2.0	116.3	118.0	113.4	114.0	115.6	113.3	114.8	116.5	118.6	118.1	118.2	118.4	118.6	119.7	
48 Energy materials .....	9.6	105.2	103.2	103.8	104.7	105.0	104.8	104.6	106.7	105.2	106.1	105.6	105.2	104.6	105.3	
49 Primary energy .....	6.3	100.1	98.3	97.3	99.4	100.5	100.9	100.4	100.2	100.3	100.9	100.8	100.3	99.6	100.7	
50 Converted fuel materials .....	3.3	115.2	113.1	116.9	115.2	114.0	112.5	112.8	119.9	114.9	116.3	115.1	115.1	114.6	114.4	
SPECIAL AGGREGATES																
51 Total excluding autos and trucks .....	97.2	117.6	114.1	114.1	114.8	116.1	116.2	117.1	117.7	118.1	118.7	118.6	119.0	119.8	120.9	
52 Total excluding motor vehicles and parts .....	95.2	117.1	113.6	113.5	114.3	115.5	115.7	116.6	117.3	117.7	118.2	118.0	118.4	119.2	120.2	
53 Total excluding computer and office equipment .....	98.3	115.3	112.2	112.2	113.1	114.0	114.1	114.8	115.4	115.5	116.4	116.1	116.5	117.3	118.4	
54 Consumer goods excluding autos and trucks .....	26.9	112.3	109.9	110.4	111.0	111.9	111.5	112.4	113.2	113.2	113.0	112.4	112.0	112.7	113.5	
55 Consumer goods excluding energy .....	25.6	113.0	110.6	110.7	111.9	112.7	112.5	112.8	113.2	113.2	113.8	113.3	112.9	114.0	115.2	
56 Business equipment excluding autos and trucks .....	12.8	146.7	139.1	139.4	140.7	142.0	143.2	144.8	145.7	147.7	148.8	149.5	151.5	151.9	153.7	
57 Business equipment excluding computer and office equipment .....	12.5	130.9	125.4	125.6	127.2	127.6	128.5	129.4	130.0	131.1	132.7	132.7	134.3	134.5	135.8	
58 Materials excluding energy .....	29.5	127.2	122.6	121.9	122.9	124.8	125.1	126.2	126.4	127.2	128.8	129.2	129.9	131.4	133.3	

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value<sup>1</sup>—Continued

Group	SIC code <sup>2</sup>	1992 proportion	1994 avg.	1993												
				1994												
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov. <sup>†</sup>	Dec. <sup>‡</sup>
Index (1987 = 100)																
MAJOR INDUSTRIES																
59 Total index	...	100.0	118.1	114.7	114.7	115.6	116.6	116.7	117.4	118.0	118.2	119.1	119.0	119.4	120.3	121.4
60 Manufacturing	...	85.5	119.7	116.1	115.8	116.7	118.0	118.4	119.0	119.3	119.8	120.9	120.9	121.4	122.6	123.9
61 Primary processing	...	26.5	115.2	112.9	111.7	112.2	113.3	114.0	115.2	114.7	115.3	116.3	116.2	116.6	118.1	119.3
62 Advanced processing	...	59.0	121.8	117.6	117.7	118.9	120.2	120.5	120.8	121.5	121.9	123.1	123.1	123.7	124.7	126.1
63 Durable goods	...	45.1	125.6	121.2	121.0	122.1	122.9	123.7	124.0	124.6	125.2	127.0	127.2	128.2	129.5	131.2
64 Lumber and products	24	2.0	106.1	104.6	105.3	103.8	104.0	103.9	106.0	106.2	106.8	105.5	107.6	106.7	108.3	108.8
65 Furniture and fixtures	25	1.4	111.1	107.0	105.8	107.6	107.7	110.2	110.1	111.8	114.0	115.5	112.4	115.0	112.7	111.7
66 Stone, clay, and glass products	32	2.1	104.8	104.4	101.8	101.8	103.7	105.0	105.5	104.4	104.3	105.8	105.8	105.5	106.9	108.1
67 Primary metals	33	3.1	114.2	113.4	108.0	111.6	112.1	114.8	114.8	113.7	112.7	113.5	116.0	115.8	117.9	121.0
68 Iron and steel	331.2	1.7	117.8	118.6	110.8	116.0	116.7	121.5	120.9	118.2	116.1	113.0	118.2	118.6	120.1	124.8
69 Raw steel	...	1	...	110.9	102.0	105.8	106.0	105.3	105.7	106.3	104.7	107.0	109.9	109.0	114.2	...
70 Nonferrous	333-6.9	1.4	109.3	106.6	104.1	105.8	106.0	106.2	106.9	107.6	108.0	113.6	112.7	111.8	114.7	115.7
71 Fabricated metal products	34	5.0	110.7	107.1	107.2	106.6	108.5	109.6	110.0	110.2	111.7	112.4	111.6	112.4	113.4	114.1
72 Industrial and commercial machinery and computer equipment	35	7.9	160.0	151.3	150.3	151.9	154.0	156.1	157.7	158.9	160.6	162.6	164.6	166.6	167.9	169.7
73 Computer and office equipment	357	1.7	284.5	262.5	265.5	267.6	270.9	270.8	271.6	276.5	282.6	288.9	295.8	301.1	307.0	313.0
74 Electrical machinery	36	7.3	160.2	147.3	148.1	150.1	152.6	154.3	156.5	159.5	161.5	164.1	165.0	167.1	169.6	173.4
75 Transportation equipment	37	9.6	109.9	109.8	110.8	112.3	110.7	109.5	107.6	107.5	105.7	109.5	108.8	109.3	111.1	113.2
76 Motor vehicles and parts	371	4.8	138.0	135.9	138.7	142.6	138.8	136.2	131.6	132.2	129.6	138.1	137.4	138.4	141.5	145.0
77 Autos and light trucks	371	2.5	131.9	132.3	135.2	141.9	134.7	131.7	124.4	124.6	120.8	131.9	128.4	128.6	132.8	138.4
78 Aerospace and miscellaneous transportation equipment	372-6.9	4.8	83.0	84.9	84.1	83.3	83.8	84.1	84.6	83.8	82.8	82.3	81.4	81.5	82.0	82.8
79 Instruments	38	5.4	107.5	104.9	105.9	106.3	106.9	106.6	106.4	106.8	108.5	108.7	108.0	108.6	108.1	108.7
80 Miscellaneous	39	1.3	116.2	112.4	112.6	113.5	114.1	115.2	115.4	115.8	118.6	117.1	117.0	118.4	118.8	118.1
81 Nondurable goods	...	40.5	113.2	110.4	110.0	110.7	112.5	112.4	113.4	113.4	113.6	114.0	113.7	113.8	115.0	115.8
82 Foods	20	9.4	112.8	110.3	109.9	109.9	112.9	111.9	112.8	112.8	113.4	113.7	114.6	113.0	114.5	115.1
83 Tobacco products	21	1.6	94.7	86.9	87.0	93.6	93.0	98.1	98.5	95.9	93.7	96.2	96.1	97.7	95.2	97.1
84 Textile mill products	22	1.8	109.0	105.7	106.0	106.4	107.9	108.6	108.9	108.7	109.4	109.0	108.3	110.4	111.4	113.3
85 Apparel products	23	2.2	96.2	94.7	93.5	94.9	95.7	96.2	97.1	97.0	97.0	96.8	96.8	97.1	96.4	96.9
86 Paper and products	26	3.6	117.4	117.6	114.0	115.7	115.7	114.4	116.7	116.6	116.6	120.2	118.7	118.9	121.3	121.6
87 Printing and publishing	27	6.8	101.3	98.8	98.2	98.8	101.3	101.7	101.6	102.4	102.1	101.5	100.9	101.6	102.5	102.7
88 Chemicals and products	28	9.9	123.9	120.9	121.3	121.8	123.1	122.4	124.0	124.4	124.7	124.7	123.7	123.7	125.3	126.3
89 Petroleum products	29	1.4	105.1	105.1	104.0	103.8	103.4	107.5	107.0	104.5	104.3	105.2	105.3	103.9	106.5	106.9
90 Rubber and plastic products	30	3.5	133.4	127.4	128.3	128.2	130.9	130.8	132.4	132.8	134.5	134.5	134.7	136.3	138.2	139.8
91 Leather and products	31	3	85.9	86.6	86.8	85.4	87.0	87.6	85.9	85.5	86.3	85.5	85.4	85.6	84.9	85.1
92 Mining	...	6.8	99.8	98.4	97.8	99.5	100.5	100.7	100.7	100.6	100.1	100.0	100.1	99.2	98.7	99.9
93 Metal	10	4	160.5	167.8	164.2	161.6	165.2	157.0	156.4	162.8	159.5	156.6	160.0	161.4	160.3	161.5
94 Coal	12	1.0	112.0	104.7	101.6	112.0	117.7	118.3	111.5	113.4	108.6	111.4	110.7	110.2	110.1	117.6
95 Oil and gas extraction	13	4.7	92.9	92.5	92.4	92.7	92.9	93.2	94.3	93.8	93.9	93.5	93.7	92.1	91.3	91.4
96 Stone and earth minerals	14	6	107.2	103.1	103.6	104.8	104.7	105.9	108.1	105.6	107.9	106.6	106.7	109.1	110.5	111.8
97 Utilities	...	7.7	118.1	115.6	120.3	119.6	117.9	114.7	115.8	121.1	119.0	118.8	116.5	117.2	115.8	114.9
98 Electric	491.3PT	6.1	117.6	115.2	118.1	117.5	117.2	116.4	116.2	121.4	119.0	118.4	117.1	117.9	116.2	115.2
99 Gas	492.3PT	1.6	119.9	117.0	128.9	128.1	120.5	107.9	114.1	120.0	118.9	120.4	114.2	114.5	114.2	113.8
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	118.6	114.9	114.4	115.2	116.7	117.3	118.2	118.6	119.2	119.8	119.9	120.4	121.5	122.6
101 Manufacturing excluding office and computing machines	...	83.8	116.5	113.2	112.8	113.7	114.9	115.3	115.9	116.2	116.6	117.6	117.5	118.0	119.1	120.3
Gross value (billions of 1987 dollars, annual rates)																
MAJOR MARKETS																
102 Products, total	...	1,707.0	2,006.5	1,958.9	1,964.4	1,977.8	1,985.6	1,985.8	1,990.7	2,002.5	2,002.1	2,020.2	2,015.6	2,020.8	2,039.4	2,055.5
103 Final	...	1,314.6	1,576.6	1,542.4	1,547.1	1,559.9	1,563.6	1,559.9	1,561.7	1,571.1	1,569.3	1,586.6	1,584.2	1,584.9	1,600.2	1,615.0
104 Consumer goods	...	866.6	982.0	968.8	972.5	979.6	981.3	976.0	977.1	983.0	979.0	987.3	981.5	976.0	987.0	995.2
105 Equipment	...	448.0	594.6	573.6	574.6	580.4	582.3	583.9	584.5	588.1	590.3	599.3	602.7	609.0	613.2	619.7
106 Intermediate	...	392.5	429.8	416.5	417.3	417.8	422.0	425.9	429.0	431.4	432.9	433.5	431.4	435.9	439.2	440.5

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve*

*Bulletin*, vol. 81 (January 1995), pp. 16-26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187-204.

2. Standard industrial classification.

## 2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1991	1992	1993	1994									
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept. <sup>f</sup>	Oct. <sup>f</sup>	Nov.
Private residential real estate activity (thousands of units except as noted) <sup>1</sup>													
New UNITS													
1 Permits authorized.....	949	1,095	1,199	1,252	1,313	1,380	1,357	1,316	1,337	1,354	1,425	1,398	1,388
2 One-family.....	754	911	986	1,054	1,068	1,069	1,083	1,046	1,034	1,046	1,052	1,047	1,035
3 Two-family or more.....	195	184	213	198	245	311	274	270	303	308	373	351	353
4 Started.....	1,014	1,200	1,288	1,328	1,519	1,471	1,491	1,358	1,439	1,463	1,509	1,436	1,545
5 One-family.....	840	1,030	1,126	1,121	1,271	1,211	1,200	1,163	1,219	1,176	1,234	1,153	1,193
6 Two-family or more.....	174	169	162	207	248	260	291	195	220	287	275	283	352
7 Under construction at end of period <sup>1</sup> .....	606	612	680	720	732	740	748	751	758	768	772	779	795
8 One-family.....	434	473	543	578	585	585	582	584	585	587	589	588	594
9 Two-or-more-family.....	173	140	137	142	147	155	166	167	173	181	183	191	201
10 Completed.....	1,091	1,158	1,193	1,334	1,273	1,354	1,446	1,329	1,282	1,342	1,400	1,365	1,347
11 One-family.....	838	964	1,040	1,185	1,115	1,192	1,257	1,151	1,160	1,145	1,157	1,155	1,112
12 Two-or-more-family.....	253	194	153	149	158	162	189	178	122	197	243	210	235
13 Mobile homes shipped.....	171	210	254	301	308	290	292	292	286	288	301	310	323
Merchant builder activity in one-family units													
14 Number sold.....	507	610	666	697	722	673	692	628	630	673 <sup>f</sup>	701	711	693
15 Number for sale at end of period <sup>1</sup> .....	284	266	294	298	298	298	301	313	317	322 <sup>f</sup>	327	331	336
Price of units sold (thousands of dollars) <sup>2</sup>													
16 Median.....	120.0	121.3	126.1	129.9	132.3	129.0	129.9	133.5	124.4	133.3	129.6	130.0	128.7
17 Average.....	147.0	144.9	147.6	150.7	152.8	152.9	151.8	158.4	144.4	154.9 <sup>f</sup>	155.8	151.3	155.2
EXISTING UNITS (one-family)													
18 Number sold.....	3,219	3,520	3,800	3,840	4,070	4,120	4,110	3,960	3,970	3,930	3,890	3,910	3,820
Price of units sold (thousands of dollars) <sup>2</sup>													
19 Median.....	99.7	103.6	106.5	107.2	107.6	108.9	109.8	112.8	111.7	112.4	108.4	108.0	108.1
20 Average.....	127.4	130.8	133.1	133.3	134.4	135.5	136.6	140.9	139.3	140.6	135.2	133.7	134.2
Value of new construction (millions of dollars) <sup>3</sup>													
CONSTRUCTION													
21 Total put in place.....	403,644	435,355	466,365	485,894	496,042	497,035	504,356	506,144	505,445 <sup>f</sup>	505,470 <sup>f</sup>	514,197	518,937	522,689
22 Private.....	293,536	316,115	341,101	361,895	371,681	374,091	378,235	379,345	376,463 <sup>f</sup>	376,216 <sup>f</sup>	382,287	383,205	390,628
23 Residential.....	157,837	187,870	210,455	233,322	236,767	238,049	241,162	240,694	237,775 <sup>f</sup>	236,871 <sup>f</sup>	238,529	237,274	239,266
24 Nonresidential.....	135,699	128,245	130,646	128,573	134,914	136,042	137,073	138,651	138,688 <sup>f</sup>	139,345 <sup>f</sup>	143,758	145,931	151,362
25 Industrial buildings.....	22,281	20,720	19,533	19,972	19,905	21,221	21,338	20,960	21,117 <sup>f</sup>	22,012 <sup>f</sup>	22,621	22,297	24,002
26 Commercial buildings.....	48,482	41,523	42,627	42,065	46,602	47,481	47,912	48,410	48,607 <sup>f</sup>	48,185 <sup>f</sup>	50,180	50,909	52,732
27 Other buildings.....	20,797	21,494	23,626	22,258	23,918	23,824	23,956	24,439	23,838 <sup>f</sup>	23,648 <sup>f</sup>	24,784	24,059	24,972
28 Public utilities and other.....	44,139	44,508	44,860	44,278	44,489	43,516	43,867	44,842	45,126 <sup>f</sup>	45,500 <sup>f</sup>	46,173	48,666	49,656
29 Public.....	110,107	119,238	125,262	123,999	124,361	122,944	126,121	126,799	128,982 <sup>f</sup>	129,255 <sup>f</sup>	131,910	135,733	132,061
30 Military.....	1,837	2,502	2,454	2,404	2,231	1,959	2,024	2,277	2,351 <sup>f</sup>	2,357 <sup>f</sup>	2,364	2,556	2,255
31 Highway.....	32,041	34,899	37,355	36,329	38,830	39,508	40,655	40,300	40,305 <sup>f</sup>	40,797	41,809	40,887	40,001
32 Conservation and development.....	5,010	6,021	5,976	6,731	5,206	5,851	5,677	4,605	5,935 <sup>f</sup>	5,754 <sup>f</sup>	7,521	7,911	7,801
33 Other.....	71,219	75,816	79,477	78,535	78,094	75,626	77,765	79,617	80,391 <sup>f</sup>	81,087 <sup>f</sup>	81,228	83,457	81,918

