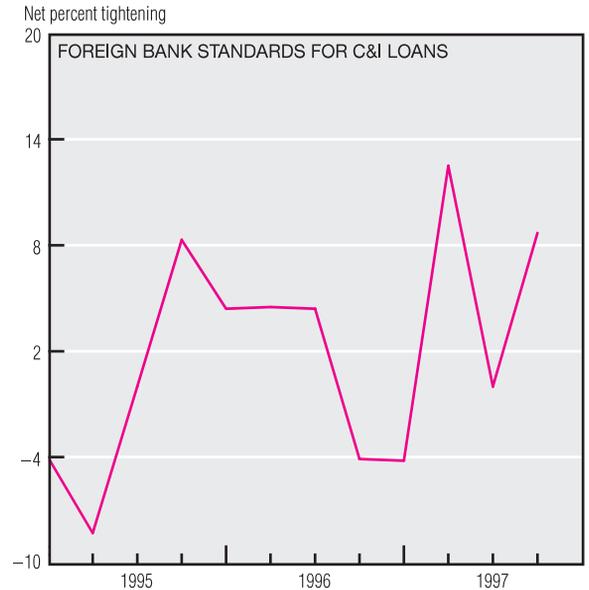
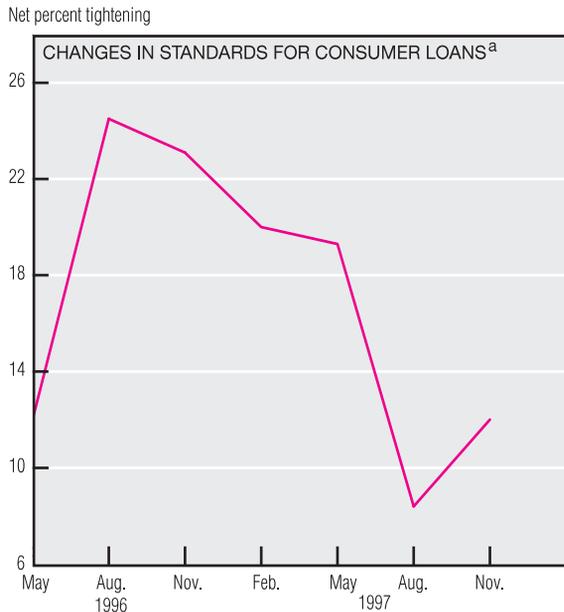
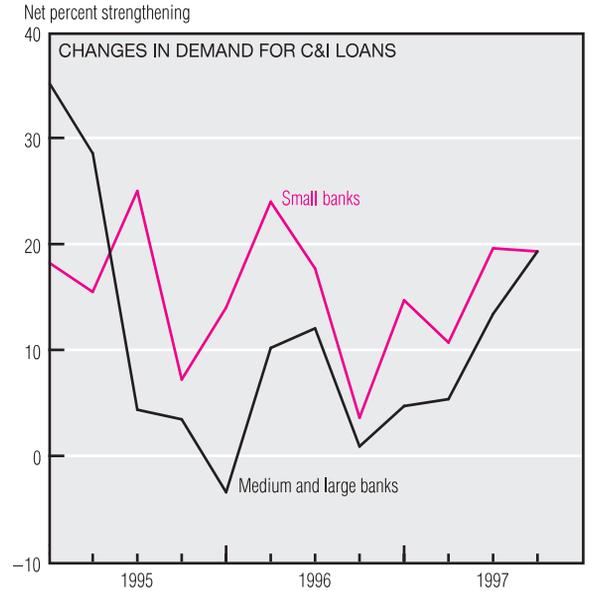
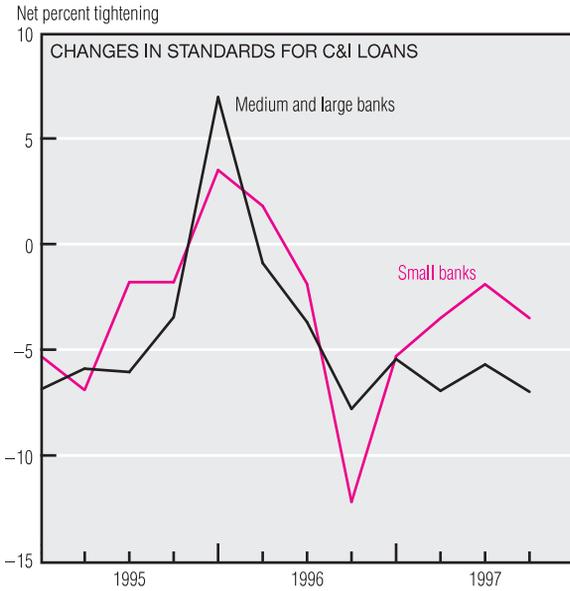


Bank Lending in the U.S.



a. Excludes credit cards.
SOURCE: Board of Governors of the Federal Reserve System, Senior Loan Officer Opinion Survey on Bank Lending Practices.

The Senior Loan Officer Opinion Survey on Bank Lending Practices provides insight into changes in the markets for lending by domestic banks and by branches and agencies of foreign banks operating in the U.S. Thus, it helps answer two questions: First, is bank liquidity adequate for loan demand? Second, are foreign banks transmitting their financial problems to the U.S. through their operations here?

In the November survey, roughly 5% of domestic banks reported easing their standards on commercial

and industrial (C&I) loans, and about 40% reported narrowing spreads over costs of funds. On the other hand, roughly 20% of domestic banks reported stronger demand for C&I loans, largely for financing plant and equipment expenditures and for mergers and acquisitions. Since the end of 1996, a trend toward tighter standards and stronger demand has confirmed the picture of a strong economy.

Consumer lending shows a slightly different picture, with standards still tightening, presumably in response to performance problems.

Consumer loan demand, however, was slightly weaker than in the previous report.

Unlike domestic banks, foreign banks reported tighter standards on C&I loans, tempting analysts to conclude that financial problems abroad are already affecting the U.S. However, these banks' tighter C&I loan standards and slower loan growth predated their parent countries' problems. Moreover, many survey responses were completed before the late November declines in the U.S. stock market.