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[1] In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

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CONFIDENTIAL (FR)
CLASS III - FOMC

March 27, 1992

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

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THE DOMESTIC NONFINANCIAL ECONOMY

Gross Domestic Product, 1991:Q4

BEA now estimates that real gross domestic product (GDP) rose at an annual rate of 0.4 percent in the fourth quarter of 1991, about 1/2 percentage point less than the preliminary estimate released last month. Final sales are still estimated to have edged lower in the fourth quarter, with a downward revision to net exports offsetting upward adjustments to consumer outlays and business equipment spending; revisions to the other components of final sales were quite small. The accumulation of nonfarm inventories last quarter is now estimated to have been slightly smaller than was reported a month ago, but this revision does not alter our view that stocks were undesirably heavy at year-end. The GDP fixed-weight price index is estimated to have risen at an annual rate of 2.1 percent in the fourth quarter, 0.1 percentage point below the preliminary estimate.

The personal saving rate for the fourth quarter was revised down from 5.3 percent to 5.2 percent in this report, reflecting the lower level of disposable income and the upward revision to consumer spending. Note that last month BEA erroneously reported the fourth-quarter saving rate to have been 5.4 percent instead of 5.3 percent; BEA has confirmed that there was a typographical error in last month's release.

The BEA report contained the first estimate of corporate profits for the fourth quarter. On an economic basis, profits rose nearly 3-1/2 percent (not at an annual rate) last quarter, reaching a level about 7 percent above that of a year earlier. The fourth-quarter gain was concentrated in domestic nonfinancial industries. The share of economic profits in nominal GDP edged up last quarter to 5.5 percent, but stood only 0.2 percentage point above the cyclical low registered in the fourth quarter of 1990.

Personal Income and Consumption

Nominal personal income rebounded strongly in February, after declining somewhat in January; this monthly pattern occurred because both private payrolls and federal subsidy payments to farmers contracted in January and then turned up in February. After adjusting for price change and tax payments, real disposable personal income in January and February was, on average, 0.6 percent (not at an annual rate) above the level in the fourth quarter of 1991.

The BEA estimates for personal outlays in January and February represent a fairly literal translation of the current estimates of retail sales. In real terms, average spending for the two months is reported to have climbed 1.3 percent (not at an annual rate) above the fourth-quarter level. As we indicated in Part 1, we have assumed in assembling the staff forecast that retail sales in January and February will be revised down or that March sales will be depressed by a sizable "payback." In light of this assumption, the forecast anticipates a saving rate that is appreciably higher than the published BEA average of 4-3/4 percent for January and February.

The final March report on consumer sentiment from the University of Michigan was little changed from the preliminary reading; the overall index rose to 76 percent, the first significant increase since the retrenchment in sentiment last fall. The improvement relative to the November-February period occurred largely because of more positive responses to questions about business conditions for the coming year and about buying conditions for large household durables.

3/30/92

REAL GROSS DOMESTIC PRODUCT AND RELATED ITEMS

(Percent change from previous period at compound annual rates; based on seasonally adjusted data, measured in 1987 dollars)

		1990–Q4 to 1991–Q4	1991–Q3 Final	1991–Q4 Preliminary	1991–Q4 Final
1.	Gross domestic product	.3	1.8	.8	.4
2.	Final sales of domestic product	–.5	–.7	–.1	–.2
3.	Consumer spending	.6	2.3	–.2	.0
4.	Business fixed investment	–7.1	–3.7	–4.5	–3.4
5.	Producers' durable equipment	–3.7	6.7	–3.7	–1.6
6.	Nonresidential structures	–14.7	–23.9	–6.3	–7.8
7.	Residential structures	–.9	10.9	13.1	12.3
8.	Federal purchases	–3.1	–8.1	–14.6	–13.6
9.	State and local purchases	–.5	–.1	1.4	.8
10.	Exports of goods and services	6.8	7.3	13.1	9.7
11.	Imports of goods and services	4.6	22.3	2.5	2.1
ADDENDA:					
12.	Nonfarm inventory investment [1]	–13.9 [2]	–2.8	12.5	9.2
13.	Net exports of goods and services [1]	–20.9 [2]	–31.1	–17.6	–21.3
14.	Nominal GDP	3.3	4.1	2.7	2.2
15.	GDP fixed–weight price index	3.4	2.6	2.2	2.1
16.	GDP implicit price deflator	3.0	2.1	1.7	1.7
17.	Personal saving rate	5.2 [2]	5.0	5.3	5.2

1. Level, billions of 1987 dollars.
2. Annual average.

PERSONAL INCOME
(Average monthly change at an annual rate; billions of dollars)