1. Not at annual rates.

2. Not seasonally adjusted.

3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCES. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

## A50 Domestic Nonfinancial Statistics □ March 1995

## 2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Dec. 1994 <sup>1</sup>
	1993 Dec.	1994 Dec.	1994				1994					
			Mar.	June	Sept.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	
CONSUMER PRICES <sup>2</sup> (1982-84=100)												
1 All Items .....	2.7	2.7	2.5	2.5	3.6	2.2	.3	.2	.1	.3	.2	149.7
2 Food .....	2.9	2.9	-1.1	2.8	5.1	5.0	.4	.3	.0	.2	1.0	146.8
3 Energy items .....	-1.4	2.2	4.7	-4.9	10.9	-1.1	1.4	-.7	-.7	.7	-.3	104.7
4 All items less food and energy .....	3.2	2.6	2.9	3.1	2.6	2.0	.3	.2	.2	.2	.1	157.9
5 Commodities .....	1.6	1.4	.6	4.2	.6	.3	-1.1	.1	.0	.1	.0	137.6
6 Services .....	3.9	3.2	4.2	2.4	3.6	2.6	.4	.2	.2	.3	.1	169.6
PRODUCER PRICES (1982=100)												
7 Finished goods .....	.2	1.7	3.6	-.3	2.6	1.0	.5 <sup>r</sup>	-.3 <sup>r</sup>	-.5	.5	.2	126.2
8 Consumer foods .....	2.4	1.0	-.6	-5.5	3.9	6.8	.3 <sup>r</sup>	.2 <sup>r</sup>	-.2	.2	1.6	128.5
9 Consumer energy .....	-4.1	3.4	15.4	-1.0	3.2	-2.6	1.8	-2.9	-1.2	2.1	-1.5	75.8
10 Other consumer goods .....	-.4	1.4	2.0	1.5	2.0	.3	.4	.0 <sup>r</sup>	-.3	.2	.1	139.9
11 Capital equipment .....	1.8	2.0	4.3	3.0	2.4	-1.8	.2 <sup>r</sup>	.2 <sup>r</sup>	-1.0	.1	.4	135.1
Intermediate materials												
12 Excluding foods and feeds .....	.8	4.8	2.8	3.1	5.9	7.9	.7 <sup>r</sup>	.2 <sup>r</sup>	.4	1.1	.4	121.6
13 Excluding energy .....	1.6	5.1	1.9	3.9	6.2	9.0	.5 <sup>r</sup>	.5 <sup>r</sup>	.7	.9	.6	130.8
Crude materials												
14 Foods .....	7.2	-9.3	-4.5	-20.6	-12.9	2.0	-1.0 <sup>r</sup>	.1 <sup>r</sup>	-2.0	1.5	1.1	101.7
15 Energy .....	-12.3	-1.9	10.1	21.0	-20.5	-12.3	.4 <sup>r</sup>	-6.1 <sup>r</sup>	.0	-1.0	-2.3	68.7
16 Other .....	10.7	17.0	22.7	-.8	18.8	30.7	1.5 <sup>r</sup>	.8 <sup>r</sup>	.9	3.4	2.5	168.0

1. Not seasonally adjusted.

2. Figures for consumer prices are for all urban consumers and reflect a rental-equivalence measure of homeownership.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics.



## 2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1991	1992	1993	1993		1994		
				Q3	Q4	Q1	Q2	Q3
GROSS DOMESTIC PRODUCT								
1 Total .....	5,724.8	6,020.2	6,343.3	6,359.2	6,478.1	6,574.7	6,689.9	6,791.7
By source								
2 Personal consumption expenditures .....	3,902.4	4,136.9	4,378.2	4,401.2	4,469.6	4,535.0	4,586.4	4,657.5
3 Durable goods .....	456.6	492.7	538.0	541.9	562.8	576.2	580.3	591.5
4 Nondurable goods .....	1,257.8	1,295.5	1,339.2	1,340.2	1,355.2	1,368.9	1,381.4	1,406.1
5 Services .....	2,188.1	2,348.7	2,501.0	2,519.1	2,551.6	2,589.9	2,624.7	2,659.9
6 Gross private domestic investment .....	744.8	788.3	882.0	882.2	922.5	966.6	1,034.4	1,055.1
7 Fixed investment .....	746.6	785.2	866.7	868.3	913.5	942.5	967.0	992.5
8 Nonresidential .....	557.0	561.4	616.1	619.0	646.3	665.4	683.3	709.1
9 Structures .....	182.9	171.1	173.4	173.9	176.7	172.7	181.8	184.6
10 Producers' durable equipment .....	374.1	390.3	442.7	445.1	469.6	492.7	501.5	524.5
11 Residential structures .....	189.6	223.8	250.6	249.3	267.2	277.1	283.6	283.4
12 Change in business inventories .....	-1.8	3.0	15.4	13.9	9.0	24.1	67.4	62.6
13 Nonfarm .....	-1.2	-2.7	20.1	24.2	10.7	22.3	60.4	53.4
14 Net exports of goods and services .....	-19.9	-30.3	-65.3	-77.0	-71.2	-86.7	-97.6	-109.6
15 Exports .....	601.1	638.1	659.1	649.0	680.3	674.2	704.5	730.5
16 Imports .....	620.9	668.4	724.3	726.0	751.4	760.9	802.1	840.1
17 Government purchases of goods and services .....	1,097.4	1,125.3	1,148.4	1,152.9	1,157.2	1,159.8	1,166.7	1,188.8
18 Federal .....	445.8	449.0	443.6	442.7	439.8	437.8	435.1	444.3
19 State and local .....	651.6	676.3	704.7	710.2	717.4	722.0	731.5	744.5
By major type of product								
20 Final sales, total .....	5,726.6	6,017.2	6,327.9	6,345.4	6,469.2	6,550.6	6,622.5	6,729.1
21 Goods .....	2,225.7	2,292.0	2,390.4	2,381.9	2,452.6	2,489.1	2,493.7	2,543.6
22 Durable .....	934.2	968.6	1,032.4	1,026.8	1,072.9	1,098.2	1,099.4	1,125.8
23 Nondurable .....	1,291.5	1,323.4	1,358.1	1,355.1	1,379.7	1,390.9	1,394.3	1,417.8
24 Services .....	3,028.9	3,227.2	3,405.5	3,429.3	3,459.3	3,503.8	3,555.4	3,603.6
25 Structures .....	472.0	498.1	532.0	534.1	557.2	557.7	573.4	581.9
26 Change in business inventories .....	-1.8	3.0	15.4	13.9	9.0	24.1	67.4	62.6
27 Durable goods .....	-16.9	-13.0	8.6	14.9	9.0	20.6	38.2	44.1
28 Nondurable goods .....	15.1	16.0	6.7	-1.1	.0	3.5	29.2	18.5
MEMO								
29 Total GDP in 1987 dollars .....	4,867.6	4,979.3	5,134.5	5,139.4	5,218.0	5,261.1	5,314.1	5,367.0
NATIONAL INCOME								
30 Total .....	4,608.2	4,829.5	5,131.4	5,138.5	5,262.0	5,308.7	5,430.7	5,494.9
31 Compensation of employees .....	3,404.8	3,591.2	3,780.4	3,801.7	3,845.8	3,920.0	3,979.3	4,023.7
32 Wages and salaries .....	2,816.0	2,954.8	3,100.8	3,115.9	3,148.4	3,208.3	3,257.2	3,293.9
33 Government and government enterprises .....	545.4	567.3	583.8	586.1	587.8	595.7	601.9	604.4
34 Other .....	2,270.6	2,387.5	2,517.0	2,529.8	2,560.7	2,612.6	2,655.4	2,689.6
35 Supplement to wages and salaries .....	588.8	636.4	679.6	685.9	697.4	711.7	722.0	729.7
36 Employer contributions for social insurance .....	289.8	307.7	324.3	327.0	330.6	338.5	343.6	346.0
37 Other labor income .....	299.0	328.7	355.3	358.8	366.8	373.2	378.4	383.7
38 Proprietors' income <sup>1</sup> .....	376.2	418.7	441.6	420.3	462.9	471.0	471.3	467.0
39 Business and professional <sup>1</sup> .....	339.5	374.4	404.3	404.5	418.5	423.8	431.9	437.1
40 Farm <sup>1</sup> .....	36.7	44.4	37.3	15.8	44.4	47.2	39.3	29.8
41 Rental income of persons <sup>2</sup> .....	-10.5	-5.5	24.1	26.3	30.3	15.3	34.1	32.6
42 Corporate profits <sup>1</sup> .....	390.3	405.1	485.8	493.5	533.9	508.2	546.4	556.0
43 Profits before tax <sup>3</sup> .....	365.2	395.9	462.4	458.7	501.7	483.5	523.1	538.1
44 Inventory valuation adjustment .....	5.8	-6.4	-6.2	3.0	-6.5	-12.3	-14.1	-19.6
45 Capital consumption adjustment .....	19.4	15.7	29.5	31.7	38.8	37.0	37.4	37.5
46 Net interest .....	447.4	420.0	399.5	396.7	389.1	394.2	399.7	415.7

1. With inventory valuation and capital consumption adjustments.  
 2. With capital consumption adjustment.

3. For after-tax profits, dividends, and the like, see table 1.48.  
 SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

## 2.17 PERSONAL INCOME AND SAVING

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

Account	1991	1992	1993	1993		1994		
				Q3	Q4	Q1	Q2	Q3
PERSONAL INCOME AND SAVING								
1 Total personal income .....	4,860.3	5,154.3	5,375.1	5,395.9	5,484.6	5,555.8	5,659.9	5,734.5
2 Wage and salary disbursements .....	2,816.1	2,974.8	3,080.8	3,115.9	3,148.4	3,208.3	3,257.2	3,293.9
3 Commodity-producing industries .....	738.4	757.6	773.8	781.4	791.0	801.9	811.6	821.8
4 Manufacturing .....	557.4	578.3	588.4	594.9	601.7	609.4	612.8	618.3
5 Distributive industries .....	648.0	682.3	701.9	709.6	712.6	728.6	742.5	753.5
6 Service industries .....	884.2	967.6	1,021.4	1,038.8	1,057.0	1,082.0	1,101.2	1,114.3
7 Government and government enterprises .....	545.5	567.3	583.8	586.1	587.8	595.7	601.9	604.4
8 Other labor income .....	299.0	328.7	355.3	358.8	366.8	373.2	378.4	383.7
9 Proprietors' income <sup>1</sup> .....	376.2	418.7	441.6	420.3	462.9	471.0	471.3	467.0
10 Business and professional <sup>1</sup> .....	339.5	374.4	404.3	404.5	418.5	423.8	431.9	437.1
11 Farm <sup>1</sup> .....	36.7	44.4	37.3	15.8	44.4	47.2	39.3	29.8
12 Rental income of persons <sup>2</sup> .....	-10.5	-5.5	24.1	26.3	30.3	15.3	34.1	32.6
13 Dividends .....	150.5	161.0	181.3	182.8	184.1	185.7	191.7	196.9
14 Personal interest income .....	695.1	665.2	637.9	634.1	627.7	631.1	649.4	674.2
15 Transfer payments .....	770.1	860.2	915.4	921.6	931.0	947.4	957.6	969.0
16 Old-age survivors, disability, and health insurance benefits .....	382.3	414.0	444.4	446.8	452.1	463.8	470.7	476.5
17 LESS: Personal contributions for social insurance .....	236.2	248.7	261.3	263.8	266.6	276.3	279.9	282.9
18 EQUALS: Personal income .....	4,860.3	5,154.3	5,375.1	5,395.9	5,484.6	5,555.8	5,659.9	5,734.5
19 LESS: Personal tax and nontax payments .....	623.7	648.6	686.4	695.4	707.0	723.0	746.4	744.1
20 EQUALS: Disposable personal income .....	4,236.6	4,505.8	4,688.7	4,700.5	4,777.6	4,832.8	4,913.5	4,990.3
21 LESS: Personal outlays .....	4,025.0	4,257.8	4,496.2	4,518.2	4,588.2	4,657.3	4,712.4	4,787.0
22 EQUALS: Personal saving .....	211.6	247.9	192.6	182.3	189.4	175.5	201.1	203.3
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product .....	19,263.3	19,489.7	19,878.8	19,871.2	20,119.1	20,235.2	20,389.7	20,536.5
24 Personal consumption expenditures .....	12,898.9	13,110.4	13,390.8	13,425.1	13,518.9	13,639.8	13,650.9	13,716.6
25 Disposable personal income .....	14,003.0	14,279.0	14,341.0	14,338.0	14,451.0	14,535.0	14,625.0	14,697.0
26 Saving rate (percent) .....	5.0	5.5	4.1	3.9	4.0	3.6	4.1	4.1
GROSS SAVING								
27 Gross saving .....	751.4	722.9	787.5	788.9	825.8	886.2	923.3	922.6
28 Gross private saving .....	937.3	980.8	1,002.5	989.9	1,011.4	1,037.3	1,041.4	1,052.7
29 Personal saving .....	211.6	247.9	192.6	182.3	189.4	175.5	201.1	203.3
30 Undistributed corporate profits <sup>1</sup> .....	99.2	94.3	120.9	130.3	147.9	127.7	142.3	139.5
31 Corporate inventory valuation adjustment .....	5.8	-6.4	-6.2	3.0	-6.5	-12.3	-14.1	-19.6
Capital consumption allowances								
32 Corporate .....	383.3	396.8	407.8	413.3	411.1	432.2	425.9	432.6
33 Noncorporate .....	243.1	261.8	261.2	264.1	263.0	301.8	272.1	277.3
34 Government surplus, or deficit (-), national income and product accounts .....	-185.9	-257.8	-215.0	-201.0	-185.6	-151.1	-118.1	-130.1
35 Federal .....	-202.9	-282.7	-241.4	-224.9	-220.1	-176.2	-145.1	-154.0
36 State and local .....	17.0	24.8	26.3	23.9	34.5	25.2	27.0	23.9
37 Gross investment .....	752.9	731.7	789.8	783.4	809.3	850.2	899.3	901.5
38 Gross private domestic investment .....	744.8	788.3	882.0	882.2	922.5	966.6	1,034.4	1,055.1
39 Net foreign investment .....	8.1	-56.6	-92.3	-98.8	-113.2	-116.4	-135.1	-153.6
40 Statistical discrepancy .....	1.5	8.8	2.3	-5.5	-16.5	-36.1	-24.0	-21.1

