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CONFIDENTIAL (FR)
CLASS III - FOMC

January 29, 1993

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

Real GDP, 1992:QIV

Real gross domestic product grew at a 3.8 percent annual rate in the fourth quarter, buoyed by strong consumption, equipment spending, and residential construction. A decline in inventory investment subtracted 0.7 percentage point from GDP growth; final sales increased 4.5 percent.

Consumer spending contributed 2.9 percentage points to the overall fourth-quarter increase in demand. The rise in consumption was slightly faster than disposable income growth, and the personal saving rate edged down 0.1 percentage point to 4.5 percent. Taking a somewhat longer perspective, the rapid growth of consumption in the second half of 1992 was accompanied by a reduction in the saving rate from 5.1 percent in the first half to 4.6 percent in the second.

Fixed investment generally was quite strong in the fourth quarter. Business equipment spending is estimated to have increased at a 12 percent annual rate, with about half of the additional spending used for computers and related equipment. The increase in investment in business structures, although small, was notable because these outlays generally have been declining for the past two years. Spending for residential structures grew quite sharply in the fourth quarter. Part of this increase reflects the recent pickup in starts, but repairs of hurricane damage likely also played a significant role.

In the foreign sector, the fourth-quarter growth of imports was slightly faster than exports, and real net exports fell slightly. Computers and peripherals accounted for part of the deterioration in real net exports, continuing a pattern that developed during the past year.

The GDP fixed-weight price index rose at a 3.2 percent annual rate in the fourth quarter, while the implicit deflator increased only 1.8 percent. Part of the discrepancy between the relatively low deflator and the fixed-weight index is due to the strong growth of computer investment. Another part of the discrepancy reflects the composition of imports; the deflator for imported services in the third quarter had been temporarily lowered because of foreign reinsurance payments for hurricane damage.

Personal Income and Outlays

Personal income rose $50.2 billion at an annual rate in December; the revised November figures now show a decrease of $4.3 billion. Private wages and salaries accounted for well over one-third of the December advance, but the sizable increase in wages and salaries mainly reflected accelerated bonus payments to employees in the securities industry. Subsidy payments to farm proprietors and transfer payments each accounted for $10.6 billion of the December gain. The November change in personal income was reduced by a decline in subsidy payments to farm proprietors as well as other special factors that had temporarily boosted income in October. Excluding special factors, personal income increased $15.0 billion in December and rose $25.7 billion in November. Rental income, dividend income, and nonfarm proprietors' income all showed modest gains in December, while personal interest income continued to decline.

Disposable personal income grew at an annual rate of $43.8 billion in nominal terms in December, after an $8.7 billion decrease in November; in real terms, disposable personal income rose $32.3 billion in December, following a $13.3 billion decline in

November. Nominal personal outlays increased $22.2 billion in December, and the personal saving rate rose to 4.7 percent from 4.2 percent in November.

Real personal consumption expenditures increased 0.4 percent in December, after little change in November. Durable goods expenditures were particularly strong in December accounting for almost a half of the gain in real total expenditures. Real expenditures for services posted a modest increase of 0.2 percent in December, while real expenditures for nondurable goods rose 0.4 percent.

Manufacturers' Orders, Shipments, and Inventories

New orders for durable goods rose 9.1 percent in December, one of the largest increases recorded in the 45-year history of this series. Although part of the December increase reflected a spike in orders for civilian aircraft, bookings also moved up for a wide range of capital goods and durable materials. The staff's series for real adjusted durable goods orders, a useful indicator of near-term movements in industrial production, rose almost 6 percent last month, after smaller gains during the three preceding months.

Focusing on nondefense capital goods excluding aircraft, orders increased 6.4 percent in December, led by a 23 percent rise in bookings for communication equipment. Orders jumped as well for railroad equipment and for search and navigation equipment, two categories that tend to be extremely volatile on a monthly basis. However, orders also increased for office and computing equipment and for most types of industrial machinery. This report reinforces our sense that a broadly-based firming of demand for capital equipment is in train. At the same time, the increase in December may have been exaggerated by the partial resolution of uncertainty regarding tax incentives for investment. In early December, Senators Bentsen and Rostenkowski announced that any new investment incentives would be retroactive that date; this statement may have unlocked capital spending projects that had been delayed in order to qualify for tax benefits provided by new legislation.