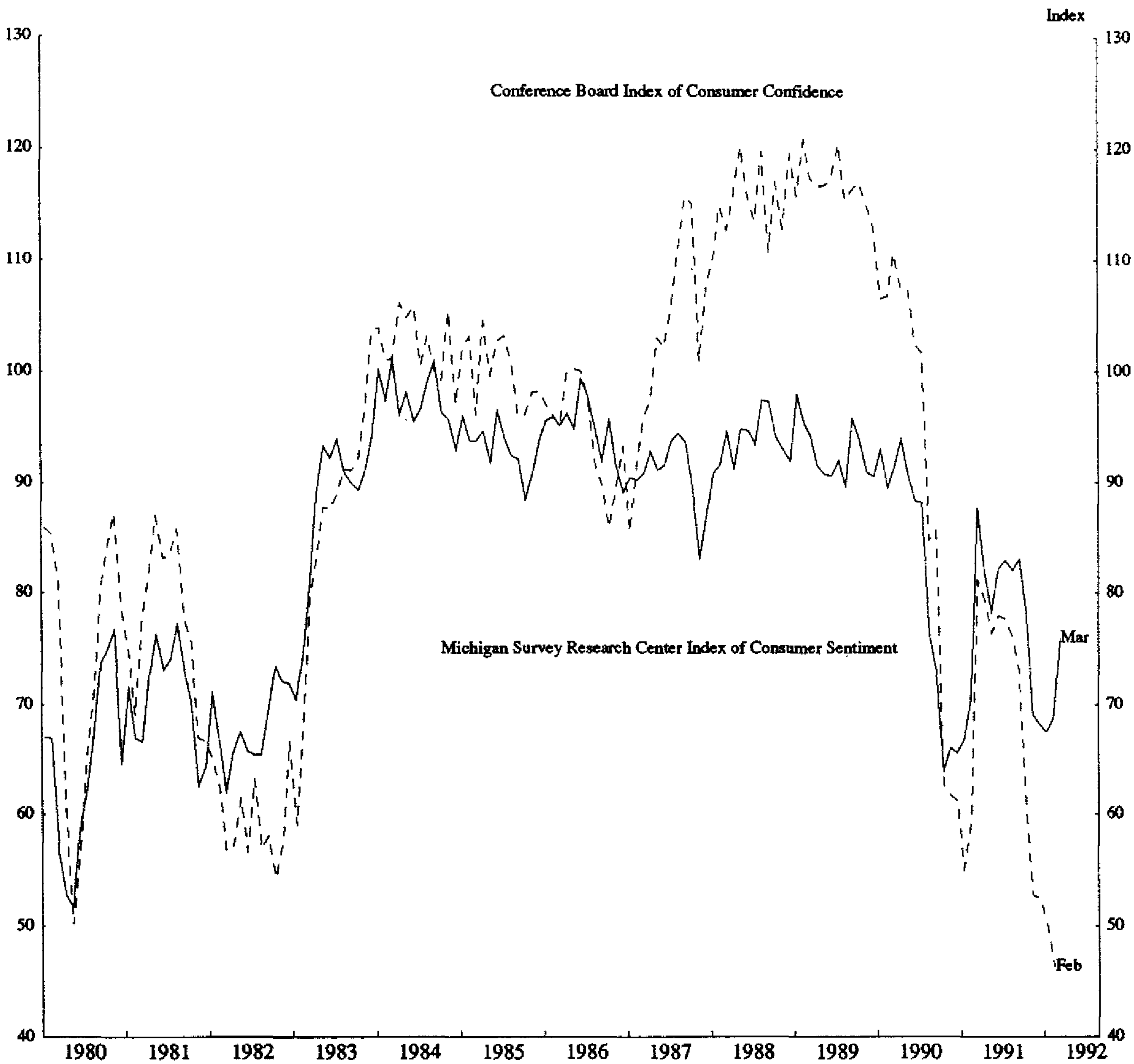
	1991	1991 Q3	1991 Q4	1991 Dec.	1992 Jan.	1992 Feb.
Total personal income	11.3	9.0	17.6	48.4	-7.5	54.3
Wages and salaries	4.7	4.4	5.6	17.7	-16.9	36.1
Private	3.1	4.8	3.9	15.9	-21.9	33.2
Other labor income	1.4	1.4	1.4	1.3	1.4	1.4
Proprietors' income	2.1	2.0	3.7	14.9	-8.5	11.4
Farm	-.5	-1.0	2.0	11.8	-12.1	5.4
Rent	.1	-1.3	2.3	2.9	-.8	.2
Dividend	.1	.5	.1	-.1	-.3	.3
Interest	-3.1	-1.4	-4.9	-4.9	-3.5	-2.0
Transfer payments	7.1	4.0	9.9	18.0	23.3	9.7
Less: Personal contributions for social insurance	1.0	.6	.4	1.3	2.4	2.6
Less: Personal tax and nontax payments	-.8	1.0	.5	2.2	-1.1	9.2
Equals: Disposable personal income	12.2	8.0	17.1	46.2	-6.4	45.1
Memo: Real disposable income	1.7	-2.2	7.1	31.7	-8.2	24.4

REAL PERSONAL CONSUMPTION EXPENDITURES
(Percent change from the preceding period)

	1991	1991 Q3	1991 Q4	1991 Dec.	1992 Jan.	1992 Feb.
		-Annual rate-		----Monthly rate----		
Personal consumption expenditures	.6	2.3	.0	-.1	.9	.6
Durable goods	-2.8	9.5	-5.7	.3	2.4	2.6
Excluding motor vehicles	-.7	4.5	-7.7	-.4	4.6	1.2
Nondurable goods	-.9	.0	-3.9	-.4	1.3	.3
Excluding gasoline	-.9	-.3	-4.2	-.7	1.5	.5
Services	2.2	2.2	3.7	.0	.3	.3
Excluding energy	2.2	2.4	3.4	.7	.4	.4
Memo: Personal saving rate (percent)	5.2	5.0	5.2	5.6	4.6	4.7