1. With inventory valuation and capital consumption adjustments.  
2. With capital consumption adjustment.

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

## 3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted except as noted<sup>1</sup>

Item credits or debits	1991	1992	1993	1993		1994		
				Q3	Q4	Q1	Q2 <sup>2</sup>	Q3 <sup>3</sup>
1 Balance on current account	-6,952	-67,886	-103,896	-27,856	-30,587	-32,317	-37,906	-41,722
2 Merchandise trade balance <sup>2</sup>	-74,068	-96,097	-132,575	-36,488	-33,169	-36,962	-41,632	-44,633
3 Merchandise exports	416,913	440,361	456,866	111,736	119,679	118,018	122,683	127,817
4 Merchandise imports	-490,981	-536,458	-589,441	-148,224	-152,848	-154,980	-164,315	-172,450
5 Military transactions, net	-5,485	-3,034	-763	-87	-444	-338	177	376
6 Other service transactions, net	51,082	58,747	57,613	14,317	13,637	12,972	14,809	14,746
7 Investment income, net	14,833	4,540	3,946	2,015	-590	-811	-2,809	-3,948
8 U.S. government grants	23,959	-15,010	-14,620	-3,114	-5,591	-2,371	-3,590	-2,789
9 U.S. government pensions and other transfers	-3,461	-3,735	-3,785	-986	-987	-968	-974	-1,550
10 Private remittances and other transfers	-13,811	-13,297	-13,712	-3,513	-3,443	-3,839	-3,887	-3,924
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	2,900	-1,652	-306	-192	-321	490	462	-118
12 Change in U.S. official reserve assets (increase, -)	5,763	3,901	-1,379	-545	-673	-59	3,537	-165
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-177	2,316	-537	-118	-113	-101	-108	-111
15 Reserve position in International Monetary Fund	-367	-2,692	-44	-48	-80	-3	251	273
16 Foreign currencies	6,307	4,277	-797	-378	-480	45	3,394	-327
17 Change in U.S. private assets abroad (increase, -)	-60,175	-63,759	-146,213	-34,915	-62,628	-48,667	-11,030	-20,111
18 Bank-reported claims <sup>4</sup>	4,763	22,314	32,238	7,335	-9,293	-1,236	15,248	-3,458
19 Nonbank-reported claims	11,097	45	-598	4,838	-303	1,941	-4,264	...
20 U.S. purchases of foreign securities, net	-44,740	-45,114	-119,983	-40,777	-30,349	-24,605	-14,007	-7,146
21 U.S. direct investments abroad, net	-31,295	-41,004	-57,871	-6,311	-22,683	-24,767	-8,007	-9,507
22 Change in foreign official assets in United States (increase, +)	17,199	40,858	71,680	19,259	23,962	11,530	8,925	17,496
23 U.S. Treasury securities	14,846	18,454	48,702	19,098	22,856	1,193	6,033	15,207
24 Other U.S. government obligations	1,301	3,949	4,062	1,345	970	50	2,355	2,003
25 Other U.S. government liabilities <sup>4</sup>	1,177	2,572	1,666	1,121	825	938	252	526
26 Other U.S. liabilities reported by U.S. banks <sup>5</sup>	-1,484	16,571	14,666	-2,489	-587	10,139	1,241	539
27 Other foreign official assets <sup>5</sup>	1,359	-688	2,585	184	-102	-790	-956	-779
28 Change in foreign private assets in United States (increase, +)	80,935	105,646	159,017	52,675	66,200	83,548	40,332	49,943
29 U.S. bank-reported liabilities <sup>5</sup>	3,994	15,461	18,452	27,618	7,370	35,200	25,539	16,826
30 U.S. nonbank-reported liabilities	-3,115	13,573	14,282	1,169	4,733	5,867	3,662	...
31 Foreign private purchases of U.S. Treasury securities, net	18,826	36,857	24,849	3,474	7,996	9,260	-7,434	5,661
32 Foreign purchases of other U.S. securities, net	35,144	29,867	80,068	17,445	38,008	21,258	13,152	14,162
33 Foreign direct investments in United States, net	26,086	9,888	21,366	2,969	8,093	11,963	5,413	13,294
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	-39,670	-17,108	21,096	-8,427	4,047	-14,525	-4,320	-5,323
36 Due to seasonal adjustment	...	...	...	-6,643	103	5,810	639	-6,919
37 Before seasonal adjustment	-39,670	-17,108	21,096	-1,785	3,944	-20,335	-4,959	1,596
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	5,763	3,901	-1,379	-545	-673	-59	3,537	-165
39 Foreign official assets in United States, excluding line 25 (increase, +)	16,022	38,286	70,015	18,138	23,137	10,592	8,673	16,970
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	-4,882	5,942	-3,847	-3,194	-229	-1,674	-4,149	3,592

1. Seasonal factors are not calculated for lines 12-16, 18-20, 22-34, and 38-40.

2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.

3. Reporting banks include all types of depository institution as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE<sup>1</sup>

Millions of dollars; monthly data seasonally adjusted

Item	1991	1992	1993	1994						
				May	June	July	Aug.	Sept.	Oct.	Nov. <sup>P</sup>
1 Goods and services, balance .....	-28,472	-40,384	-75,725	-9,219	-8,845	-10,953	-9,060	-9,354	-10,097	-10,531
2 Merchandise .....	-74,068	-96,097	-132,575	-14,272	-14,020	-15,955	-14,101	-14,433	-15,051	-15,562
3 Services .....	45,596	55,713	56,850	5,053	5,175	5,002	5,041	5,079	4,954	5,031
4 Goods and services, exports .....	580,127	616,924	641,677	56,258	58,333	56,297	60,292	60,063	59,847	61,160
5 Merchandise .....	416,913	440,361	456,866	40,276	42,028	40,128	44,121	43,596	43,380	44,535
6 Services .....	163,214	176,563	184,811	15,982	16,305	16,169	16,171	16,467	16,467	16,625
7 Goods and services, imports .....	-608,599	-657,308	-717,402	-65,477	-67,178	-67,250	-69,352	-69,417	-69,944	-71,691
8 Merchandise .....	-490,981	-536,458	-589,441	-54,548	-56,048	-56,083	-58,222	-58,029	-58,431	-60,097
9 Services .....	-117,618	-120,850	-127,961	-10,929	-11,130	-11,167	-11,130	-11,388	-11,513	-11,594
MEMO										
10 Balance on merchandise trade, Census basis .....	-66,723	-84,501	-115,568	-12,885	-13,028	-14,845	-12,758	-13,388	-13,815	-14,521

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE: FT900, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

## 3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1991	1992	1993	1994						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. <sup>P</sup>
1 Total .....	77,719	71,323	73,442	75,732	75,443	75,740	76,532	78,172	74,000	74,335
2 Gold stock, including Exchange Stabilization Fund <sup>1</sup> .....	11,057	11,056	11,053	11,052	11,052	11,054	11,054	11,053	11,052	11,051
3 Special drawing rights <sup>2,3</sup> .....	11,240	8,503	9,039	9,731	9,696	9,837	9,971	10,088	10,017	10,039
4 Reserve position in International Monetary Fund <sup>4</sup> .....	9,488	11,759	11,818	12,184	12,183	12,161	12,067	12,339	12,037	12,030
5 Foreign currencies <sup>4</sup> .....	45,934	40,005	41,532	42,765	42,512	42,688	43,440	44,692	40,894	41,215

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at \$42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have

been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—\$867 million; 1971—\$717 million; 1972—\$710 million; 1979—\$1,139 million; 1980—\$1,152 million; 1981—\$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS<sup>1</sup>

Millions of dollars, end of period

Asset	1991	1992	1993	1994						
				June	July	Aug.	Sept.	Oct.	Nov.	Dec. <sup>P</sup>
1 Deposits .....	968	205	386	604	181	188	342	223	230	250
Held in custody										
2 U.S. Treasury securities <sup>2</sup> .....	281,107	314,481	379,394	411,580	423,715	427,574	429,819	439,854	444,339	441,866
3 Earmarked gold <sup>3</sup> .....	13,303	13,118	12,327	12,065	12,056	12,044	12,044	12,039	12,037	12,033

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at \$42.22 per fine troy ounce; not included in the gold stock of the United States.

## 3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992	1993	1994						
			May <sup>r</sup>	June	July	Aug.	Sept.	Oct. <sup>r</sup>	Nov. <sup>p</sup>
1 Total <sup>1</sup>	412,624	482,858 <sup>r</sup>	489,555	501,827	516,466 <sup>r</sup>	518,785 <sup>r</sup>	520,585 <sup>r</sup>	530,968	523,703
By type									
2 Liabilities reported by banks in the United States <sup>2</sup>	54,967	69,808	78,255	80,887 <sup>r</sup>	84,889	79,806 <sup>r</sup>	82,582 <sup>r</sup>	79,356	73,411
3 U.S. Treasury bills and certificates <sup>3</sup>	104,596	150,900	134,568	141,338	146,244 <sup>r</sup>	143,400	138,261	147,849	143,132
U.S. Treasury bonds and notes									
4 Marketable <sup>4</sup>	210,931	212,253 <sup>r</sup>	226,144	228,823 <sup>r</sup>	233,720 <sup>r</sup>	242,936 <sup>r</sup>	247,624 <sup>r</sup>	250,425	253,070
5 Nonmarketable <sup>4</sup>	4,532	5,652	5,837	5,875	5,913	5,952	5,990	6,031	6,069
6 U.S. securities other than U.S. Treasury securities <sup>5</sup>	37,598	44,245	44,751	44,904	45,700	46,691	46,128	47,307	48,021
By area									
7 Europe <sup>1</sup>	189,230	206,921	214,880	221,957	227,466 <sup>r</sup>	226,234 <sup>r</sup>	225,600 <sup>r</sup>	223,162	217,404
8 Canada	13,700	15,285	14,505	15,996	18,656	18,597	19,287	18,402	17,339
9 Latin America and Caribbean	37,973	55,898	43,741	42,646 <sup>r</sup>	42,749	44,224	44,427	47,847	45,306
10 Asia	164,690	197,758 <sup>r</sup>	209,082	211,250 <sup>r</sup>	217,931 <sup>r</sup>	221,100 <sup>r</sup>	222,971 <sup>r</sup>	232,126	233,835
11 Africa	3,723	4,052	3,969	4,110	3,862	4,259	4,388	4,232	4,673
12 Other countries <sup>6</sup>	3,306	2,942	3,376	5,866	5,800	4,369	3,910	5,197	5,144

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

6. Includes countries in Oceania and Eastern Europe.

SOURCE: Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States<sup>1</sup>

Payable in Foreign Currencies

Millions of dollars, end of period

Item	1990	1991	1992	1993	1994 <sup>r</sup>		
				Dec. <sup>r</sup>	Mar.	June	Sept.
1 Banks' liabilities	70,477	75,129	72,796	78,120	86,459	72,312	82,183
2 Banks' claims	66,796	73,195	62,799	59,262	72,696	55,978	58,536
3 Deposits	29,672	26,192	24,240	19,404	19,684	20,499	19,623
4 Other claims	37,124	47,003	38,559	39,858	53,012	35,479	38,913
5 Claims of banks' domestic customers <sup>2</sup>	6,309	3,398	4,432	3,058	3,655	4,182	4,987

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<sup>1</sup>

Payable in U.S. dollars

Millions of dollars, end of period

Item	1991	1992	1993	1994 <sup>f</sup>						
				May	June	July	Aug.	Sept.	Oct.	Nov. <sup>g</sup>
BY HOLDER AND TYPE OF LIABILITY										
1 Total, all foreigners	756,066	810,259	920,995 <sup>e</sup>	964,290	991,779	997,239	993,475	993,564	1,006,237	982,450
2 Banks' own liabilities	575,374	606,444	622,847 <sup>e</sup>	666,349	685,581	697,021	692,920	706,331	708,822	685,870
3 Demand deposits	20,321	21,828	21,574 <sup>e</sup>	27,824	24,521	23,549	22,962	23,541	24,627	23,969
4 Time deposits <sup>2</sup>	159,649	160,385	175,116 <sup>e</sup>	182,416	183,568	185,826	184,552	178,006	181,169	178,629
5 Other <sup>3</sup>	66,305	93,237	110,144 <sup>e</sup>	124,769	118,657	127,500	118,816	134,614	133,678	123,849
6 Own foreign offices <sup>4</sup>	329,099	330,994	316,013 <sup>e</sup>	331,340	358,835	360,146	366,590	370,170	369,348	359,423
7 Banks' custodial liabilities <sup>5</sup>	180,692	203,815	298,148 <sup>e</sup>	297,941	306,198	300,218	300,555	287,233	297,415	296,580
8 U.S. Treasury bills and certificates <sup>6</sup>	110,734	127,644	176,523	161,145	171,315	170,064	170,592	164,341	174,291	168,667
9 Other negotiable and readily transferable instruments <sup>7</sup>	18,664	21,974	36,289 <sup>e</sup>	48,776	49,915	46,257	46,416	39,033	37,681	40,050
10 Other	51,294	54,197	85,336 <sup>e</sup>	88,020	84,968	83,897	83,547	83,859	85,443	87,863
11 Nonmonetary international and regional organizations <sup>8</sup>	8,981	9,350	10,936 <sup>e</sup>	8,364	9,042	7,318	5,323	7,279	7,591	6,182
12 Banks' own liabilities	6,827	6,951	5,639	6,437	5,667	5,511	4,328	6,302	5,814	5,416
13 Demand deposits	43	46	15	35	31	29	36	28	83	35
14 Time deposits <sup>2</sup>	2,714	3,214	2,780	2,785	3,223	3,469	2,691	2,699	2,845	2,817
15 Other <sup>3</sup>	4,070	3,691	2,844	3,617	2,413	2,013	1,601	3,575	2,886	2,564
16 Banks' custodial liabilities <sup>5</sup>	2,154	2,399	5,297 <sup>e</sup>	1,927	3,375	1,807	995	977	1,777	766
17 U.S. Treasury bills and certificates <sup>6</sup>	1,730	1,908	4,275	857	2,825	1,082	836	767	1,572	501
18 Other negotiable and readily transferable instruments <sup>7</sup>	424	486	1,022 <sup>e</sup>	1,070	548	725	159	205	205	265
19 Other	0	5	0	0	2	0	0	5	0	0
20 Official institutions <sup>9</sup>	131,088	159,563	220,708	212,823	222,225	231,133	223,206	220,843	227,205	216,543
21 Banks' own liabilities	34,411	51,202	64,231	66,158	67,641	73,967	67,619	72,109	67,500	60,655
22 Demand deposits	2,626	1,302	1,601	1,435	2,029	1,472	1,232	1,691	2,028	1,682
23 Time deposits <sup>2</sup>	16,504	17,939	21,654	23,644	24,925	27,497	25,948	26,909	23,801	20,634
24 Other <sup>3</sup>	15,281	31,961	40,976	41,079	40,687	44,998	40,439	43,509	41,671	38,339
25 Banks' custodial liabilities <sup>5</sup>	96,677	108,361	156,477	146,665	154,584	157,166	155,587	148,734	159,705	155,888
26 U.S. Treasury bills and certificates <sup>6</sup>	92,692	104,596	150,900	134,568	141,338	146,244	143,400	138,261	147,849	143,132
27 Other negotiable and readily transferable instruments <sup>7</sup>	3,879	3,726	5,482	12,053	13,112	10,863	12,054	10,407	11,820	12,739
28 Other	106	39	95	44	134	59	133	66	36	17
29 Banks <sup>10</sup>	522,265	547,320	588,448 <sup>e</sup>	629,488	646,058	649,670	652,508	646,547	652,398	640,929
30 Banks' own liabilities	459,335	476,117	476,426 <sup>e</sup>	511,082	530,866	536,234	536,398	538,016	545,187	532,073
31 Unaffiliated foreign banks	130,236	145,123	160,413 <sup>e</sup>	179,742	172,031	176,088	169,808	167,846	175,839	172,650
32 Demand deposits	8,648	10,170	9,719	15,551	12,323	11,792	11,837	10,555	11,023	11,259
33 Time deposits <sup>2</sup>	82,857	90,296	105,192	109,083	108,366	106,888	107,110	101,741	106,646	106,317
34 Other <sup>3</sup>	38,731	44,657	45,502 <sup>e</sup>	55,108	51,342	57,408	50,861	55,550	58,170	55,074
35 Own foreign offices <sup>4</sup>	329,099	330,994	316,013 <sup>e</sup>	331,340	358,835	360,146	366,590	370,170	369,348	359,423
36 Banks' custodial liabilities <sup>5</sup>	62,930	71,203	112,022 <sup>e</sup>	118,406	115,192	113,436	116,110	108,531	107,211	108,856
37 U.S. Treasury bills and certificates <sup>6</sup>	7,471	11,087	10,707	11,407	10,834	10,138	12,249	10,951	10,771	11,586
38 Other negotiable and readily transferable instruments <sup>7</sup>	5,694	7,555	17,020	22,081	22,347	21,446	22,049	15,388	13,248	13,654
39 Other	49,765	52,561	84,295 <sup>e</sup>	84,918	82,011	81,852	81,812	82,192	83,192	83,616
40 Other foreigners	93,732	94,026	100,903 <sup>e</sup>	113,615	114,454	109,118	112,438	118,895	119,043	118,796
41 Banks' own liabilities	74,801	72,174	76,551 <sup>e</sup>	82,672	81,407	81,309	84,575	89,904	90,321	87,726
42 Demand deposits	9,004	10,310	10,239 <sup>e</sup>	10,803	10,138	10,256	9,857	11,267	11,493	10,993
43 Time deposits <sup>2</sup>	57,574	48,936	45,490 <sup>e</sup>	46,904	47,054	47,972	48,803	46,657	47,877	48,861
44 Other <sup>3</sup>	8,223	12,928	20,822	24,965	24,215	23,081	25,915	31,980	30,951	27,872
45 Banks' custodial liabilities <sup>5</sup>	18,931	21,852	24,352	30,943	33,047	27,809	27,863	28,991	28,722	31,070
46 U.S. Treasury bills and certificates <sup>6</sup>	8,841	10,053	10,641	14,313	16,318	12,600	14,107	14,362	14,099	13,448
47 Other negotiable and readily transferable instruments <sup>7</sup>	8,667	10,207	12,765	13,572	13,908	13,223	12,154	13,033	12,408	13,392
48 Other	1,423	1,592	946	3,058	2,821	1,986	1,602	1,596	2,215	4,230
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	7,456	9,111	17,567	26,385	27,075	25,589	25,338	19,160	16,813	17,582

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.