Shipments of nondefense capital goods excluding aircraft and parts increased 4.7 percent in December, after little change on net over the two preceding months. For the fourth quarter as a whole, these shipments rose 2.6 percent in a widespread advance. Because the December increase in shipments was more robust than BEA had assumed, today's report implies an upward revision to spending, on the order of $3 billion, which could be allocated to real PDE and/or exports.

Manufacturers' inventories, on a current cost basis, declined at an annual rate of $27-1/2 billion in November, a drawdown about $4 billion larger than that reported in the initial estimate.

Unemployment Insurance

Initial claims for unemployment insurance, adjusted to include those who chose to file claims under the emergency unemployment compensation (EUC) program, stayed at a higher level for a second week in mid-January. The four-week moving average of EUC adjusted claims ending January 16 stood at 370,000--about the same as during the previous four-week period.

UNEMPLOYMENT INSURANCE DATA WITH EUC ADJUSTMENT[1]
(In thousands; seasonally adjusted by BLS)

	1992			1993		
	Dec. 12	Dec. 19	Dec. 26	Jan. 2	Jan. 9	Jan. 16
Initial claims						
All regular programs	368	339	297	350	372	374
EUC effect	22	22	22	24	20	22
Adjusted claims	390	361	319	374	392	396

1. Includes revised data.

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)

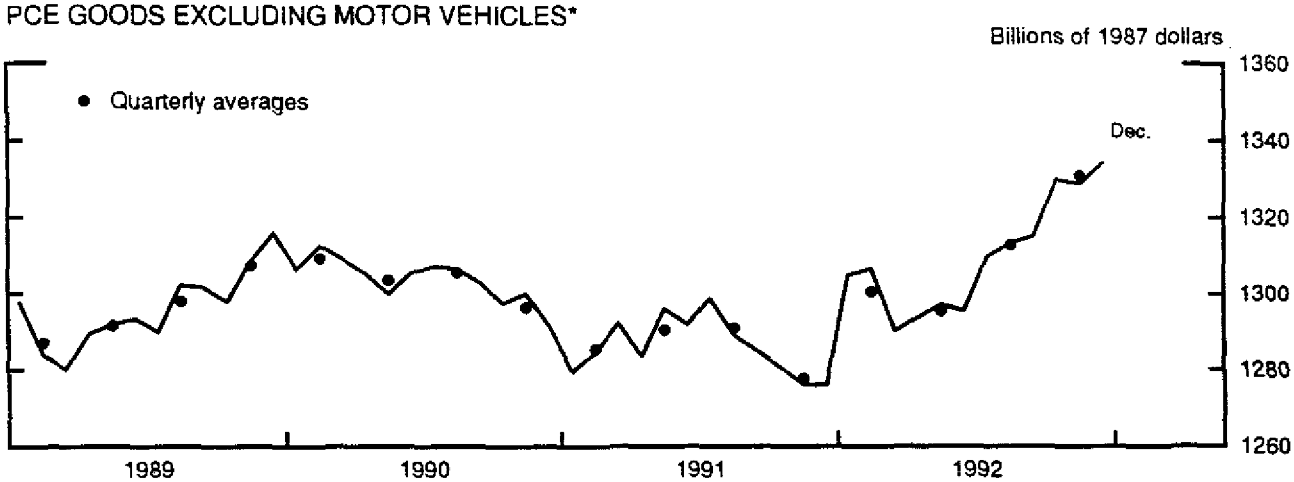
		1991–Q4 to 1992–Q4	1992–Q2 Final	1992–Q3 Final	1992–Q4 Advance
1.	Gross domestic product	2.9	1.5	3.4	3.8
2.	Final sales	2.9	–.1	2.8	4.5
3.	Consumer spending	3.2	–.1	3.7	4.3
4.	Business fixed investment	7.9	16.1	3.1	9.7
5.	Producers' durable equipment	11.9	24.1	9.5	11.7
6.	Nonresidential structures	–1.4	–.8	–11.3	4.5
7.	Residential investment	15.0	12.6	.2	29.1
8.	Federal government purchases	–.5	–2.6	6.8	–3.2
9.	State and local government purchases	1.4	–.3	2.0	–.9
10.	Exports of goods and services	3.5	–1.4	9.2	3.7
11.	Imports of goods and services	9.3	14.7	14.8	4.7
	ADDENDA:				
12.	Nonfarm inventory investment [1]	2.0 [2]	6.0	9.6	3.0
13.	Motor vehicles [1]	2.3 [2]	3.6	5.1	1.0
14.	Excluding motor vehicles [1]	–.3 [2]	2.4	4.5	2.0
15.	Farm inventory investment [1]	2.4 [2]	1.8	5.3	4.3
16.	Net exports of goods and services [1]	–43.2 [2]	–43.9	–52.7	–54.6
17.	Nominal GDP	5.4	4.3	5.3	5.7
18.	GDP fixed–weight price index	3.0	2.9	2.1	3.2
19.	GDP implicit price deflator	2.4	2.7	1.8	1.8
20.	Personal saving rate (percent)	4.8 [2]	5.3	4.6	4.5