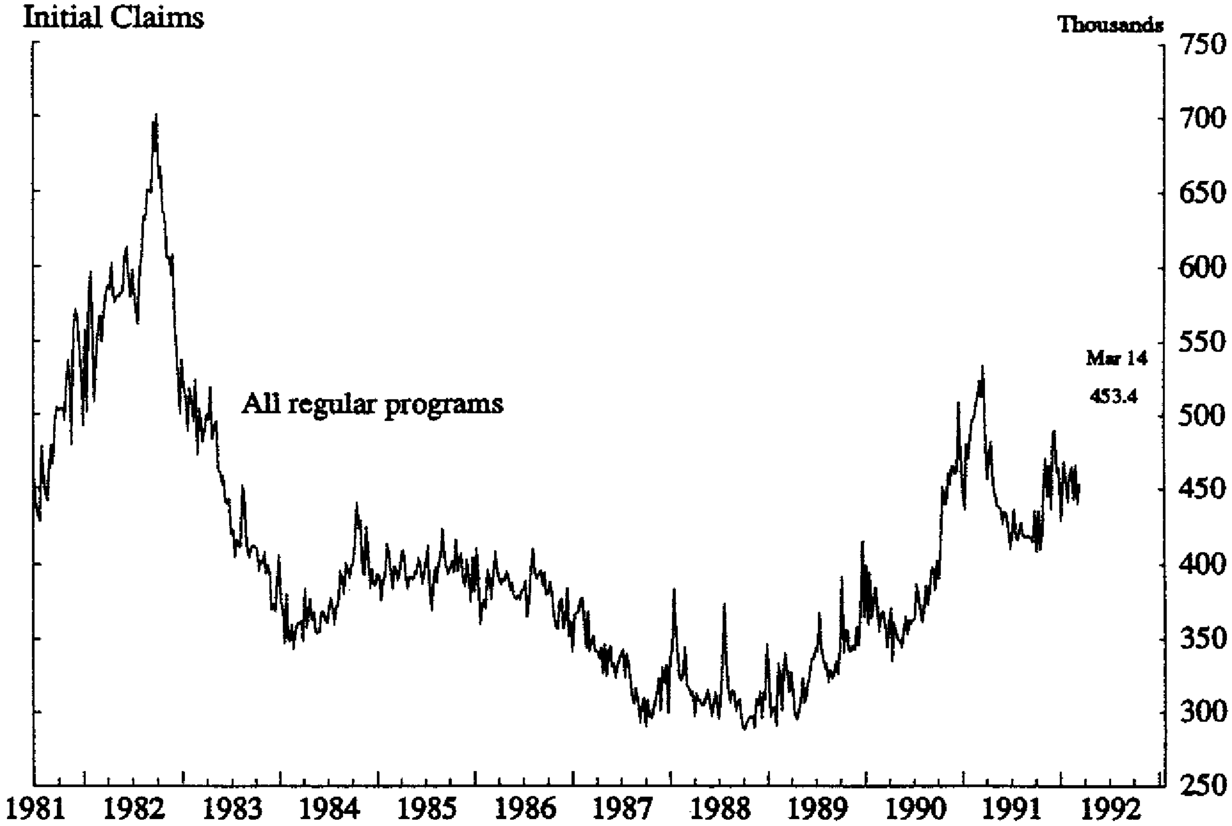
Consumer Attitudes

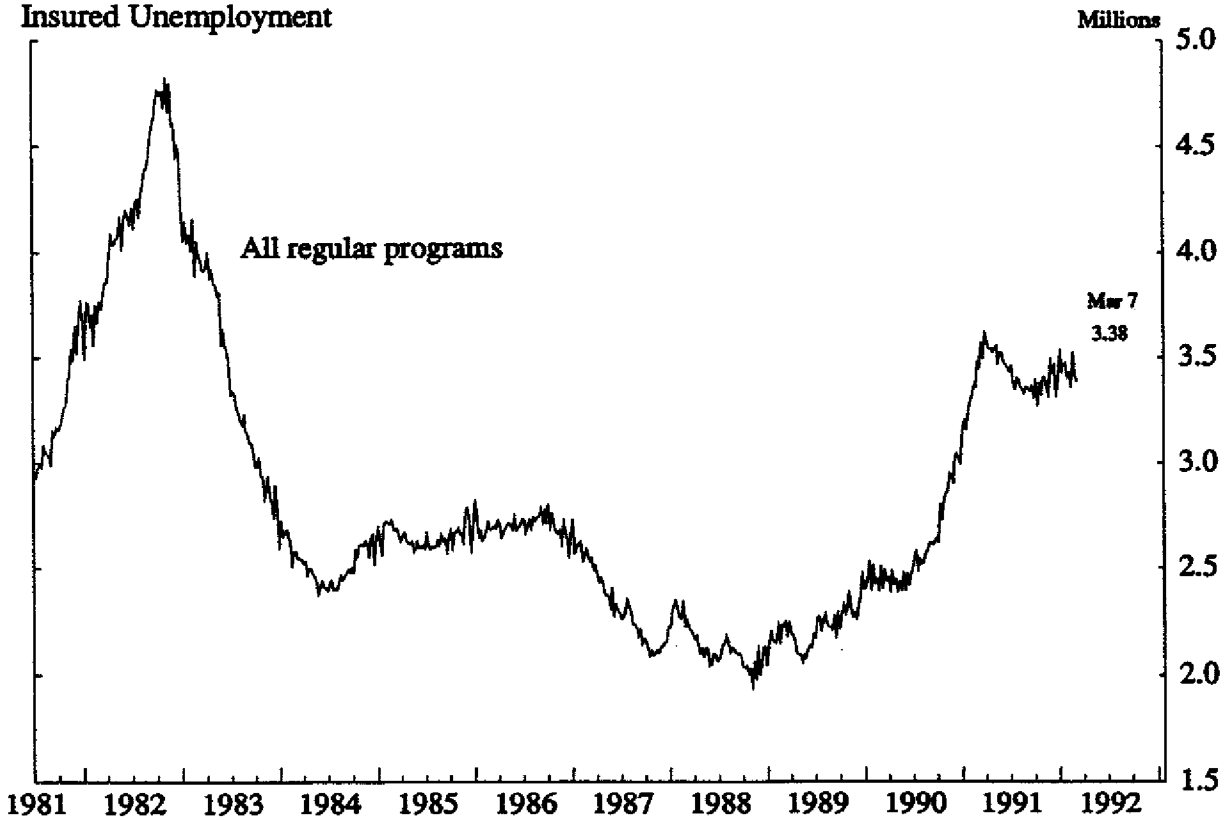
March 27, 1992



The base of the Michigan Index is February 1966; the base of the Conference Board Index is the annual average for 1985. Both indexes are an average of five equally-weighted questions that relate to current and expected economic conditions. However, the questions in the two surveys are different and the timing of the surveys in the field varies.

Unemployment Insurance
(Weekly data; seasonally adjusted, BLS basis <1>)





<1> Only the state program components of these series are seasonally adjusted.

THE FINANCIAL ECONOMY

The March 1992 Senior Financial Officer Survey

Summary

In view of the unusual strength in demand deposits since the beginning of the year, the System conducted a Senior Financial Officer Survey in mid-March to obtain information about the behavior of these deposits. Nearly half of the reporting banks characterized their demand deposit growth as stronger than normal in recent months. Most banks experiencing stronger growth attributed it to business customers, who had increased compensating balances in response to lower market interest rates. A number of banks pointed to increased activity in financial markets and to higher balances held by mortgage servicers.

To provide an overview of demand deposits, several questions were repeated from a 1988 Senior Financial Officer Survey, the last one conducted on this topic. Businesses continue to hold the bulk of demand deposits, and roughly half of these deposits are held under formal compensating-balance arrangements. While the share of compensating balances in total demand deposits is lower than in 1988, respondents answered that it had increased somewhat over the past two years. The current survey also found that few business customers currently hold sweep accounts, which are arrangements to move balances automatically at the end of the day from demand deposits to interest-earning accounts.

The remainder of the survey asked specific questions regarding compensating balances. Even though the share of demand deposits held as compensating balances is lower than in 1988, a significant portion of firms' service charges are paid with earnings credits on these accounts. Banks still use the three-month Treasury rate almost exclusively to calculate earnings credits, and the rate

typically is averaged over a month, as are compensating balance requirements. For the most part, banks continue to adjust deposit balances for the cost of reserve requirements in calculating credits. However, in contrast to the results from the 1988 survey, banks are less likely to allow customers to carry over surpluses or deficiencies to the following period.