2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States<sup>1</sup>—Continued

Item	1991	1992	1993	1994						
				May	June	July	Aug.	Sept.	Oct. <sup>f</sup>	Nov. <sup>g</sup>
AREA										
1 Total, all foreigners.....	756,066	810,259	920,995 <sup>c</sup>	964,290 <sup>f</sup>	991,779 <sup>f</sup>	997,239 <sup>f</sup>	993,475 <sup>f</sup>	993,564 <sup>f</sup>	1,006,237	982,450
2 Foreign countries.....	747,085	800,909	910,059 <sup>f</sup>	955,926 <sup>f</sup>	982,737 <sup>f</sup>	989,921 <sup>f</sup>	988,152 <sup>f</sup>	986,285 <sup>f</sup>	998,646	976,268
3 Europe.....	249,097	307,670	376,988 <sup>f</sup>	405,793 <sup>f</sup>	412,178 <sup>f</sup>	422,577 <sup>f</sup>	419,932 <sup>f</sup>	406,937 <sup>f</sup>	413,700	393,100
4 Austria.....	1,193	1,611	1,917	3,309	3,578	3,364	3,349	3,014	3,610	4,266
5 Belgium and Luxembourg.....	13,337	20,567	28,627	32,612	25,298 <sup>f</sup>	25,145	27,159	27,593	23,591	22,346
6 Denmark.....	937	3,060	4,517	3,207	3,473	2,877	2,634	2,128	2,374	2,307
7 Finland.....	1,341	1,299	1,872	1,849	2,649	2,504	1,747	2,319	2,601	1,587
8 France.....	31,808	41,411	39,741	42,131 <sup>f</sup>	43,246	41,410	41,911	43,143	44,209	41,160
9 Germany.....	8,619	18,630	26,613	28,215 <sup>f</sup>	33,114	30,838	31,046 <sup>f</sup>	31,889 <sup>f</sup>	33,136	31,049
10 Greece.....	765	913	1,519	1,453	1,377	1,153	1,199	1,227	1,711	1,477
11 Italy.....	13,541	10,041	11,559	13,015	12,771	11,537	11,725	10,781	10,701	9,685
12 Netherlands.....	7,161	7,365	16,096	18,500 <sup>f</sup>	18,691 <sup>f</sup>	18,446 <sup>f</sup>	17,199 <sup>f</sup>	18,754 <sup>f</sup>	18,034	17,310
13 Norway.....	1,866	3,314	2,966	3,278	4,018	3,731	3,195	2,861	3,400	2,807
14 Portugal.....	2,184	2,465	3,366	2,853	2,920	2,865	2,867	3,023	2,859	2,919
15 Russia.....	241	577	2,511	4,016	4,497	4,593	3,794	2,899	2,337	2,367
16 Spain.....	11,391	9,793	20,493	17,832 <sup>f</sup>	15,839	17,137 <sup>f</sup>	15,455 <sup>f</sup>	14,198 <sup>f</sup>	16,324	15,037
17 Sweden.....	2,222	2,953	2,572	3,443	4,043	5,709 <sup>f</sup>	4,149 <sup>f</sup>	4,651 <sup>f</sup>	3,467	3,361
18 Switzerland.....	37,238	39,440	41,555	40,174	38,075	41,378	43,486	41,050 <sup>f</sup>	41,834	41,756
19 Turkey.....	1,598	2,666	3,227	2,759	3,250	3,515	3,238	3,013	3,133	3,032
20 United Kingdom.....	100,292	111,805	133,936	158,961 <sup>f</sup>	163,338 <sup>f</sup>	171,239 <sup>f</sup>	174,078 <sup>f</sup>	160,361 <sup>f</sup>	172,376	162,775
21 Yugoslavia <sup>1</sup> .....	622	504	570	424	434	230	227	224	220	240
22 Other Europe and other former U.S.S.R. <sup>12</sup> .....	12,741	29,256	33,331 <sup>f</sup>	27,762 <sup>f</sup>	31,567	34,906	31,474	33,909 <sup>f</sup>	27,983	27,822
23 Canada.....	21,605	22,420	20,227	25,948	25,480	26,625	26,341 <sup>f</sup>	24,660	23,115	23,295
24 Latin America and Caribbean.....	345,529	317,228	357,380 <sup>f</sup>	360,056 <sup>f</sup>	381,263 <sup>f</sup>	375,700 <sup>f</sup>	377,864 <sup>f</sup>	384,805 <sup>f</sup>	385,829	390,645
25 Argentina.....	7,753	9,477	14,477	13,474	13,750	14,592	14,806 <sup>f</sup>	13,783	15,577	15,950
26 Bahamas.....	100,622	82,284	73,150 <sup>f</sup>	79,640 <sup>f</sup>	85,817	87,264	83,260	86,011	88,086	89,515
27 Bermuda.....	3,178	7,079	7,830	8,182	8,975	10,103	8,422	10,334	8,936	7,615
28 Brazil.....	5,704	5,584	5,301	5,572	5,708	6,261 <sup>f</sup>	5,697 <sup>f</sup>	5,670 <sup>f</sup>	6,195	6,722
29 British West Indies.....	163,620	153,033	190,446 <sup>f</sup>	189,785 <sup>f</sup>	206,466 <sup>f</sup>	198,471 <sup>f</sup>	204,677 <sup>f</sup>	208,452 <sup>f</sup>	204,625	209,202
30 Chile.....	3,283	3,035	3,183	3,286	3,523	3,353	2,988	3,407	3,078	3,741
31 Colombia.....	4,661	4,580	3,171	3,865	3,929	3,773	3,726	4,027	4,471	4,413
32 Cuba.....	2	3	33	11	11	12	13	13	7	7
33 Ecuador.....	1,232	993	880	842	812	819	847	823	830	825
34 Guatemala.....	1,594	1,377	1,207	1,137	1,143	1,207 <sup>f</sup>	1,142 <sup>f</sup>	1,103 <sup>f</sup>	1,076	1,035
35 Jamaica.....	231	371	410	526	475	518	531	565	589	513
36 Mexico.....	19,957	19,454	28,018	21,900	21,286	20,182 <sup>f</sup>	20,821 <sup>f</sup>	19,937 <sup>f</sup>	21,254	19,191
37 Netherlands Antilles.....	5,592	5,205	4,195	7,021	4,885	4,301	5,058	4,268	4,146	4,838
38 Panama.....	4,695	4,177	3,582	3,811	3,861	4,087	3,843	4,082 <sup>f</sup>	4,077	4,598
39 Peru.....	1,249	1,080	926	912	930	916	1,027	1,079	1,027	925
40 Uruguay.....	2,096	1,955	1,611	1,561	1,597	1,420	1,336	1,399	1,471	1,189
41 Venezuela.....	13,181	11,387	12,786	12,023 <sup>f</sup>	11,655	12,004	13,157	13,297	13,805	13,829
42 Other.....	6,879	6,154	6,174	6,508	6,440	6,417 <sup>f</sup>	6,513 <sup>f</sup>	6,555 <sup>f</sup>	6,579	6,527
43 Asia.....	120,462	143,540	144,639 <sup>f</sup>	152,054 <sup>f</sup>	148,721 <sup>f</sup>	151,279 <sup>f</sup>	152,530 <sup>f</sup>	158,328 <sup>f</sup>	163,346	157,086
44 China.....	2,626	3,202	4,011	5,358	6,158	5,018	4,394	5,062	5,625	8,017
45 People's Republic of China.....	11,491	8,408	10,633	9,820	8,375	8,811	8,737	8,863	9,483	10,929
46 Republic of China (Taiwan).....	14,269	18,499	17,233	21,665	19,111	18,759 <sup>f</sup>	18,679 <sup>f</sup>	18,819 <sup>f</sup>	18,244	17,572
47 India.....	2,418	1,399	1,114	1,521	2,136	1,695	1,777	2,187	2,376	2,378
48 Indonesia.....	1,463	1,480	1,986	1,537	2,002	1,676	1,835	1,828	1,734	1,613
49 Israel.....	2,015	3,773	4,435	3,460	3,762	3,822	3,436	3,204	6,607	5,066
50 Japan.....	47,069	58,435	61,466 <sup>f</sup>	62,971 <sup>f</sup>	64,084 <sup>f</sup>	65,671 <sup>f</sup>	65,755 <sup>f</sup>	68,242 <sup>f</sup>	66,145	63,331
51 Korea (South).....	2,587	3,337	4,913	4,523	4,581	5,310 <sup>f</sup>	4,873	4,622	4,740	5,016
52 Philippines.....	2,449	2,275	2,035	2,590	3,150	3,396	3,214	3,135	3,158	3,064
53 Thailand.....	2,252	5,582	6,137	5,788	4,851	5,222	6,364	6,503	5,682	5,926
54 Middle Eastern oil-exporting countries <sup>13</sup> .....	15,752	21,437	15,824	14,895	14,374	14,935	15,928	17,138	17,232	17,678
55 Other.....	16,071	15,713	14,852	17,926 <sup>f</sup>	16,137	16,964	17,538	18,725	22,320	16,496
56 Africa.....	4,825	5,884	6,633 <sup>f</sup>	6,166	6,411	6,153	6,360	6,278	6,375	6,939
57 Egypt.....	1,621	2,472	2,208	1,984	1,999	1,706	1,914	2,014	1,996	2,097
58 Morocco.....	79	76	99	93	78	80	82	72	66	67
59 South Africa.....	228	190	451	230	290	289	417	197	245	693
60 Zaire.....	31	19	12	8	7	8	8	9	9	10
61 Oil-exporting countries <sup>14</sup> .....	1,082	1,346	1,303	1,057	1,204	1,291	1,156	1,186	1,176	1,227
62 Other.....	1,784	1,781	2,560 <sup>f</sup>	2,794	2,833	2,779	2,783	2,800	2,883	2,845
63 Other.....	5,567	4,167	4,192	5,909	8,684	7,587	5,125	5,277	6,281	5,203
64 Australia.....	4,464	3,043	3,308	2,796	5,804	6,288	3,935	3,966	5,114	4,094
65 Other.....	1,103	1,124	884	3,113	2,880	1,299	1,190	1,311	1,167	1,109
66 Nonmonetary international and regional organizations.....	8,981	9,350	10,936 <sup>f</sup>	8,364 <sup>f</sup>	9,042 <sup>f</sup>	7,318	5,323 <sup>f</sup>	7,279 <sup>f</sup>	7,591	6,182
67 International <sup>15</sup> .....	6,485	7,434	6,851 <sup>f</sup>	5,635 <sup>f</sup>	7,058 <sup>f</sup>	5,446	3,998 <sup>f</sup>	5,350 <sup>f</sup>	5,847	4,336
68 Latin American regional <sup>16</sup> .....	1,181	1,415	3,218	909	847	612	418	1,058	950	1,094
69 Other regional <sup>17</sup> .....	1,315	501	867	1,820	1,137	1,260	907	871	794	752