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

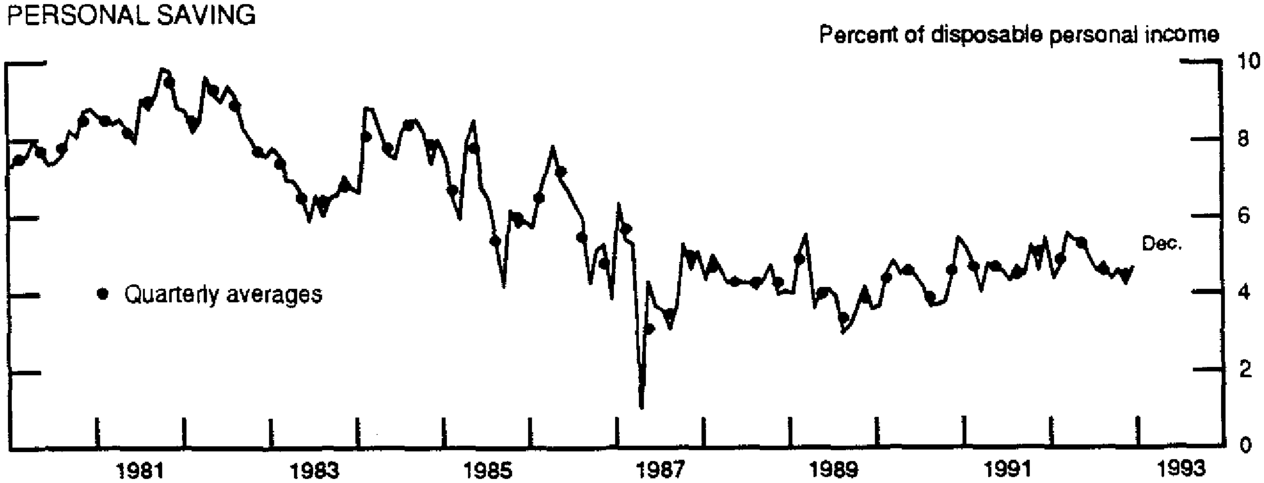
REAL PERSONAL CONSUMPTION EXPENDITURES
(Percent change from the preceding period)

		1992		1992		
	1992	Q3	Q4	Oct.	Nov.	Dec.
		-Annual rate-		----Monthly rate----		
Personal consumption expenditures	3.2	3.7	4.3	.6	.0	.4
Durable goods	9.0	9.4	12.9	2.8	-1.0	1.6
Excluding motor vehicles	9.0	18.8	4.6	.4	-.5	1.1
Nondurable goods	2.9	2.5	5.1	1.2	-.1	.4
Excluding gasoline	3.1	2.7	6.1	1.5	-.1	.4
Services	2.1	3.1	1.9	-.2	.3	.2
Excluding energy	2.3	3.3	1.8	-.1	.2	.4
Memo:						
Personal saving rate (percent)	4.8	4.6	4.5	4.6	4.2	4.7