Demand Deposit Growth

Slightly less than one-half of the reporting banks experienced stronger-than-normal demand deposit growth so far this year, while only three characterized growth as weaker than normal. Nearly all banks with stronger-than-normal growth attributed that strength to nonfinancial or financial business depositors; a third of those banks with stronger growth also cited the household sector.

In general, lower market interest rates require customers to increase their compensating balances to generate the same amount of earnings credits. In the survey, three-quarters of the banks with stronger growth cited such an adjustment of compensating balances to the lower level of market rates as a reason. Over two-fifths of the banks experiencing stronger-than-normal inflows included lower interest rates on other types of deposits as a contributing factor. Twenty percent of all banks and one-third of the smaller banks cited that compensating balances increased owing to higher use of credit or operational services.

Other factors playing a role included increased demand deposit holdings resulting from increased activity in financial markets and higher balances of mortgage servicers. Consistent with this latter explanation, most banks reported that mortgage servicers typically place their mortgage payments in demand deposits prior to disbursement. However, one bank noted that these funds were held in savings deposits and then transferred to demand deposits just before disbursements were made.

Demand Deposits and Compensating Balance Arrangements

The share of demand deposits held by businesses appears to have remained steady over the past several years. The median bank estimated that between 61 and 80 percent of its demand deposits were held by businesses, similar to the proportion estimated from Deposit Ownership Surveys in 1988. However, a smaller share of business demand deposits are held under compensating balance arrangements, with the median respondent on the current survey placing in the 41 to 60 percent quintile versus in the 61 to 80 percent quintile in the 1988 Senior Financial Officer Survey. However, banks reported that this share had increased slightly over the past two years, with over two-fifths of the banks experiencing an increase while one-fifth saw a decline. And while some banks have encouraged the payment of services with explicit fees, most have not.