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States<sup>1</sup>  
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1991	1992	1993 <sup>1</sup>	1994 <sup>1</sup>						
				May	June	July	Aug.	Sept.	Oct.	Nov. <sup>2</sup>
1 Total, all foreigners .....	514,339	499,437	483,600	472,814	476,201	468,933	478,179	474,585	478,743	464,477
2 Foreign countries .....	508,056	494,355	481,195	471,088	473,780	467,537	476,220	471,321	476,738	463,184
3 Europe .....	114,310	123,377	121,253	123,645	119,779	123,072	124,237	119,758	131,506	119,252
4 Austria .....	327	331	413	486	416	470	442	282	440	369
5 Belgium and Luxembourg .....	6,158	6,404	6,535	6,389	7,113	6,915	6,543	7,250	6,323	6,232
6 Denmark .....	686	707	382	1,332	539	622	464	521	880	668
7 Finland .....	1,907	1,418	594	656	695	735	507	599	591	718
8 France .....	15,112	14,723	11,497	13,089	13,750	13,263	15,992	14,829	16,292	12,906
9 Germany .....	3,371	4,222	7,693	8,303	7,264	7,927	9,996	8,650	8,496	8,114
10 Greece .....	553	717	679	682	661	583	657	613	520	518
11 Italy .....	8,242	9,047	8,845	6,753	6,093	6,039	5,518	5,308	6,652	5,957
12 Netherlands .....	2,546	2,468	3,063	3,272	3,003	3,006	2,948	2,854	3,358	3,319
13 Norway .....	669	355	396	605	620	751	826	650	905	985
14 Portugal .....	344	325	834	948	989	1,035	1,040	1,182	1,056	1,006
15 Russia .....	1,970	3,147	2,310	1,656	1,605	1,541	1,378	1,272	1,220	1,172
16 Spain .....	1,881	2,755	2,766	2,823	2,497	1,900	2,664	2,211	2,731	2,188
17 Sweden .....	2,335	4,923	4,082	3,386	3,383	3,601	4,168	3,903	3,156	3,596
18 Switzerland .....	4,540	4,717	6,567	6,487	6,674	9,028	6,938	5,854	7,670	6,544
19 Turkey .....	1,063	962	1,287	1,324	1,210	1,208	1,152	1,024	1,142	895
20 United Kingdom .....	60,395	63,430	60,997	63,160	61,170	62,492	61,264	60,518	68,231	62,545
21 Yugoslavia <sup>2</sup> .....	825	569	536	361	340	275	273	258	266	266
22 Other Europe and other former U.S.S.R. <sup>3</sup> .....	1,386	2,157	1,777	1,933	1,757	1,681	1,467	1,980	1,577	1,249
23 Canada .....	15,113	13,845	18,413	17,187	20,496	19,888	19,678	19,226	16,384	17,750
24 Latin America and Caribbean .....	246,137	218,078	224,112	219,696	221,604	215,608	223,297	220,137	221,254	217,065
25 Argentina .....	5,869	4,958	4,427	5,178	5,506	5,811	5,876	5,585	5,588	5,715
26 Bahamas .....	87,138	60,835	65,060	64,993	64,088	67,955	63,358	63,096	65,196	62,039
27 Bermuda .....	2,270	5,935	8,034	6,876	6,276	5,783	7,328	5,430	5,186	6,697
28 Brazil .....	11,894	10,773	11,812	11,933	11,285	10,547	10,051	10,278	10,188	9,759
29 British West Indies .....	107,846	101,507	97,997	94,245	98,112	89,528	100,519	100,657	99,345	95,972
30 Chile .....	2,805	3,397	3,616	3,353	3,419	3,327	3,410	3,391	3,429	3,624
31 Colombia .....	2,425	2,750	3,179	3,229	3,366	3,326	3,414	3,459	3,670	3,768
32 Cuba .....	0	0	0	0	0	8	0	0	12	3
33 Ecuador .....	1,053	884	680	683	707	683	604	624	628	632
34 Guatemala .....	228	262	286	291	312	308	320	310	337	335
35 Jamaica .....	158	162	195	198	194	186	210	204	255	251
36 Mexico .....	16,567	14,991	15,838	16,095	16,463	16,378	16,459	16,223	16,825	17,282
37 Netherlands Antilles .....	1,207	1,379	2,367	2,872	2,366	2,118	2,139	1,295	1,158	1,781
38 Panama .....	1,560	4,654	2,892	2,324	2,197	2,335	2,386	2,372	2,307	2,304
39 Peru .....	739	730	653	909	908	926	924	943	857	884
40 Uruguay .....	599	936	952	551	608	748	706	711	800	652
41 Venezuela .....	2,516	2,525	2,907	2,475	2,428	2,240	2,146	2,055	1,934	1,950
42 Other .....	1,263	1,400	3,217	3,491	3,369	3,401	3,447	3,504	3,539	3,417
43 Asia .....	125,262	131,789	110,751	103,851	104,859	102,408	102,391	105,597	101,098	103,253
44 China .....	747	906	2,299	802	784	951	764	1,177	822	817
45 People's Republic of China .....	2,087	2,046	2,628	2,024	1,948	1,786	1,807	1,256	1,467	1,485
46 Republic of China (Taiwan) .....	9,617	9,642	10,878	9,016	9,782	10,045	9,921	13,066	10,354	11,228
47 Hong Kong .....	441	529	589	738	784	791	829	950	951	1,001
48 India .....	952	1,189	1,522	1,378	1,319	1,369	1,363	1,343	1,326	1,361
49 Indonesia .....	860	820	826	710	671	638	675	663	860	696
50 Israel .....	84,807	79,172	59,616	53,048	55,496	53,286	52,597	52,872	50,032	53,261
51 Japan .....	6,048	6,179	7,569	7,410	7,974	8,112	8,553	8,639	8,869	9,252
52 Korea (South) .....	1,910	2,145	1,408	914	654	514	533	562	639	583
53 Philippines .....	1,713	1,867	2,154	2,947	2,979	2,839	2,784	2,686	2,756	2,676
54 Thailand .....	8,284	18,540	14,398	18,323	16,565	16,342	16,080	15,293	15,424	14,455
55 Middle Eastern oil-exporting countries <sup>4</sup> .....	7,796	8,754	6,864	6,541	5,903	5,735	6,485	7,090	7,598	6,438
56 Other .....	4,928	4,279	3,857	3,698	3,784	3,456	3,659	3,473	3,147	3,080
57 Africa .....	294	186	196	219	281	234	229	250	237	229
58 Egypt .....	575	441	481	477	518	479	485	490	468	480
59 Morocco .....	1,235	1,041	633	575	556	492	656	569	480	454
60 South Africa .....	4	4	4	5	4	3	3	3	3	3
61 Zaire .....	1,298	1,002	1,129	1,217	1,235	1,194	1,189	1,103	955	879
62 Oil-exporting countries <sup>5</sup> .....	1,522	1,605	1,414	1,205	1,190	1,054	1,097	1,058	1,004	1,035
63 Other .....	2,306	2,987	2,809	3,011	3,258	3,105	2,958	3,130	3,349	2,784
64 Australia .....	1,665	2,243	2,072	1,369	1,489	1,587	1,390	1,810	2,158	1,687
65 Other .....	641	744	737	1,642	1,769	1,518	1,568	1,320	1,191	1,097
66 Nonmonetary international and regional organizations <sup>6</sup> .....	6,283	5,082	2,405	1,726	2,421	1,396	1,959	3,264	2,005	1,293

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.

2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Europe."



### 3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States<sup>1</sup> Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1991	1992	1993 <sup>f</sup>	1994 <sup>f</sup>						
				May	June	July	Aug.	Sept.	Oct.	Nov. <sup>g</sup>
1 Total .....	579,683	559,495	535,131	...	532,770	...	...	528,301	...	...
2 Banks' claims .....	514,339	499,437	483,600	472,814	476,201	468,933	478,179	474,585	478,743	464,477
3 Foreign public borrowers .....	37,126	31,367	28,904	22,198	21,250	21,536	22,392	24,419	22,124	20,517
4 Own foreign offices <sup>2</sup> .....	318,800	303,991	286,880	284,907	289,930	283,848	287,022	283,308	287,037	277,104
5 Unaffiliated foreign banks .....	116,602	109,342	98,165	98,741	101,908	100,922	102,200	100,414	106,564	103,374
6 Deposits .....	69,018	61,550	47,039	50,394	51,016	50,849	49,809	50,736	52,699	50,415
7 Other .....	47,584	47,792	51,126	48,347	50,892	50,073	52,391	49,678	53,865	52,959
8 All other foreigners .....	41,811	54,737	69,651	66,968	63,113	62,627	66,565	66,444	63,018	63,482
9 Claims of banks' domestic customers <sup>3</sup> .....	65,344	60,058	51,531	...	56,569	...	...	53,716	...	...
10 Deposits .....	15,280	15,452	20,006	...	24,051	...	...	24,441	...	...
11 Negotiable and readily transferable instruments <sup>4</sup> .....	37,125	31,474	17,842	...	18,853	...	...	16,260	...	...
12 Outstanding collections and other claims .....	12,939	13,132	13,683	...	13,665	...	...	13,015	...	...
MEMO										
13 Customer liability on acceptances .....	8,974	8,655	7,854	...	7,493	...	...	7,605	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States <sup>5</sup> .....	43,024	38,623 <sup>f</sup>	26,073	23,161	23,748	22,880	23,026	24,456	23,029	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank,

and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit 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 *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

### 3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States<sup>1</sup> Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area <sup>2</sup>	1990	1991	1992	1993	1994		
				Dec. <sup>f</sup>	Mar. <sup>f</sup>	June <sup>f</sup>	Sept.
1 Total .....	206,903	195,302	195,119	195,180	193,306	185,359	190,087
By borrower							
2 Maturity of one year or less .....	165,985	162,573	163,325	166,567	166,741	160,270	164,622
3 Foreign public borrowers .....	19,305	21,050	17,813	17,563	15,953	12,786	16,683
4 All other foreigners .....	146,680	141,523	145,512	149,004	150,788	147,484	147,939
5 Maturity of more than one year .....	40,918	32,729	31,794	28,613	26,565	25,089	25,465
6 Foreign public borrowers .....	22,269	15,859	13,266	10,813	9,260	8,056	7,379
7 All other foreigners .....	18,649	16,870	18,528	17,800	17,305	17,033	18,086
By area							
8 Maturity of one year or less .....							
9 Europe .....	49,184	51,835	53,300	56,432	58,919	51,037	57,732
10 Canada .....	5,450	6,444	6,091	7,545	7,272	8,258	7,197
11 Latin America and Caribbean .....	49,782	43,597	50,376	56,720	58,942	56,552	56,779
12 Asia .....	53,258	51,059	45,709	40,341	36,007	37,992	36,116
13 Africa .....	3,040	2,549	1,784	1,821	1,620	1,798	1,496
14 All other <sup>3</sup> .....	5,272	7,089	6,065	3,708	3,981	4,633	5,302
Maturity of more than one year							
15 Europe .....	3,859	3,878	5,367	4,404	3,840	3,327	3,609
16 Canada .....	3,290	3,595	3,287	2,553	2,548	2,451	2,612
17 Latin America and Caribbean .....	25,774	18,277	15,312	13,863	13,023	12,420	12,145
18 Asia .....	5,165	4,459	5,038	5,412	4,704	4,607	4,801
19 Africa .....	2,374	2,335	2,380	1,934	2,001	1,849	1,836
20 All other <sup>3</sup> .....	456	185	410	447	449	435	462

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Maturity is time remaining to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks<sup>1</sup>

Billions of dollars, end of period

Area or country	1990	1991	1992		1993				1994		
			Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept. <sup>P</sup>
1 Total.....	320.1	343.6	344.5	346.5	361.0	377.0	388.3	403.7	488.9	495.3	502.8
2 G-10 countries and Switzerland.....	132.2	137.6	136.0	132.9	142.4	150.0	153.3	161.0	178.0	165.6	183.8
3 Belgium and Luxembourg.....	.0	6.0	6.2	5.6	6.1	7.0	7.1	7.4	7.9	8.6	9.5
4 France.....	10.4	11.0	15.3	15.3	13.5	14.0	12.3	11.7	16.4	18.8	19.3
5 Germany.....	10.6	8.3	10.9	9.3	9.9	10.8	12.4	12.6	28.7	24.3	24.3
6 Italy.....	5.0	5.6	6.4	6.5	6.7	7.9	8.7	7.6	15.5	14.0	11.6
7 Netherlands.....	.0	4.7	3.7	2.8	3.6	3.7	3.7	4.7	4.1	3.6	3.4
8 Sweden.....	2.2	1.9	2.2	2.3	3.0	2.5	2.5	2.5	2.8	2.9	2.6
9 Switzerland.....	4.4	3.4	5.2	4.8	5.3	4.7	5.6	5.9	6.3	6.5	6.2
10 United Kingdom.....	60.9	68.5	61.0	60.8	65.7	73.5	74.7	84.5	69.8	57.7	81.0
11 Canada.....	5.9	5.8	6.3	6.3	8.2	8.0	9.7	6.6	7.6	9.5	9.8
12 Japan.....	24.0	22.6	18.9	19.3	20.4	17.9	16.8	17.4	18.8	19.6	16.0
13 Other industrialized countries.....	22.9	22.8	25.0	24.0	25.4	27.2	26.0	24.6	41.2	43.2	41.5
14 Austria.....	1.4	.6	.7	1.2	1.2	1.3	.6	.4	1.0	1.0	1.0
15 Denmark.....	1.1	.9	1.5	.9	.8	1.0	1.1	1.0	1.1	1.1	.8
16 Finland.....	.7	.7	1.0	.7	.7	.9	.6	.4	1.0	.8	.8
17 Greece.....	2.7	2.6	3.0	3.0	2.7	3.1	3.2	3.2	3.8	4.6	4.3
18 Norway.....	1.6	1.4	1.6	1.2	1.8	1.8	2.1	1.7	1.6	1.6	1.6
19 Portugal.....	.6	.6	.5	.4	.7	.9	1.0	.8	1.2	1.1	1.0
20 Spain.....	8.3	8.3	9.7	8.9	9.5	10.5	9.3	8.9	12.3	13.2	13.0
21 Turkey.....	1.7	1.4	1.5	1.3	1.4	2.1	2.1	2.1	2.4	2.1	1.8
22 Other Western Europe.....	1.2	1.8	1.5	1.7	2.0	1.7	2.2	2.6	3.0	2.8	1.0
23 South Africa.....	1.8	1.9	1.7	1.7	1.6	1.3	1.2	1.1	1.2	1.2	1.2
24 Australia.....	1.8	2.7	2.3	2.9	2.9	2.5	2.8	2.3	12.7	13.7	15.0
25 OPEC <sup>2</sup> .....	12.8	14.5	15.9	16.1	16.6	15.7	14.8	16.7	22.4	21.5	21.5
26 Ecuador.....	1.0	.7	.7	.6	.6	.6	.5	.5	.5	.5	.4
27 Venezuela.....	5.0	5.4	5.4	5.2	5.1	5.5	5.4	5.1	4.7	4.4	3.9
28 Indonesia.....	2.7	2.7	3.0	3.0	3.1	3.1	2.8	3.2	3.4	3.2	3.2
29 Middle East countries.....	2.5	4.2	5.4	6.2	6.6	5.4	4.9	6.7	12.8	12.4	13.0
30 African countries.....	1.7	1.5	1.4	1.1	1.1	1.1	1.1	1.2	1.0	1.1	1.0
31 Non-OPEC developing countries.....	65.4	63.9	72.8	72.1	74.4	76.6	77.0	82.5	93.4	93.9	91.9
Latin America.....											
32 Argentina.....	5.0	4.8	6.2	6.6	7.0	6.6	7.2	7.7	8.7	9.8	10.5
33 Brazil.....	14.4	9.6	10.8	10.8	11.6	12.3	11.7	12.0	12.5	11.8	9.1
34 Chile.....	3.5	3.6	4.2	4.4	4.6	4.6	4.7	4.7	5.1	5.1	5.4
35 Colombia.....	1.8	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4	2.4
36 Mexico.....	13.0	15.5	17.1	16.0	16.8	16.8	17.5	17.7	18.7	18.3	19.5
37 Peru.....	.5	.4	.5	.5	.4	.4	.3	.4	.5	.6	.6
38 Other.....	2.3	2.1	2.5	2.6	2.6	2.7	2.6	3.0	2.6	2.7	2.7
Asia.....											
39 China.....											
Peoples Republic of China.....	.2	.3	.3	.7	.6	1.6	.5	2.0	.8	.7	1.0
Republic of China (Taiwan).....	3.5	4.1	5.0	5.2	5.3	5.9	6.4	7.3	7.5	7.1	6.9
41 India.....	3.3	3.0	3.6	3.2	3.1	3.1	2.9	3.2	3.6	3.7	3.9
42 Israel.....	.5	.5	.4	.4	.5	.4	.4	.5	.4	.4	.4
43 Korea (South).....	6.2	6.8	7.4	6.6	6.5	6.9	6.5	6.7	13.9	14.1	13.9
44 Malaysia.....	1.9	2.3	3.0	3.1	3.4	3.7	4.1	4.4	5.2	5.2	3.9
45 Philippines.....	3.8	3.7	3.6	3.6	3.4	2.9	2.6	3.1	3.4	3.2	2.9
46 Thailand.....	1.5	1.7	2.2	2.2	2.2	2.4	2.8	3.1	2.9	3.3	3.4
47 Other Asia.....	1.7	2.0	2.7	2.7	2.7	2.6	3.0	2.9	3.1	3.5	3.6
Africa.....											
48 Egypt.....	.4	.4	.3	.2	.2	.2	.2	.4	.4	.5	.3
49 Morocco.....	.8	.7	.6	.6	.5	.6	.6	.6	.7	.7	.7
50 Zaire.....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa <sup>3</sup> .....	1.0	.7	.9	1.0	.8	.9	.8	.8	1.0	.9	.9
52 Eastern Europe.....	2.3	2.4	3.1	3.1	2.9	3.2	3.0	3.0	3.3	3.0	3.4
53 Russia <sup>4</sup> .....	.2	.9	1.8	1.9	1.7	1.9	1.7	1.6	1.5	1.2	1.1
54 Yugoslavia <sup>5</sup> .....	1.2	.9	.7	.6	.6	.6	.6	.6	.5	.5	.5
55 Other.....	.9	.7	.7	.6	.7	.7	.7	.9	1.4	1.4	1.9
56 Offshore banking centers.....	44.7	54.2	54.5	58.3	60.2	58.0	67.9	72.5	78.3	76.6	77.9
57 Bahamas.....	2.9	11.9	8.9	6.9	9.7	7.1	12.7	12.6	15.4	13.5	16.4
58 Bermuda.....	4.4	2.3	3.8	6.2	4.1	4.5	5.5	8.1	8.4	6.1	5.3
59 Cayman Islands and other British West Indies.....	11.7	15.8	16.9	21.8	17.6	15.6	15.1	16.9	17.2	20.1	20.5
60 Netherlands Antilles.....	7.9	1.2	.7	1.1	1.6	2.5	2.8	2.3	2.7	2.4	1.7
61 Panama <sup>6</sup> .....	1.4	1.4	2.0	1.9	2.0	2.1	2.1	2.4	2.0	1.9	1.8
62 Lebanon.....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong.....	9.7	14.4	15.2	13.8	16.7	16.9	19.1	18.7	19.7	21.8	20.3
64 Singapore.....	6.6	7.1	6.8	6.5	8.4	9.3	10.4	11.2	12.7	10.6	11.7
65 Other.....	.0	.0	.0	.0	.0	.0	.0	.1	.0	.0	.1
66 Miscellaneous and unallocated <sup>8</sup> .....	39.9	48.0	36.8	39.7	38.8	46.2	46.3	43.3	72.0	91.0	82.5

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. As of December 1992, excludes Croatia, Bosnia and Herzegovina, and Slovenia.