PCE GOODS EXCLUDING MOTOR VEHICLES*

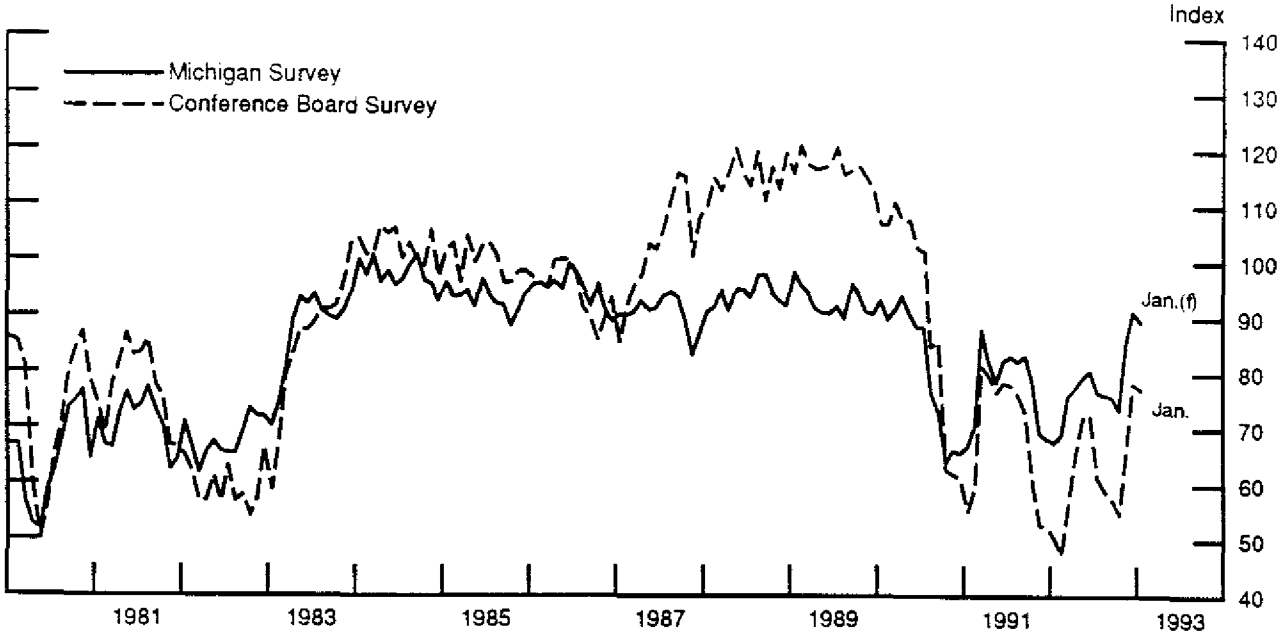


PERSONAL SAVING



* October, November, and December are staff estimates.

CONSUMER SENTIMENT



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

		1992			1992	
	1992	Q2	Q3	Q4	Nov.	Dec.
Total personal income	20.2	9.6	14.1	35.6	-4.3	50.2
Wages and salaries	10.4	3.6	7.5	19.4	14.1	21.8
Private	8.7	.9	7.5	17.8	15.6	20.0
Other labor income	1.4	1.4	1.4	1.4	1.4	1.4
Proprietors' income	3.9	-4.2	5.3	7.6	-13.5	13.6
Farm	.5	-5.9	2.6	3.5	-16.0	10.1
Rent	1.4	3.7	-.6	2.6	.1	.7
Dividend	1.2	1.2	1.5	2.0	1.5	2.9
Interest	-3.9	-.8	-5.5	-.9	-.8	-.3
Transfer payments	6.8	5.3	5.3	4.6	-6.1	10.8
Less: Personal contributions for social insurance	1.1	.6	.7	1.2	1.1	.7
Less: Personal tax and nontax payments	2.1	3.3	4.4	5.6	4.4	6.4
Equals: Disposable personal income	18.2	6.3	9.7	30.0	-8.7	43.8
Memo: Real disposable income	6.6	-1.9	1.9	16.6	-13.3	32.3