Earnings credits from compensating balances cover a significant portion of the service charges incurred by business customers. The median bank responded that from 21 to 40 percent of service charges to large firms were met by earnings credits. For their middle market and small business customers, the median-bank response was higher, in the 41 to 60 percent range. Most banks reported that they did not encourage the payment of services with fees by favorable pricing arrangements.

The current survey included a set of questions about sweep accounts that were not on the earlier survey. In general, sweep accounts are not common, and some banks do not offer such accounts. The small number of customers holding sweep accounts is consistent with recent conversations that the Board staff has had with cash managers across the country; those cash managers noted that they directly manage their demand deposits rather than delegate the task to a bank, as under a sweep arrangement.

Most banks again indicated that earnings credits are computed using the three-month Treasury bill rate. Nearly all of the banks use a monthly average of either the auction or secondary market yield. A smaller number of banks use a managed rate, set by their rate committee and based on a variety of money market rates. The survey indicated that many banks use a lagged rather than a current rate in calculating earnings credits.

Roughly two-thirds of the banks allow at least some of their customers to carry account surpluses or deficiencies into the next period. However, over eighty-five percent of the banks place limits on these carryovers for some or all of their customers, and only a third of them allow some or all of their customers to carry surpluses over into the next calendar year. Finally, customers appear to be most likely to make up for the shortfall in earnings credits with additional fee payments rather than to adjust balances within current or subsequent accounting periods.

Table 1

SENIOR FINANCIAL OFFICER SURVEY ON DEMAND DEPOSITS
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of January and February 1992)
(Number of banks and percent of banks answering question)

(By volume of total domestic assets, in $ billions, as of December 31, 1991[1])
(By type of bank)

This report is authorized by law [12 U.S.C. 225(a), 248(a), and 263]. Your voluntary cooperation in submitting this report is needed to make the results comprehensive, accurate, and timely.

The Federal Reserve System regards the individual bank information provided by each respondent as confidential. If it should be determined subsequently that any information collected on this form must be released, respondents will be notified.

Demand deposits have expanded at a very strong pace over the past two months. The Federal Reserve is seeking information from depository institutions about possible reasons for this surge and to update our knowledge about the relationships between compensating balance and mortgage servicing arrangements and demand deposits.

1. Adjusting for normal seasonal variation and any mergers, please characterize demand deposit growth at your bank during January and February.

	very strong		above normal		about normal		below normal		very weak		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	7	12.7	18	32.7	27	49.1	3	5.5	0	0.0	55
$10.0 and over	3	10.3	10	34.5	15	51.7	1	3.4	0	0.0	29
under $10.0	4	15.4	8	30.8	12	46.2	2	7.7	0	0.0	26

2. If you characterized recent growth as "very strong" or "above normal", was the strength in (more than one may apply)

	nonfinancial business demand deposits		financial business demand deposits		household demand deposits		other accounts		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	14	58.33	14	58.33	8	33.33	2	8.33	24
$10.0 and over	6	46.15	8	61.54	6	46.15	0	0	13
under $10.0	8	72.73	6	54.55	2	18.18	2	18.18	11

3. If you characterized recent growth in business demand deposits as "very strong" or "above normal", to what would you attribute the strength? (more than one may apply)

a. increased compensating balance requirements due to lower interest rates
b. increased compensating balance requirements because of higher use of credit services or operational services
c. increased compensating balances to make up for shortages relative to requirements late last year
d. increased demand deposit balances due to increased economic activity
e. increased demand deposit holdings due to increased activity in financial markets
f. increased demand deposit balances due to lower interest rates on other types of deposits
g. increased demand deposit balances due to mortgage servicers holding higher balances
h. other

	Increased compensating balance...						Increased demand deposit balances...										
	requirements due to lower interest rates		requirements because of higher use of credit		to make up for shortages		due to increased economic activity		due to increased financial activity		due to lower interest rates on other deposits		due to mortgage servicers olding		other		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	19	76.00	5	20.00	2	8.00	2	8.00	7	28.00	11	44.00	6	24.00	2	8.00	25
$10.0 and over	9	69.23	1	7.69	1	7.69	2	15.38	5	38.46	6	46.15	3	23.08	1	7.69	13
under $10.0	10	83.33	4	33.33	1	8.33	0	0	2	16.67	5	41.67	3	25.00	1	8.33	12

4. If your bank maintains accounts for mortgage servicers that service securitized mortgages, or if your bank services such mortgages directly, in what type of account are the principal and interest payments primarily placed prior to disbursement to the appropriate transfer agency or trustee for the mortgage security?

	demand deposit		MMDAs		other		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	34	79.07	7	16.28	5	11.63	43
$10.0 and over	18	78.26	4	17.39	3	13.04	23
under $10.0	16	80.00	3	15.00	2	10.00	20

5. Roughly what proportion of the balances in demand deposits held at your bank are held by businesses?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	1	1.8	8	14.5	15	27.3	21	38.2	10	18.2	55
$10.0 and over	1	3.4	4	13.8	6	20.7	12	41.4	6	20.7	29
under $10.0	0	0.0	4	15.4	9	34.6	9	34.6	4	15.4	26

6. Has your bank encouraged the payment for services with fees by pricing such payments more favorably than payments through compensating balances?

	yes		no		total
	banks	pct	banks	pct	banks
All Respondents	8	14.8	46	85.2	54
$10.0 and over	5	17.9	23	82.1	28
under $10.0	3	11.5	23	88.5	26

7a. Roughly what proportion of the balances in business demand deposits held at your bank would you estimate typically is made up of funds held under formal compensating balance arrangements? (Include balances held to compensate for credit services and operational services.)