6. Includes Canal Zone.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

### 3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States<sup>1</sup>

Millions of dollars, end of period

Type of liability, and area or country	1990	1991	1992	1993			1994		
				June	Sept.	Dec.	Mar.	June	Sept. <sup>P</sup>
<b>1 Total</b> .....	<b>46,043</b>	<b>44,708</b>	<b>45,331<sup>f</sup></b>	<b>46,502<sup>f</sup></b>	<b>48,513<sup>f</sup></b>	<b>49,645<sup>f</sup></b>	<b>51,728<sup>f</sup></b>	<b>55,265</b>	<b>56,712</b>
2 Payable in dollars .....	40,786	39,029	37,276	36,988 <sup>f</sup>	39,270 <sup>f</sup>	38,361 <sup>f</sup>	38,074 <sup>f</sup>	42,463	41,880
3 Payable in foreign currencies .....	5,257	5,679	8,055 <sup>f</sup>	9,514 <sup>f</sup>	9,243 <sup>f</sup>	11,284 <sup>f</sup>	13,654 <sup>f</sup>	12,802	14,832
<i>By type</i>									
4 Financial liabilities .....	21,066	22,518	23,661 <sup>f</sup>	25,100	26,731	28,254	30,111	33,226	35,483
5 Payable in dollars .....	16,979	18,104	16,780	16,935	18,705	18,175	18,481	22,424	22,533
6 Payable in foreign currencies .....	4,087	4,414	6,881	8,165	8,026	10,079	11,630	10,802	12,950
7 Commercial liabilities .....	24,977	22,190	21,670	21,402 <sup>f</sup>	21,782 <sup>f</sup>	21,391 <sup>f</sup>	21,617 <sup>f</sup>	22,039	21,229
8 Trade payables .....	10,683	9,252	9,566	9,358 <sup>f</sup>	9,215 <sup>f</sup>	8,787 <sup>f</sup>	8,944 <sup>f</sup>	9,855	9,504
9 Advance receipts and other liabilities .....	14,294	12,938	12,104	12,044	12,567	12,604 <sup>f</sup>	12,673	12,184	11,725
10 Payable in dollars .....	23,807	20,925	20,496	20,053 <sup>f</sup>	20,565 <sup>f</sup>	20,186 <sup>f</sup>	19,593 <sup>f</sup>	20,039	19,347
11 Payable in foreign currencies .....	1,170	1,265	1,174	1,349 <sup>f</sup>	1,217 <sup>f</sup>	1,205 <sup>f</sup>	2,024 <sup>f</sup>	2,000	1,882
<i>By area or country</i>									
<i>Financial liabilities</i>									
12 Europe .....	10,978	12,003	13,207	14,199	16,445	18,185	20,293	23,564	23,455
13 Belgium and Luxembourg .....	394	216	414	268	278	175	525	503	650
14 France .....	975	2,106	1,623	2,219	2,077	2,326	2,589	1,590	2,241
15 Germany .....	621	682	889	863	855	975	1,214	939	1,467
16 Netherlands .....	1,081	1,056	606	585	573	534	564	533	648
17 Switzerland .....	545	408	569	491	378	634	1,200	631	633
18 United Kingdom .....	6,357	6,528	8,430	9,118	11,694	12,925	13,595	18,151	16,501
19 Canada .....	229	292	544	493	663	859	508	698	618
20 Latin America and Caribbean .....	4,153	4,784	4,053	4,199	3,719	3,359	3,553	3,282	3,159
21 Bahamas .....	371	537	379	476	1,301	1,148	1,157	1,052	1,112
22 Bermuda .....	0	114	114	124	114	0	120	115	15
23 Brazil .....	0	6	19	18	18	18	18	18	7
24 British West Indies .....	3,160	3,524	2,850	2,901	1,600	1,533	1,613	1,454	1,364
25 Mexico .....	5	7	12	11	15	17	14	13	15
26 Venezuela .....	4	4	6	5	5	5	5	5	5
27 Asia <sup>2</sup> .....	5,295	5,381	5,818 <sup>f</sup>	6,039	5,754	5,689	5,601	5,643	8,099
28 Japan .....	4,065	4,116	4,750 <sup>f</sup>	4,857	4,725	4,620	4,589	4,709	6,897
29 Middle Eastern oil-exporting countries <sup>3</sup> .....	5	13	19	19	23	23	24	24	31
30 Africa .....	2	6	6	130	132	133	133	9	133
31 Oil-exporting countries <sup>4</sup> .....	0	4	0	123	124	123	124	0	123
32 All other <sup>5</sup> .....	409	52	33	40	18	29	23	30	19
<i>Commercial liabilities</i>									
33 Europe .....	10,310	8,701	7,398	6,804 <sup>f</sup>	7,048 <sup>f</sup>	6,830 <sup>f</sup>	6,545 <sup>f</sup>	6,903	6,830
34 Belgium and Luxembourg .....	275	248	298	269	257	239 <sup>f</sup>	252 <sup>f</sup>	254	287
35 France .....	1,218	1,039	700	774 <sup>f</sup>	642 <sup>f</sup>	654 <sup>f</sup>	553 <sup>f</sup>	711	741
36 Germany .....	1,270	1,052	729	603	571	684	577	669	551
37 Netherlands .....	844	710	535	576 <sup>f</sup>	600 <sup>f</sup>	688 <sup>f</sup>	628	642	648
38 Switzerland .....	775	575	350	441	536	375	387	472	390
39 United Kingdom .....	2,792	2,297	2,505	2,186	2,319	2,051	2,155 <sup>f</sup>	2,309	2,349
40 Canada .....	1,261	1,014	1,002	939 <sup>f</sup>	845 <sup>f</sup>	881 <sup>f</sup>	1,037 <sup>f</sup>	1,062	1,061
41 Latin America and Caribbean .....	1,672	1,355	1,533	1,824 <sup>f</sup>	1,754 <sup>f</sup>	1,663 <sup>f</sup>	1,907 <sup>f</sup>	2,004	1,784
42 Bahamas .....	12	3	3	6	4	21	8	2	6
43 Bermuda .....	538	310	307	356	340	348	493	416	198
44 Brazil .....	145	219	209	226	214	216	211	217	148
45 British West Indies .....	30	107	33	16	35 <sup>f</sup>	26	19	23	32
46 Mexico .....	475	307	457	658 <sup>f</sup>	576 <sup>f</sup>	483 <sup>f</sup>	556 <sup>f</sup>	705	670
47 Venezuela .....	130	94	142	172	173	126	150	194	192
48 Asia <sup>2</sup> .....	9,483	9,334	10,594	10,518 <sup>f</sup>	10,915 <sup>f</sup>	10,961 <sup>f</sup>	10,904 <sup>f</sup>	10,898	10,427
49 Japan .....	3,651	3,721	3,612	3,390	3,726	4,310 <sup>f</sup>	4,612 <sup>f</sup>	4,385	4,231
50 Middle Eastern oil-exporting countries <sup>3</sup> .....	2,016	1,498	1,889	1,815	1,968	1,526 <sup>f</sup>	1,533	1,813	1,675
51 Africa .....	844	715	568	665	641	464 <sup>f</sup>	490	523	482
52 Oil-exporting countries <sup>4</sup> .....	422	327	309	378	320	171	199	247	271
53 Other <sup>5</sup> .....	1,406	1,071	575	652	579	592	734	649	645

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.

2. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States<sup>1</sup>

Millions of dollars, end of period

Type of claim, and area or country	1990	1991	1992 <sup>f</sup>	1993			1994 <sup>f</sup>		
				June	Sept.	Dec. <sup>f</sup>	Mar.	June	Sept. <sup>p</sup>
1 Total .....	35,348	45,262	45,073	45,680 <sup>f</sup>	46,002 <sup>f</sup>	48,853	48,849	50,664	51,334
2 Payable in dollars .....	32,760	42,564	42,281	42,245 <sup>f</sup>	42,314 <sup>f</sup>	45,523	45,312	47,028	47,859
3 Payable in foreign currencies .....	2,589	2,698	2,792	3,435 <sup>f</sup>	3,688 <sup>f</sup>	3,330	3,537	3,636	3,475
By type									
4 Financial claims .....	19,874	27,882	26,509	25,632 <sup>f</sup>	26,902 <sup>f</sup>	28,537	28,607	29,706	30,126
5 Deposits .....	13,577	20,080	17,695	14,298 <sup>f</sup>	14,512 <sup>f</sup>	16,815	16,943	17,449	18,650
6 Payable in dollars .....	12,552	19,080	16,872	13,329 <sup>f</sup>	13,503 <sup>f</sup>	16,041	16,117	16,598	17,795
7 Payable in foreign currencies .....	1,025	1,000	823	969	1,009	774	826	851	855
8 Other financial claims .....	6,297	7,802	8,814	11,334 <sup>f</sup>	12,390 <sup>f</sup>	11,722	11,664	12,257	11,476
9 Payable in dollars .....	5,280	6,910	7,890	10,185 <sup>f</sup>	11,282 <sup>f</sup>	10,641	10,575	11,163	10,555
10 Payable in foreign currencies .....	1,017	892	924	1,149	1,108	1,081	1,089	1,094	921
11 Commercial claims .....	15,475	17,380	18,564	20,048 <sup>f</sup>	19,100 <sup>f</sup>	20,316	20,242	20,958	21,208
12 Trade receivables .....	13,657	14,468	16,007	17,565 <sup>f</sup>	16,122 <sup>f</sup>	17,372	17,404	18,187	18,486
13 Advance payments and other claims .....	1,817	2,912	2,557	2,483	2,978	2,944	2,838	2,771	2,722
14 Payable in dollars .....	14,927	16,574	17,519	18,731 <sup>f</sup>	17,529 <sup>f</sup>	18,841	18,620	19,267	19,509
15 Payable in foreign currencies .....	548	806	1,045	1,317 <sup>f</sup>	1,571 <sup>f</sup>	1,475	1,622	1,691	1,699
By area or country									
Financial claims									
16 Europe .....	9,645	13,441	9,331	9,745 <sup>f</sup>	8,376 <sup>f</sup>	8,136	7,545	8,093	8,966
17 Belgium and Luxembourg .....	76	13	8	74	70	131	122	83	114
18 France .....	371	269	764	781	708	785	753	859	825
19 Germany .....	367	283	326	383	362	452	419	407	331
20 Netherlands .....	265	334	515	500 <sup>f</sup>	485	502	503	480	512
21 Switzerland .....	357	581	490	494	512	515	520	495	747
22 United Kingdom .....	7,971	11,534	6,252	6,579	5,230	4,608	4,136	4,696	5,373
23 Canada .....	2,934	2,642	1,833	2,034 <sup>f</sup>	2,103 <sup>f</sup>	2,206	2,573	3,547	3,374
24 Latin America and Caribbean .....	6,201	10,717	13,893	10,095 <sup>f</sup>	12,965 <sup>f</sup>	15,834	15,363	15,393	15,061
25 Bahamas .....	1,090	827	778	827 <sup>f</sup>	980 <sup>f</sup>	968	1,157	1,187	1,198
26 Bermuda .....	3	8	40	258	197	125	34	65	52
27 Brazil .....	68	351	686	590	590	599	567	370	341
28 British West Indies .....	4,635	9,056	11,747	7,484 <sup>f</sup>	10,000 <sup>f</sup>	12,807	12,463	12,940	12,655
29 Mexico .....	177	212	445	665	882	865	782	507	433
30 Venezuela .....	25	40	29	24	25	161	26	33	32
31 Asia .....	860	640	864	3,016	2,754 <sup>f</sup>	1,785	2,646	2,209	2,169
32 Japan .....	523	350	668	2,485	2,213 <sup>f</sup>	1,047	1,782	1,351	677
33 Middle Eastern oil-exporting countries <sup>2</sup> .....	8	5	3	10	5	3	5	2	19
34 Africa .....	37	57	83	125	88	99	76	74	87
35 Oil-exporting countries <sup>3</sup> .....	0	1	9	1	1	1	0	1	1
36 All other <sup>4</sup> .....	195	385	505	617	616	477	404	390	469
Commercial claims									
37 Europe .....	7,044	8,193	8,451	9,083 <sup>f</sup>	8,201 <sup>f</sup>	8,897	8,534	8,726	8,591
38 Belgium and Luxembourg .....	212	194	189	173	163	184	173	179	172
39 France .....	1,240	1,585	1,537	1,511	1,438	1,941	1,817	1,761	1,758
40 Germany .....	807	955	933	1,046	935	999	923	920	860
41 Netherlands .....	555	645	552	565	410	417	351	288	323
42 Switzerland .....	301	295	362	442	376	424	404	675	530
43 United Kingdom .....	1,775	2,086	2,094	2,561 <sup>f</sup>	2,287 <sup>f</sup>	2,268	2,219	2,338	2,371
44 Canada .....	1,074	1,121	1,286	1,359	1,360	1,355	1,440	1,451	1,483
45 Latin America and Caribbean .....	2,375	2,655	3,043	3,456	3,071	3,210	3,505	3,809	3,844
46 Bahamas .....	14	13	28	17	20	11	12	17	33
47 Bermuda .....	246	264	255	239	225	173	210	285	236
48 Brazil .....	326	427	357	788	407	462	422	494	465
49 British West Indies .....	40	41	40	43	39	70	58	66	48
50 Mexico .....	661	842	924	913	866	946	986	1,000	1,040
51 Venezuela .....	192	203	345	317	286	295	291	303	381
52 Asia .....	4,127	4,591	4,866	5,220	5,538	5,836	5,772	6,041	6,341
53 Japan .....	1,460	1,899	1,903	1,885	2,519	2,154	2,339	2,327	2,427
54 Middle Eastern oil-exporting countries <sup>2</sup> .....	460	620	693	673	456	709	656	601	604
55 Africa .....	488	430	554	516	493	513	512	483	447
56 Oil-exporting countries <sup>3</sup> .....	67	95	78	99	107	84	101	90	68
57 Other <sup>4</sup> .....	367	390	364	414	437	505	479	448	502

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65 (July 1979), 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