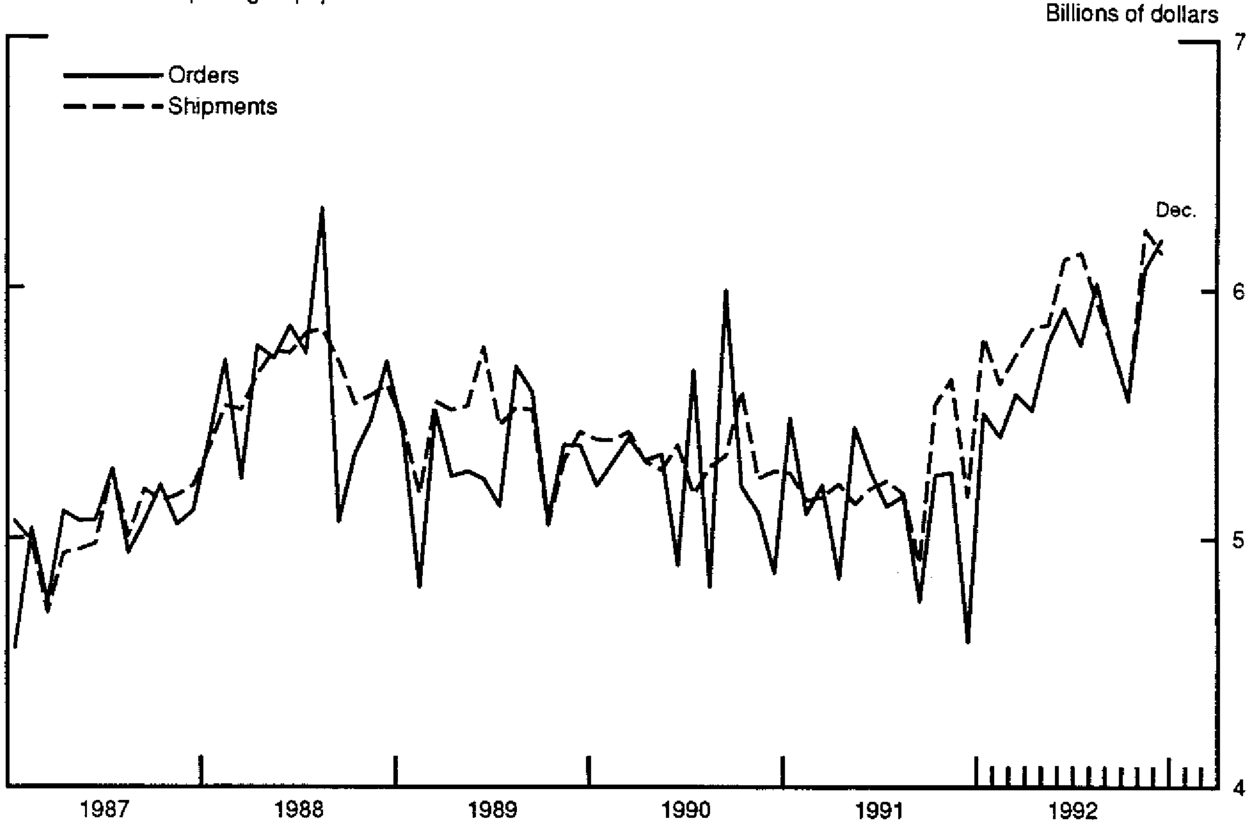
BUSINESS CAPITAL SPENDING INDICATORS
(Percent change from preceding comparable period; based on seasonally adjusted data, in current dollars)

	1992			1992		
	Q2	Q3	Q4	Oct.	Nov.	Dec.
Producers' durable equipment						
Shipments of nondefense capital goods	1.4	.8	3.6	-.9	3.1	3.8
Excluding aircraft and parts	2.6	3.0	2.6	-1.8	2.1	4.7
Office and computing	3.8	.2	.5	-3.6	12.2	-1.5
All other categories	2.3	3.9	3.2	-1.3	-.6	6.6
Shipments of complete aircraft[1]	-12.7	-18.1	n.a.	-16.1	.5	n.a.
Sales of heavy weight trucks	5.9	2.0	5.8	6.8	-7.0	1.4
Orders of nondefense capital goods	-.4	-3.6	6.8	3.6	-9.7	17.9
Excluding aircraft and parts	.5	2.5	3.9	-1.7	.5	6.4
Office and computing	4.4	2.0	1.5	-3.6	9.5	1.9
All other categories	-.6	2.6	4.6	-1.1	-2.0	7.8
Nonresidential structures						
Construction put-in-place	.6	-3.7	n.a.	1.0	2.0	n.a.
Office	-6.7	-11.2	n.a.	1.2	1.2	n.a.
Other commercial	3.8	-2.0	n.a.	3.2	.1	n.a.
Industrial	-6.0	-8.2	n.a.	-2.1	2.1	n.a.
Public utilities	2.5	-2.1	n.a.	-.1	.2	n.a.
All other	6.2	.9	n.a.	2.3	6.1	n.a.
Rotary drilling rigs in use	-.9	.9	14.6	9.7	4.7	5.0
Footage drilled[2]	-4.5	3.1	17.9	33.7	-19.9	20.1
Memo:						
Business fixed investment[3]	16.1	3.1	9.7	n.a.	n.a.	n.a.