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	17	31.5	4	7.4	13	24.1	14	25.9	6	11.1	54
$10.0 and over	8	28.6	3	10.7	6	21.4	7	25.0	4	14.3	28
under $10.0	9	34.6	1	3.8	7	26.9	7	26.9	2	7.7	26

7b. How has this proportion changed over the past two years?

	increased significantly		increased somewhat		unchanged		decreased somewhat		decreased significantly		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	5	9.3	19	35.2	19	35.2	10	18.5	1	1.9	54
$10.0 and over	1	3.6	12	42.9	9	32.1	5	17.9	1	3.6	28
under $10.0	4	15.4	7	26.9	10	38.5	5	19.2	0	0.0	26

8a. What proportion of your large (over $250 million in annual sales) business customers hold sweep accounts?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	47	90.4	1	1.9	1	1.9	2	3.8	1	1.9	52
$10.0 and over	26	96.3	1	3.7	0	0.0	0	0.0	0	0.0	27
under $10.0	21	84.0	0	0.0	1	4.0	2	8.0	1	4.0	25

8b. What proportion of your middle market (between $50 million and $250 million in annual sales) business customers hold sweep accounts?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	43	84.3	6	11.8	0	0.0	1	2.0	1	2.0	51
$10.0 and over	25	96.2	1	3.8	0	0.0	0	0.0	0	0.0	26
under $10.0	18	72.0	5	20.0	0	0.0	1	4.0	1	4.0	25

8c. What proportion of your small (under $50 million in annual sales) business customers hold sweep accounts?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	44	88.0	4	8.0	2	4.0	0	0.0	0	0.0	50
$10.0 and over	24	96.0	1	4.0	0	0.0	0	0.0	0	0.0	25
under $10.0	20	80.0	3	12.0	2	8.0	0	0.0	0	0.0	25

Specific Questions on Compensating Balance Arrangements

Answer the remaining questions only if your institution allows businesses to pay for credit services or operational services credits earned on compensating balances.

9a. Please indicate what interest rate is used as a basis for calculating earnings credits.

	three-month Treasury bill		overnight rate		fixed nonmarket rate		other		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	44	80.0	0	0.0	0	0.0	11	20.0	55
$10.0 and over	22	75.9	0	0.0	0	0.0	7	24.1	29
under $10.0	22	84.6	0	0.0	0	0.0	4	15.4	26

9b. If the interest rate that is used as the basis for calculating earnings credits have been changed over the past two years, please indicate the previous basis.

	three-month Treasury bill		overnight rate		fixed nonmarket rate		other		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	5	71.4	0	0.0	0	0.0	2	28.6	7
$10.0 and over	3	60.0	0	0.0	0	0.0	2	40.0	5
under $10.0	2	100.0	0	0.0	0	0.0	0	0.0	2

9c. Over what period is this rate measured?

	daily		weekly		monthly		quarterly		other		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	0	0.0	2	3.6	50	90.9	1	1.8	2	3.6	55
$10.0 and over	0	0.0	2	6.9	26	89.7	0	0.0	1	3.4	29
under $10.0	0	0.0	0	0.0	24	92.3	1	3.8	1	3.8	26

Over what period are compensating balance requirements measured?

	month		quarter		year		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	52	94.55	14	25.45	11	20.00	55
$10.0 and over	29	100.0	8	27.59	5	17.24	29
under $10.0	23	88.46	6	23.08	6	23.08	26

9e. Does your institution plan to adjust its earnings credit rate to reflect the upcoming change in reserve requirements?

	yes		no		total
	banks	pct	banks	pct	banks
All Respondents	32	58.2	23	41.8	55
$10.0 and over	19	65.5	10	34.5	29
under $10.0	13	50.0	13	50.0	26

10a. Can compensating balance account surpluses in one period be carried over to the following period?

	yes		no		for some customers		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	13	24.1	6	11.1	35	64.8	54
$10.0 and over	8	28.6	1	3.6	19	67.9	28
under $10.0	5	19.2	5	19.2	16	61.5	26

10b. Can compensating balance account deficiencies in one period be carried over to the following period?

	yes		no		for some customers		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	10	18.5	11	20.4	33	61.1	54
$10.0 and over	4	14.3	6	21.4	18	64.3	28
under $10.0	6	23.1	5	19.2	15	57.7	26

10c. If either surpluses or deficiencies can be carried over, are there any limits on these period-to-period carryovers?

	yes		no		for some customers		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	29	54.7	7	13.2	17	32.1	53
$10.0 and over	17	60.7	3	10.7	8	28.6	28
under $10.0	12	48.0	4	16.0	9	36.0	25

10d. Can they be carried past the end of a calendar year?

	yes		no		for some customers		total
	banks	pct	banks	pct	banks	pct	banks
All Respondents	3	5.7	36	67.9	14	26.4	53
$10.0 and over	2	7.1	18	64.3	8	28.6	28
under $10.0	1	4.0	18	72.0	6	24.0	25