Transaction, and area or country	1992	1993	1994	1994						
			Jan. - Nov.	May	June	July	Aug.	Sept.	Oct.	Nov. <sup>P</sup>
	U.S. corporate securities									
STOCKS										
1 Foreign purchases .....	221,367	319,728	327,032	26,699	28,273 <sup>f</sup>	24,332	29,312	28,849	27,794	28,719
2 Foreign sales .....	226,503	298,145	322,466	25,113	30,249	25,174	26,400	30,431	29,841	27,640
3 Net purchases, or sales (-) .....	-5,136	21,583	4,566	1,586	-1,976 <sup>f</sup>	-842	2,912	-1,582	-2,047	1,079
4 Foreign countries .....	-5,169	21,311	4,558	1,569	-1,967 <sup>f</sup>	-846	2,914	-1,596	-2,079	1,056
5 Europe .....	-4,927	10,665	8,031	1,219	-378	-291	1,424	-1,198	-1,394	205
6 France .....	-1,350	-103	-99	210	-241	-68	-22	-63	-198	-25
7 Germany .....	-80	1,647	2,521	398	119	56	73	-104	-158	-57
8 Netherlands .....	-262	-600	1,640	176	89	357	266	-134	316	264
9 Switzerland .....	168	2,986	18	30	74	82	136	-104	-655	-557
10 United Kingdom .....	-3,301	4,560	1,893	174	-322	-830	866	-641	-557	560
11 Canada .....	1,407	-3,213	-1,266	156	-529	-313	-366	57	-416	-116
12 Latin America and Caribbean .....	2,203	5,724	-1,036	-207	-839	-476	989	-625	-516	673
13 Middle East <sup>1</sup> .....	-88	-328	-991	49	-111	-94	-281	-431	-75	1
14 Other Asia .....	-3,943	8,198	-874	476	-219 <sup>f</sup>	280	1,031	589	335	290
15 Japan .....	-3,598	3,825	1,472	335	171	555	1,132	761	251	289
16 Africa .....	10	63	55	-1	6	-7	0	10	12	-4
17 Other countries .....	169	202	639	-123	103	55	117	2	-25	7
18 Nonmonetary international and regional organizations .....	33	272	8	17	-9	4	-2	14	32	23
BONDS <sup>2</sup>										
19 Foreign purchases .....	214,922	283,946 <sup>f</sup>	273,025	24,955	31,875 <sup>f</sup>	25,166	22,963	19,131	20,204	22,362
20 Foreign sales .....	175,842	217,932 <sup>f</sup>	216,783	20,868	21,123	18,898	15,686	17,540 <sup>f</sup>	16,304	15,946
21 Net purchases, or sales (-) .....	39,080	66,014 <sup>f</sup>	56,242	4,087	10,752 <sup>f</sup>	6,268	7,277	1,591 <sup>f</sup>	3,900	6,416
22 Foreign countries .....	37,964	65,476 <sup>f</sup>	55,623	4,025	10,624 <sup>f</sup>	5,883	7,344	1,574 <sup>f</sup>	3,901	6,408
23 Europe .....	17,435	22,586 <sup>f</sup>	34,788	528	6,031	4,531	5,152	2,406	3,546	3,696
24 France .....	1,203	2,346	239	-3	47	21	-18	-16	105	-106
25 Germany .....	2,480	885	196	-244	52	52	34	-355	449	200
26 Netherlands .....	540	-290	3,058	358	868	29	610	-64	125	412
27 Switzerland .....	-579	-627	901	136	144	-192	-9	292	4	351
28 United Kingdom .....	12,421	19,686 <sup>f</sup>	31,006	894	5,624	4,409	4,497	1,997	1,475	3,672
29 Canada .....	237	1,668	2,556	286	422	625	519	194	460	201
30 Latin America and Caribbean .....	9,300	15,697	4,387	762	1,553	-527	-81	-1,852 <sup>f</sup>	-981	1,290
31 Middle East <sup>1</sup> .....	3,166	3,257	926	17	339	375	157	-76	56	-86
32 Other Asia .....	7,545	20,846	12,247	2,287	2,263 <sup>f</sup>	766	1,558	857	745	1,301
33 Japan .....	-450	11,569	5,682	1,575	1,396	712	763	340	375	419
34 Africa .....	354	1,149	48	10	9	-23	18	2	20	8
35 Other countries .....	-73	273	671	135	7	136	21	43	55	-2
36 Nonmonetary international and regional organizations .....	1,116	538	619	62	128	385	-67	17	-1	8
	Foreign securities									
37 Stocks, net purchases, or sales (-) .....	-32,259	-63,287 <sup>f</sup>	-45,036	-4,028	-6,715	-3,093	-4,568	679	-4,350	-2,550
38 Foreign purchases .....	150,051	245,561 <sup>f</sup>	358,437	30,946	31,098	29,291	30,534	37,367	29,875	28,246
39 Foreign sales .....	182,310	308,848 <sup>f</sup>	403,473	34,974	37,813	32,384	35,102	36,688	34,225	30,796
40 Bonds, net purchases, or sales (-) .....	-15,605	-70,136 <sup>f</sup>	-20,033	-152 <sup>f</sup>	427	-2,282 <sup>f</sup>	861	-1,150	-4,156	-1,899
41 Foreign purchases .....	513,589	828,922 <sup>f</sup>	839,813	64,158	71,762	59,351	67,288	78,604	70,415	66,487
42 Foreign sales .....	529,194	899,058 <sup>f</sup>	859,846	64,310 <sup>f</sup>	71,335	61,633 <sup>f</sup>	66,427	79,754	74,571	68,386
43 Net purchases, or sales (-), of stocks and bonds .....	-47,864	-133,423 <sup>f</sup>	-65,069	-4,180 <sup>f</sup>	-6,288	-5,375 <sup>f</sup>	-3,707	-471	-8,506	-4,449
44 Foreign countries .....	-51,274	-133,584 <sup>f</sup>	-64,834	-4,467 <sup>f</sup>	-6,281	-5,557 <sup>f</sup>	-3,890	56	-8,356	-4,402
45 Europe .....	-31,350	-90,005 <sup>f</sup>	-8,865	-1,296 <sup>f</sup>	4,268	-2,490 <sup>f</sup>	-174	-2,931	-4,548	-1,049
46 Canada .....	-6,893	-14,997	-9,080	436	-769	-2,041	-600	865	-815	-991
47 Latin America and Caribbean .....	-4,340	-9,229	-21,631	-2,421	-4,997	-1,437	-2,287	4,819	-1,573	-1,995
48 Asia .....	-7,923	-15,300 <sup>f</sup>	-20,868	-528	-4,309	339	-321	-1,913	-1,249	719
49 Africa .....	-13	-185	-529	-4	-45	29	48	-22	-73	-269
50 Other countries .....	-755	-3,868	-3,861	-654	-429	43	-556	-762	-98	-817
51 Nonmonetary international and regional organizations .....	3,410	161	-235	287	-7	182	183	-527	-150	-47

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government

agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions<sup>1</sup>

Millions of dollars; net purchases, or sales (–) during period

Area or country	1992	1993	1994	1994						
			Jan.–Nov. <sup>a</sup>	May	June	July	Aug.	Sept.	Oct.	Nov. <sup>b</sup>
1 Total estimated .....	39,288	23,451 <sup>c</sup>	66,147	19,778	–5,353	1,710	15,160	11,085 <sup>c</sup>	10,590	13,151
2 Foreign countries .....	37,935	23,225 <sup>c</sup>	65,842	19,727	–4,901	2,043	14,744	11,163 <sup>c</sup>	9,495	13,139
3 Europe .....	19,625	–2,403	30,194	8,772	–2,702	4,891	8,274	3,922	–1,430	7,780
4 Belgium and Luxembourg .....	1,985	1,218	623	147	–170	–78	529	–15	32	19
5 Germany .....	2,076	–9,975	5,944	2,279	143	714	1,795	–243	254	924
6 Netherlands .....	–2,959	–515	1,256	21	560	120	–15	–68	954	–2
7 Sweden .....	–804	1,421	733	150	257	100	–158	105	–37	211
8 Switzerland .....	488	–1,501	–261	–211	158	–416	–259	441	–718	–1,512
9 United Kingdom .....	24,184	6,167	16,461	4,955	–5,562	4,820	5,361	3,522	–1,822	7,728
10 Other Europe and former U.S.S.R. ....	–5,345	782	5,438	1,431	1,912	–369	1,021	180	–93	412
11 Canada .....	562	10,309	3,805	98	–11	2,937	1,888	1,515	–420	–1,282
12 Latin America and Caribbean .....	–3,222	–4,572	–10,826	–2,652	–7,080	–7,273	–2,310	–666	6,683	713
13 Venezuela .....	539	390	–361	–130	–9	17	–132	19	7	43
14 Other Latin America and Caribbean ..	–1,956	–5,806	–20,125	–2,708	–6,744	–7,663	3,172	1,487	–446	–2,086
15 Netherlands Antilles .....	–1,805	844	9,660	186	–327	373	–5,350	–2,172	7,122	2,756
16 Asia .....	23,517	20,581 <sup>c</sup>	42,605	13,286	5,128	2,522	5,987	6,761 <sup>c</sup>	4,386	4,942
17 Japan .....	9,817	17,070	27,517	8,185	5,099	–812	3,681	3,210	2,190	4,551
18 Africa .....	1,103	1,156	182	–29	16	5	80	200	135	–11
19 Other .....	–3,650	–1,846	–118	252	–252	–1,039	825	–569	141	997
20 Nonmonetary international and regional organizations .....	1,353	226	305	51	–452	–333	416	–78	1,095	12
21 International .....	1,018	–279	351	70	–395	–425	317	–65	1,074	48
22 Latin American regional .....	533	654	78	–111	54	23	–4	–1	6	4
MEMO										
23 Foreign countries .....	37,935	23,225 <sup>c</sup>	65,842	19,727	–4,901	2,043	14,744	11,163 <sup>c</sup>	9,495	13,139
24 Official institutions .....	6,876	1,322 <sup>c</sup>	40,817	11,253	2,679	4,897	9,216	4,688	2,801	2,645
25 Other foreign <sup>d</sup> .....	31,059	21,903	25,025	8,474	–7,580	–2,854	5,528	6,475 <sup>c</sup>	6,694	10,494
Oil-exporting countries										
26 Middle East <sup>e</sup> .....	4,317	–8,836	426	–342	–495	12	621	3	445	623
27 Africa <sup>f</sup> .....	11	–5	1	0	0	0	1	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS<sup>1</sup>

Percent per year, averages of daily figures

Country	Rate on Jan. 31, 1995		Country	Rate on Jan. 31, 1995		Country	Rate on Jan. 31, 1995	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria.....	4.5	May 1994	Germany.....	4.5	May 1994	Norway.....	4.75	Feb. 1994
Belgium.....	4.5	May 1994	Italy.....	7.5	Aug. 1994	Switzerland.....	3.5	Apr. 1994
Canada.....	8.23	Jan. 1995	Japan.....	1.75	Sept. 1993	United Kingdom.....	12.0	Sept. 1992
Denmark.....	5.0	May 1994	Netherlands.....	4.5	May 1994			
France <sup>2</sup> .....	5.0	July 1994						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES<sup>1</sup>

Percent per year, averages of daily figures

Type or country	1992	1993	1994	1994						1995
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 Eurodollars.....	3.70	3.18	4.63	4.74	4.80	5.01	5.52	5.78	6.27	6.23
2 United Kingdom.....	9.56	5.88	5.45	5.15	5.47	5.65	5.83	5.98	6.30	6.50
3 Canada.....	6.76	5.14	5.57	6.28	5.71	5.61	5.56	5.77	6.75	7.86
4 Germany.....	9.42	7.17	5.25	4.86	4.89	4.95	5.12	5.10	5.29	5.04
5 Switzerland.....	7.67	4.79	4.03	4.17	4.21	4.00	4.02	3.86	4.07	3.95
6 Netherlands.....	9.25	6.73	5.09	4.84	4.88	4.98	5.12	5.15	5.35	5.09
7 France.....	10.14	8.30	5.72	5.51	5.46	5.50	5.52	5.49	5.82	5.76
8 Italy.....	13.91	10.09	8.45	8.39	8.88	8.68	8.80	8.72	8.98	9.10
9 Belgium.....	9.31	8.10	5.65	5.53	5.47	5.34	5.15	5.09	5.42	5.29
10 Japan.....	4.39	2.96	2.24	2.14	2.28	2.31	2.33	2.33	2.34	2.31

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES<sup>1</sup>

Currency units per dollar except as noted

Country/currency unit	1992	1993	1994	1994					1995
				Aug.	Sept.	Oct.	Nov.	Dec.	
1 Australia/dollar <sup>2</sup>	73.521	67.993	73.161	74.010	74.200	73.787	75.492	77.389	76.469
2 Austria/schilling	10.992	11.639	11.409	11.010	10.904	10.695	10.838	11.063	10.769
3 Belgium/franc	32.148	34.581	33.424	32.248	31.871	31.284	31.694	32.329	31.542
4 Canada/dollar	1.2085	1.2902	1.3664	1.3783	1.3540	1.3503	1.3647	1.3893	1.4132
5 China, P.R./yuan	5.5206	5.7795	8.6295	8.6072	8.5581	8.5492	8.5370	8.3833	8.4608
6 Denmark/krone	6.0372	6.4863	6.3561	6.1845	6.1038	5.9479	6.0268	6.1614	6.0311
7 Finland/markka	4.4865	5.7251	5.2340	5.1493	4.9689	4.6866	4.7388	4.8590	4.7505
8 France/franc	5.2935	5.6669	5.5459	5.3602	5.2975	5.2025	5.2867	5.4132	5.2912
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.5646	1.5491	1.5195	1.5396	1.5716	1.5302
10 Greece/drachma	190.81	229.64	242.50	237.11	235.98	233.06	237.38	242.96	238.21
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7272	7.7275	7.7276	7.7306	7.7379	7.7439
12 India/rupee	28.156	31.291	31.394	31.373	31.372	31.373	31.394	31.389	31.374
13 Ireland/pound	170.42	146.47	149.69	152.22	154.61	158.64	156.39	153.36	155.67
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,582.15	1,565.79	1,548.29	1,583.81	1,633.71	1,611.53
15 Japan/yen	126.78	111.08	102.18	99.94	98.77	98.35	98.04	100.18	99.72
16 Malaysia/ringgit	2.5463	2.5738	2.6237	2.5633	2.5575	2.5589	2.5604	2.5626	2.5556
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.7570	1.7372	1.7028	1.7261	1.7601	1.7159
18 New Zealand/dollar	53.792	54.127	59.358	60.119	60.297	60.898	62.093	63.726	64.018
19 Norway/krone	6.2142	7.0979	7.0533	6.8644	6.7961	6.6166	6.7297	6.8561	6.6968
20 Portugal/escudo	135.07	161.08	165.93	159.80	157.91	155.26	157.27	161.21	157.86
21 Singapore/dollar	1.6294	1.6158	1.5275	1.5045	1.4885	1.4761	1.4682	1.4657	1.4532
22 South Africa/rand	2.8524	3.2729	3.5534	3.5968	3.5570	3.5420	3.5256	3.5703	3.5404
23 South Korea/won	784.66	805.75	806.93	806.83	803.69	801.98	799.46	794.81	793.08
24 Spain/peseta	102.38	127.48	133.88	129.90	128.60	126.34	128.34	132.31	132.62
25 Sri Lanka/rupee	44.013	48.211	49.170	49.241	49.260	49.112	49.163	49.531	49.870
26 Sweden/krona	5.8258	7.7956	7.7161	7.7420	7.5227	7.2631	7.3637	7.5161	7.4774
27 Switzerland/franc	1.4064	1.4781	1.3667	1.3184	1.2892	1.2648	1.2956	1.3289	1.2863
28 Taiwan/dollar	25.160	26.416	26.465	26.419	26.210	26.132	26.188	26.381	26.300
29 Thailand/baht	25.411	25.333	25.161	25.021	24.968	25.001	24.992	25.109	25.133
30 United Kingdom/pound	176.63	150.16	153.19	154.22	156.61	160.64	158.92	155.87	157.46
MEMO									
31 United States/dollar <sup>3</sup>	86.61	93.18	91.32	89.26	88.08	86.66	87.71	89.64	88.29

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972-76 average

world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).



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ANNUAL REPORT.

ANNUAL REPORT: BUDGET REVIEW, 1994–95.

FEDERAL RESERVE BULLETIN. Monthly. \$25.00 per year or \$2.50 each in the United States, its possessions, Canada, and Mexico. Elsewhere, \$35.00 per year or \$3.00 each.

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FEDERAL RESERVE REGULATORY SERVICE. Loose-leaf; updated monthly. (Requests must be prepaid.)

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Monetary Policy and Reserve Requirements Handbook. \$75.00 per year.

Securities Credit Transactions Handbook. \$75.00 per year.

The Payment System Handbook. \$75.00 per year.

Federal Reserve Regulatory Service. Four vols. (Contains all four Handbooks plus substantial additional material.) \$200.00 per year.

Rates for subscribers outside the United States are as follows and include additional air mail costs:

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Each Handbook, \$90.00 per year.

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FINANCIAL FUTURES AND OPTIONS IN THE U.S. ECONOMY. December 1986. 264 pp. \$10.00 each.

FINANCIAL SECTORS IN OPEN ECONOMIES: EMPIRICAL ANALYSIS AND POLICY ISSUES. August 1990. 608 pp. \$25.00 each.

## EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies are available without charge.

Consumer Handbook on Adjustable Rate Mortgages

Consumer Handbook to Credit Protection Laws

A Guide to Business Credit for Women, Minorities, and Small Businesses

Series on the Structure of the Federal Reserve System

The Board of Governors of the Federal Reserve System

The Federal Open Market Committee

Federal Reserve Bank Board of Directors

Federal Reserve Banks

Organization and Advisory Committees

A Consumer's Guide to Mortgage Lock-Ins

A Consumer's Guide to Mortgage Settlement Costs

A Consumer's Guide to Mortgage Refinancings

Home Mortgages: Understanding the Process and Your Right to Fair Lending

How to File a Consumer Complaint

Making Deposits: When Will Your Money Be Available?