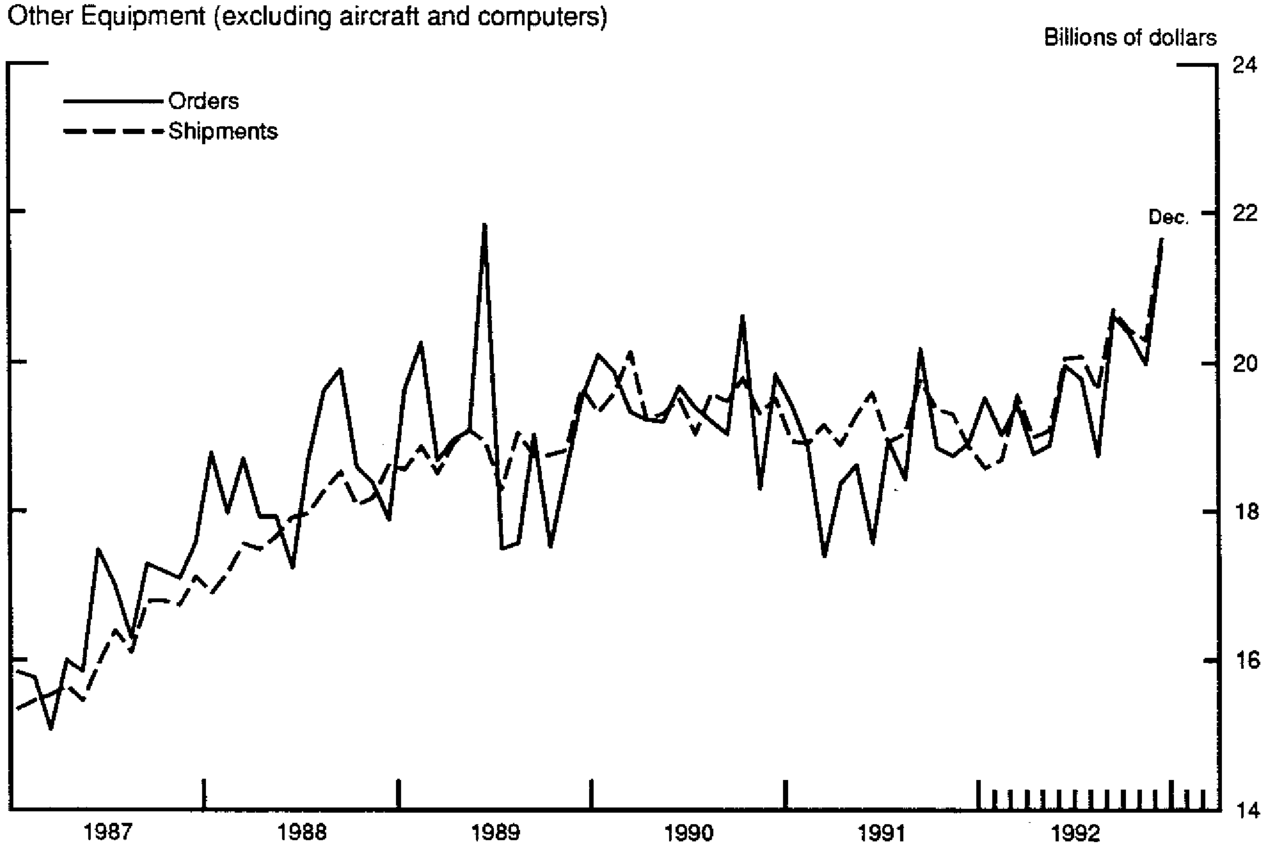
1. From the Current Industrial Report "Civil Aircraft and Aircraft Engines." Monthly data are seasonally adjusted using FRB seasonal factors constrained to BEA quarterly seasonal factors. Quarterly data are seasonally adjusted using BEA seasonal factors.
2. From Department of Energy. Not seasonally adjusted.
3. Based on constant-dollar data; percent change, annual rate.
n.a. Not available.