11a. What proportion of a large (over $250 million in annual sales) firm's service fees at your bank are typically covered by earnings credits from compensating balances?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	13	26.0	14	28.0	15	30.0	5	10.0	3	6.0	50
$10.0 and over	6	25.0	7	29.2	6	25.0	3	12.5	2	8.3	24
under $10.0	7	26.9	7	26.9	9	34.6	2	7.7	1	3.8	26

11b. What proportion of a middle market (between $50 million and $250 million in annual sales) firm's service fees at your bank are typically covered by earnings credits from compensating balances?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	3	6.0	6	12.0	28	56.0	10	20.0	3	6.0	50
$10.0 and over	1	4.2	3	12.5	13	54.2	5	20.8	2	8.3	24
under $10.0	2	7.7	3	11.5	15	57.7	5	19.2	1	3.8	26

11c. What proportion of a small (under $50 million in annual sales) firm's service fees at your bank are typically covered by earnings credits from compensating balances?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	4	8.0	10	20.0	20	40.0	10	20.0	6	12.0	50
$10.0 and over	2	8.3	5	20.8	9	37.5	5	20.8	3	12.5	24
under $10.0	2	7.7	5	19.2	11	42.3	5	19.2	3	11.5	26

12. In accounting periods in which earnings credits appear likely to fall below service charges, what proportion of your compensating balance account volumes are held by businesses that

i. would make up the shortfall with fee payments?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	3	5.9	4	7.8	9	17.6	17	33.3	18	35.3	51
$10.0 and over	1	4.0	1	4.0	5	20.0	8	32.0	10	40.0	25
under $10.0	2	7.7	3	11.5	4	15.4	9	34.6	8	30.8	26

ii. would adjust balances within the accounting period to make up for the shortfall?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	35	68.6	8	15.7	7	13.7	1	2.0	0	0.0	51
$10.0 and over	18	72.0	2	8.0	4	16.0	1	4.0	0	0.0	25
under $10.0	17	65.4	6	23.1	3	11.5	0	0.0	0	0.0	26

iii. would make up for the shortfall by holding higher balances in the next accounting period?

	0 to 20 percent		21 to 40 percent		41 to 60 percent		61 to 80 percent		over 80 percent		total
	banks	pct	banks	pct	banks	pct	banks	pct	banks	pct	banks
All Respondents	38	76.0	6	12.0	4	8.0	1	2.0	1	2.0	50
$10.0 and over	20	80.0	1	4.0	3	12.0	0	0.0	1	4.0	25
under $10.0	18	72.0	5	20.0	1	4.0	1	4.0	0	0.0	25

13. Please indicate the formula most commonly used at your institution for determining required compensating balances.

MONETARY AGGREGATES
(based on seasonally adjusted data unless otherwise noted)

	1991[1]	1991 Q4	1992 Q1pe	1992 Jan	1992 Feb	1992 Mar pe	Growth Q4 91- Mar 92pe
	------------Percent change at annual rates--------------------						
1. M1	8.0	11.1	16½	16.2	27.0	14	17¼
2. M2	2.8	2.3	4½	3.2	9.4	0	4
3. M3	1.2	1.0	2¼	1.4	7.0	-3	1½
	-----------Percent change at annual rates------------						Levels bil. $ Feb 92
Selected components							
4. M1-A	5.6	8.8	15½	13.6	28.1	14	584.8
5. Currency	8.4	7.4	7½	9.4	9.8	4	271.6
6. Demand deposits	3.4	10.0	23	18.2	45.7	24	305.1
7. Other checkable deposits	12.4	15.0	19½	20.5	25.1	14	346.0
8. M2 minus M1[2]	1.1	-0.7	0	-1.4	3.2	-5	2544.8
9. Overnight RPs and Eurodollars, NSA	-7.6	39.9	18¼	26.9	1.6	-59	77.5
10. General purpose and broker/dealer money market mutual fund shares	3.9	-4.0	1	-1.7	12.3	-19	363.7
11. Commercial banks	7.1	3.9	¾	0.2	1.0	-2	1264.7
12. Savings deposits (including MMDAs)	13.3	16.0	19½	20.0	22.9	11	688.9
13. Small time deposits	1.1	-8.5	-19¼	-21.7	-24.3	-17	575.8
14. Thrift institutions	-6.9	-8.8	-3½	-2.7	-2.6	-2	838.5
15. Savings deposits (including MMDAs)	9.3	10.2	22¾	24.1	31.1	24	395.3
16. Small time deposits	-16.8	-22.5	-24¾	-24.5	-31.1	-24	443.2
17. M3 minus M2[3]	-5.5	-4.9	-7½	-7.0	-4.4	-18	725.9
18. Large time deposits	-11.7	-18.9	-20	-25.3	-16.8	-24	421.9
19. At commercial banks, net[4]	-5.1	-14.4	-17½	-25.8	-12.5	-20	342.8
20. At thrift institutions	-31.7	-36.7	-29½	-24.5	-35.4	-43	79.0
21. Institution-only money market mutual fund shares	33.4	37.0	27½	22.1	38.2	-17	188.2
22. Term RPs, NSA	-21.6	-23.6	-3½	0.0	18.6	58	72.0
23. Term Eurodollars, NSA	-9.9	-8.3	-22¾	-24.6	10.5	8	57.8
	-----Average monthly change in billions of dollars----						
MEMORANDA:[5]							
24. Managed liabilities at commercial banks (25+26)	-1.1	4.6	-5½	-4.8	1.3	-14	694.9
25. Large time deposits, gross	-0.2	-4.0	-6	-7.9	-2.4	-8	413.6
26. Nondeposit funds	-1.0	8.6	½	3.1	3.7	-6	281.3
27. Net due to related foreign institutions	0.4	6.2	½	4.6	-1.2	-2	42.3
28. Other[6]	-1.4	2.4	0	-1.6	5.0	-4	239.1
29. U.S. government deposits at commercial banks[7]	0.2	0.9	-1¼	1.3	-8.3	2	19.5