Making Sense of Savings

SHOP: The Card You Pick Can Save You Money

When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit



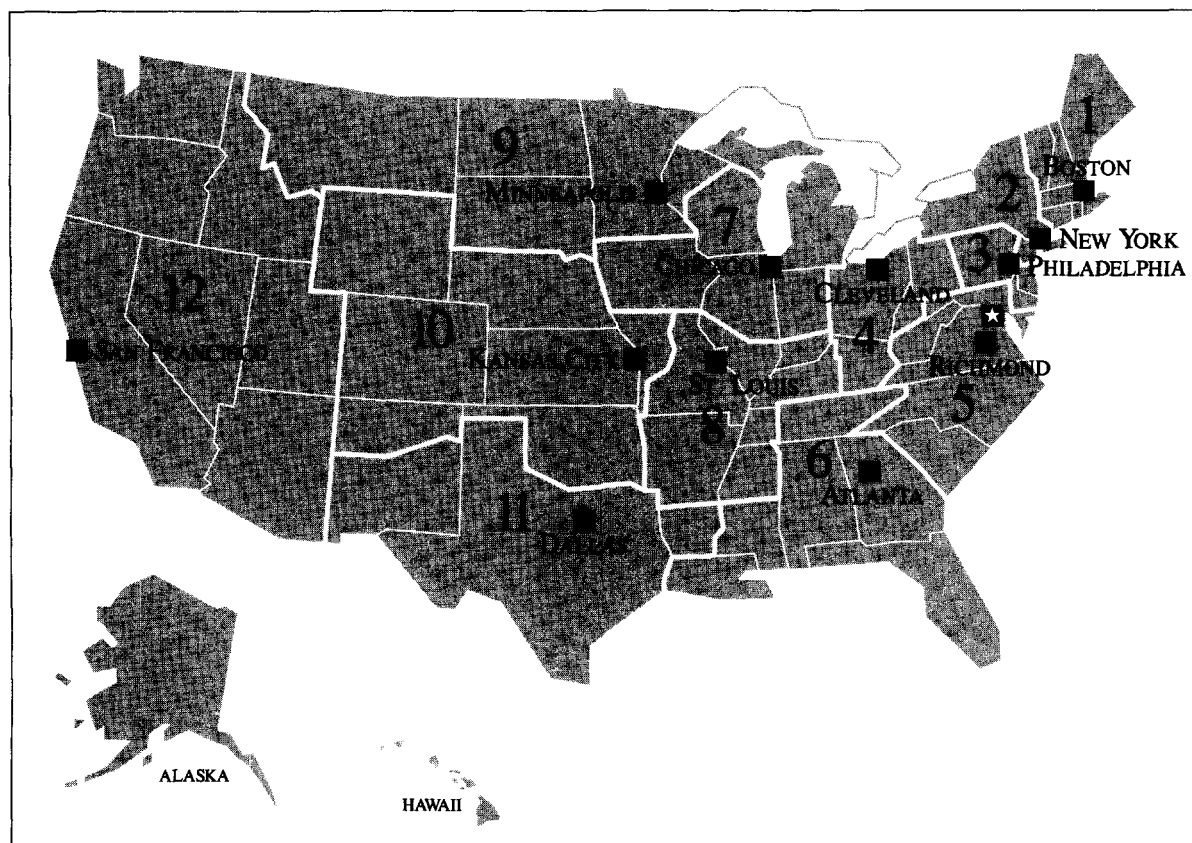
**STAFF STUDIES: Only Summaries Printed in the BULLETIN**

*Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.*

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167. A SUMMARY OF MERGER PERFORMANCE STUDIES IN BANKING, 1980–93, AND AN ASSESSMENT OF THE “OPERATING PERFORMANCE” AND “EVENT STUDY” METHODOLOGIES, by Stephen A. Rhoades. July 1994. 37 pp.

# Maps of the Federal Reserve System



## LEGEND

### *Both pages*

- Federal Reserve Bank city
- Board of Governors of the Federal Reserve System, Washington, D.C.

### *Facing page*

- Federal Reserve Branch city
- Branch boundary

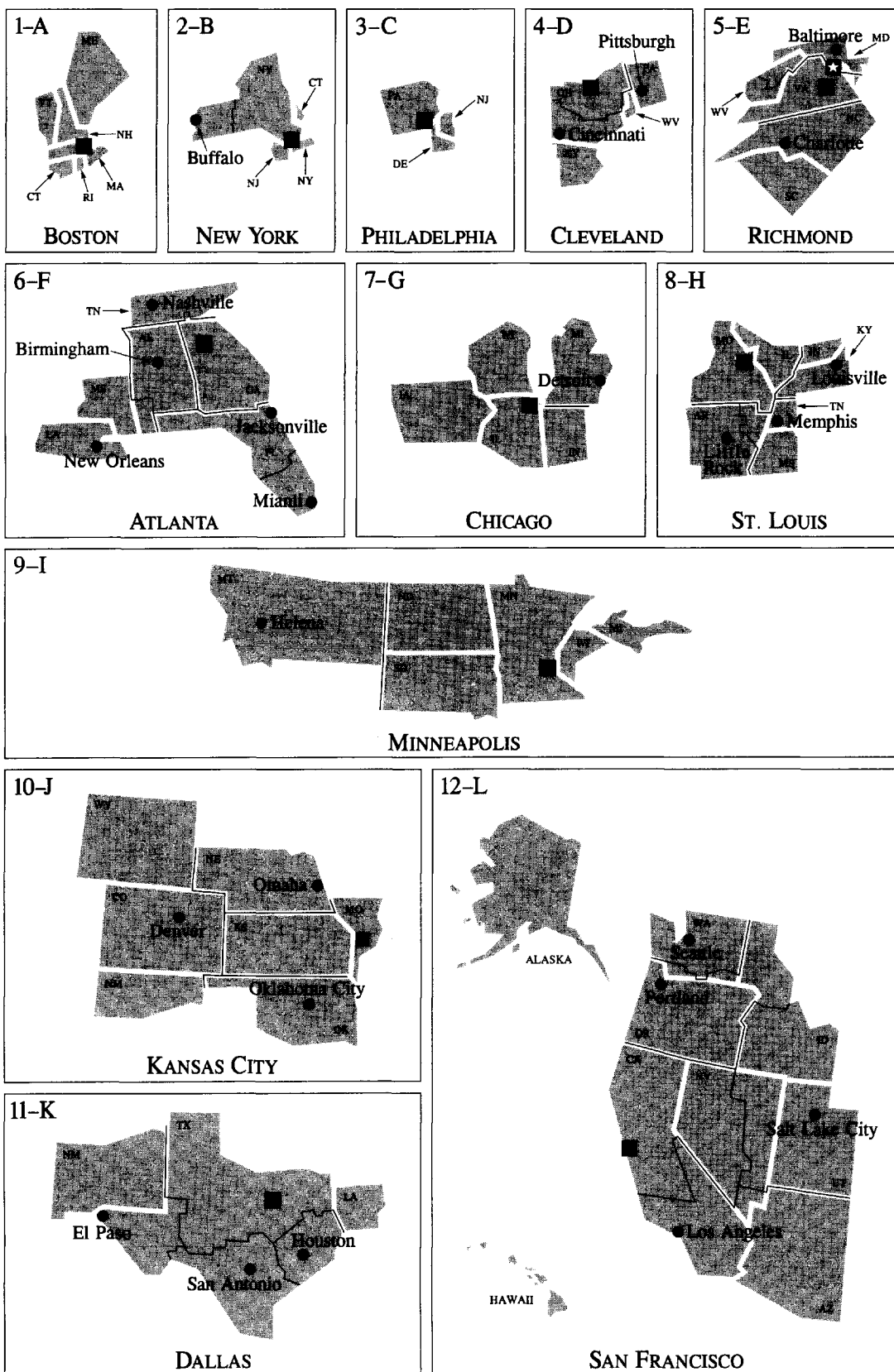
## NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the

Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.



# Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or facility	Zip	Chairman Deputy Chairman	President First Vice President	Vice President in charge of branch
BOSTON*	02106	Jerome H. Grossman William C. Brainard	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	Maurice R. Greenberg David A. Hamburg	William J. McDonough James H. Oltman	
Buffalo	14240	Joseph J. Castiglia		Carl W. Turnipseed <sup>1</sup>
PHILADELPHIA	19105	James M. Mead Donald J. Kennedy	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds G. Watts Humphrey, Jr.	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	John N. Taylor, Jr.		Charles A. Cerino <sup>1</sup>
Pittsburgh	15230	Robert P. Bozzone		Harold J. Swart <sup>1</sup>
RICHMOND*	23219	Henry J. Faison Claudine B. Malone	J. Alfred Broadus, Jr. Jimmie R. Monhollon	
Baltimore	21203	Michael R. Watson		Ronald B. Duncan <sup>1</sup>
Charlotte	28230	James O. Roberson		Walter A. Varvel <sup>1</sup>
ATLANTA	30303	Leo Benatar Hugh M. Brown	Robert P. Forrestal Jack Guynn	
Birmingham	35283	Patricia B. Compton		Donald E. Nelson <sup>1</sup>
Jacksonville	32231	Lana Jane Lewis-Brent		Fred R. Herr <sup>1</sup>
Miami	33152	Michael T. Wilson		James D. Hawkins <sup>1</sup>
Nashville	37203	James E. Dalton, Jr.		James T. Curry III
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\*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

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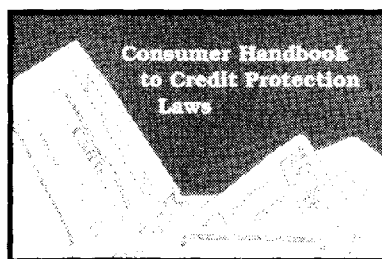
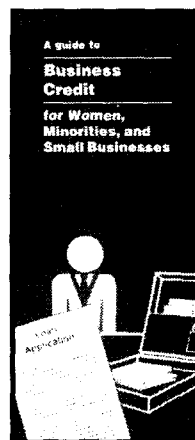
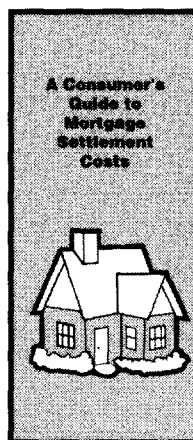
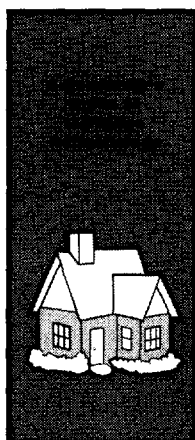
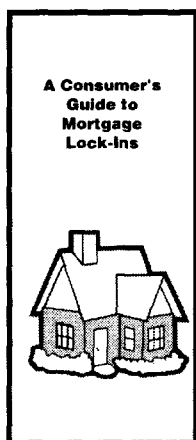
## FEDERAL RESERVE CONSUMER CREDIT PUBLICATIONS

The Federal Reserve Board publishes a series of pamphlets covering individual credit laws and topics, as pictured below. The series includes such subjects as how the Equal Credit Opportunity Act protects women against discrimination in their credit dealings, how to use a credit card, and how to resolve a billing error.

The Board also publishes the *Consumer Handbook to Credit Protection Laws*, a complete guide to consumer credit protections. This forty-four-page booklet explains how to shop and obtain credit, how to maintain a good credit rating, and how to dispute unfair credit transactions.

Three booklets on the mortgage process are also available: *A Consumer's Guide to Mortgage Lock-Ins*, *A Consumer's Guide to Mortgage Refinancings*, and *A Consumer's Guide to Mortgage Settlement Costs*. These booklets were prepared in conjunction with the Federal Home Loan Bank Board and in consultation with other federal agencies and trade and consumer groups.

Copies of consumer publications are available free of charge from Publications Services, mail stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551. Multiple copies for classroom use are also available free of charge.



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# Publications of Interest

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## *FEDERAL RESERVE REGULATORY SERVICE*

To promote public understanding of its regulatory functions, the Board publishes the Federal Reserve Regulatory Service, a four-volume loose-leaf service containing all Board regulations as well as related statutes, interpretations, policy statements, rulings, and staff opinions. For those with a more specialized interest in the Board's regulations, parts of this service are published separately as handbooks pertaining to monetary policy, securities credit, consumer affairs, and the payment system.

These publications are designed to help those who must frequently refer to the Board's regulatory materials. They are updated monthly, and each contains citation indexes and a subject index.

*The Monetary Policy and Reserve Requirements Handbook* contains Regulations A, D, and Q, plus related materials.

*The Securities Credit Transactions Handbook* contains Regulations G, T, U, and X, dealing with extensions of credit for the purchase of securities, together with related statutes, Board interpretations, rulings, and staff opinions. Also included are the Board's list

of marginable OTC stocks and its list of foreign margin stocks.

*The Consumer and Community Affairs Handbook* contains Regulations B, C, E, M, Z, AA, BB, and DD, and associated materials.

*The Payment System Handbook* deals with expedited funds availability, check collection, wire transfers, and risk-reduction policy. It includes Regulations CC, J, and EE, related statutes and commentaries, and policy statements on risk reduction in the payment system.

For domestic subscribers, the annual rate is \$200 for the Federal Reserve Regulatory Service and \$75 for each Handbook. For subscribers outside the United States, the price including additional air mail costs is \$250 for the Service and \$90 for each Handbook. All subscription requests must be accompanied by a check or money order payable to the Board of Governors of the Federal Reserve System. Orders should be addressed to Publications Services, mail stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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## *GUIDE TO THE FLOW OF FUNDS ACCOUNTS*

A recent Federal Reserve publication, *Guide to the Flow of Funds Accounts*, explains in detail how the U.S. financial flow accounts are prepared. The accounts, which are compiled by the Division of Research and Statistics, are published in the Board's quarterly Z.1 statistical release, "Flow of Funds Accounts, Flows and Outstandings." The *Guide* updates and replaces *Introduction to Flow of Funds*, published in 1980.

The 670-page *Guide* begins with an explanation of the organization and uses of the flow of funds accounts and their relationship to the national income and product accounts prepared by the U.S. Department of Commerce. Also discussed are the individual data series that make up the accounts and such proce-

dures as seasonal adjustment, extrapolation, and interpolation.

The balance of the *Guide* contains explanatory tables corresponding to the tables of financial flows data that appeared in the September 1992 Z.1 release. These tables give, for each data series, the source of the data or the methods of calculation, along with annual data for 1991 that were published in the September 1992 release.

*Guide to the Flow of Funds Accounts* is available for \$8.50 per copy from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551. Orders must include a check or money order, in U.S. dollars, made payable to the Board of Governors of the Federal Reserve System.

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# Federal Reserve Statistical Releases

## Available on the Commerce Department's Economic Bulletin Board

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The Board of Governors of the Federal Reserve System makes some of its statistical releases available to the public through the U.S. Department of Commerce's economic bulletin board. Computer access to the releases can be obtained by sub-

scription. For further information regarding a subscription to the economic bulletin board, please call (202) 482-1986. The releases transmitted to the economic bulletin board, on a regular basis, are the following:

<i>Reference Number</i>	<i>Statistical release</i>	<i>Frequency of release</i>
H.3	Aggregate Reserves	Weekly/Thursday
H.4.1	Factors Affecting Reserve Balances	Weekly/Thursday
H.6	Money Stock	Weekly/Thursday
H.8	Assets and Liabilities of Insured Domestically Chartered and Foreign Related Banking Institutions	Weekly/Monday
H.10	Foreign Exchange Rates	Weekly/Monday
H.15	Selected Interest Rates	Weekly/Monday
G.5	Foreign Exchange Rates	Monthly/end of month
G.17	Industrial Production and Capacity Utilization	Monthly/midmonth
G.19	Consumer Installment Credit	Monthly/fifth business day
Z.7	Flow of Funds	Quarterly

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