1. Amounts shown are from fourth quarter to fourth quarter.
2. Nontransactions M2 is seasonally adjusted as a whole.
3. The non-M2 component of M3 is seasonally adjusted as a whole.
4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
5. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.
6. Consists of borrowing from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.
7. Consists of Treasury demand deposits and note balances at commercial banks.

pe - preliminary estimate

SELECTED FINANCIAL MARKET QUOTATIONS 1/
(percent)

	1989	1992		1992	Change from:		
	March highs	FOMC Feb 5	Dec-Jan Lows	Mar 26	Mar 89 highs	Dec-Jan Lows	FOMC Feb 5
Short-term rates							
Federal funds 2/	9.85	4.09	3.94	3.94	-5.91	0.00	-0.15
Treasury bills 3/							
3-month	9.10	3.84	3.72	4.01	-5.09	0.29	0.17
6-month	9.11	3.89	3.76	4.15	-4.96	0.39	0.26
1-year	9.05	4.00	3.81	4.36	-4.69	0.55	0.36
Commercial paper							
1-month	10.05	4.08	4.01	4.23	-5.82	0.22	0.15
3-month	10.15	4.08	3.94	4.24	-5.91	0.30	0.16
Large negotiable CDs 3/							
1-month	10.07	4.01	3.95	4.16	-5.91	0.21	0.15
3-month	10.32	4.03	3.89	4.18	-6.14	0.29	0.15
6-month	10.08	4.07	3.89	4.15	-5.93	0.26	0.08
Eurodollar deposits 4/							
1-month	10.19	4.00	3.94	4.13	-6.06	0.19	0.13
3-month	10.50	4.00	3.88	4.19	-6.31	0.31	0.19
Bank prime rate	11.50	6.50	6.50	6.50	-5.00	0.00	0.00
Intermediate- and long-term rates							
U.S. Treasury (constant maturity)							
3-year	9.88	5.59	5.05	6.23	-3.65	1.18	0.64
10-year	9.53	7.21	6.71	7.57	-1.96	0.86	0.36
30-year	9.31	7.74	7.39	7.99	-1.32	0.60	0.25
Municipal revenue 5/ (Bond Buyer)	7.95	6.76	6.53	6.87	-1.08	0.34	0.11
Corporate--A utility recently offered	10.47	8.68	8.46	8.87	-1.60	0.41	0.19
Home mortgage rates 6/							
FHLMC 30-yr. FRM	11.22	8.68	8.23	9.03	-2.19	0.80	0.35
FHLMC 1-yr. ARM	9.31	5.93	5.79	6.22	-3.09	0.43	0.29

			1989	1992		Percent change from:		
	Record highs	Date	Lows Jan 3	FOMC Feb 5	Mar 26	Record highs	1989 lows	FOMC Feb 5
Stock prices								
Dow-Jones Industrial	3290.25	3/3/92	2144.64	3257.60	3267.67	-0.69	52.36	0.31
NYSE Composite	231.85	1/15/92	154.00	228.87	225.49	-2.74	46.42	-1.48
AMEX Composite	418.99	2/12/92	305.24	415.24	398.86	-4.80	30.67	-3.94
NASDAQ (OTC)	644.92	2/12/92	378.56	636.97	615.40	-4.58	62.56	-3.39
Wilshire	4121.28	1/15/92	2718.59	4081.13	4008.62	-2.73	47.45	-1.78

1/ One-day quotes except as noted.
2/ Average for two-week reserve maintenance period closest to date shown. Last observation is average to date for maintenance period ending April 1, 1992.
3/ Secondary market.
4/ Bid rates for Eurodollar deposits at 11 a.m. London time.
5/ Based on one-day Thursday quotes and futures market index changes.
6/ Quotes for week ending Friday previous to date shown.

THE INTERNATIONAL ECONOMY

Import and Export Prices

The index for prices of U.S. non-oil imports increased 0.3 percent (monthly rate) in February, after rising 0.5 and 0.6 percent in December and January, respectively. The February increase was led by higher prices of automotive products, up 0.9 percent, and consumer goods, up 0.5 percent. The price of oil imports declined 0.2 percent in February, after declining 8.7 and 9.4 percent in the previous two months.

The price of exports increased 0.7 percent in February, after declining 0.6 and 0.7 percent in December and January. The February rise was largely the result of a 3.8 percent increase in the price index for foods, feeds and beverages, which reversed declines of 3.7 and 0.8 percent in the previous two months.