RECENT DATA ON ORDERS AND SHIPMENTS

Office and Computing Equipment

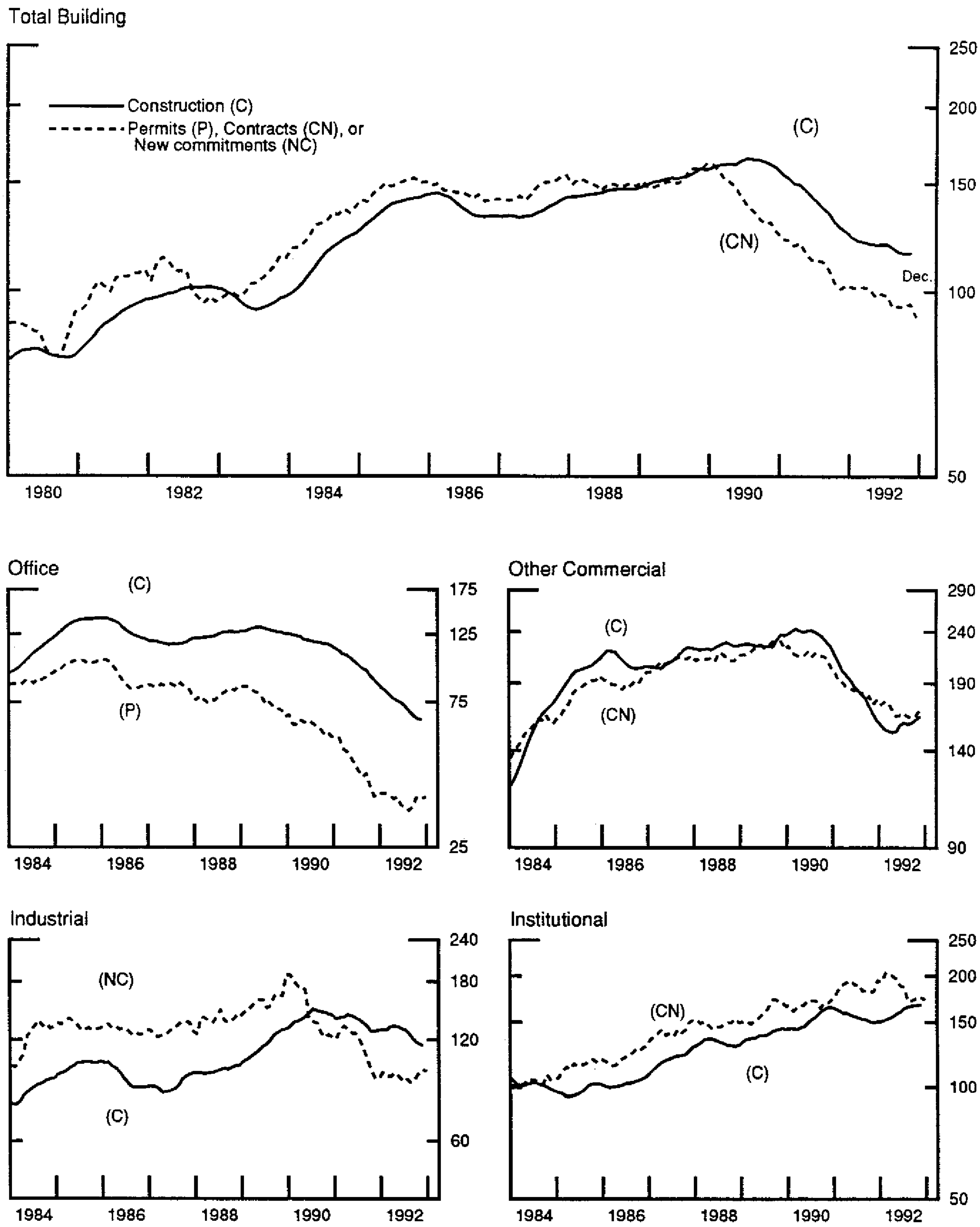


Other Equipment (excluding aircraft and computers)



NONRESIDENTIAL CONSTRUCTION AND SELECTED INDICATORS*

(Index, Dec. 1982 = 100, ratio scale)



*Six-month moving average for all series shown. For contracts, total only includes private, while individual sectors include private and public. New commitments are the sum of permits and contracts.

CHANGES IN MANUFACTURING AND TRADE INVENTORIES
(Billions of dollars at annual rates;
based on seasonally adjusted data)

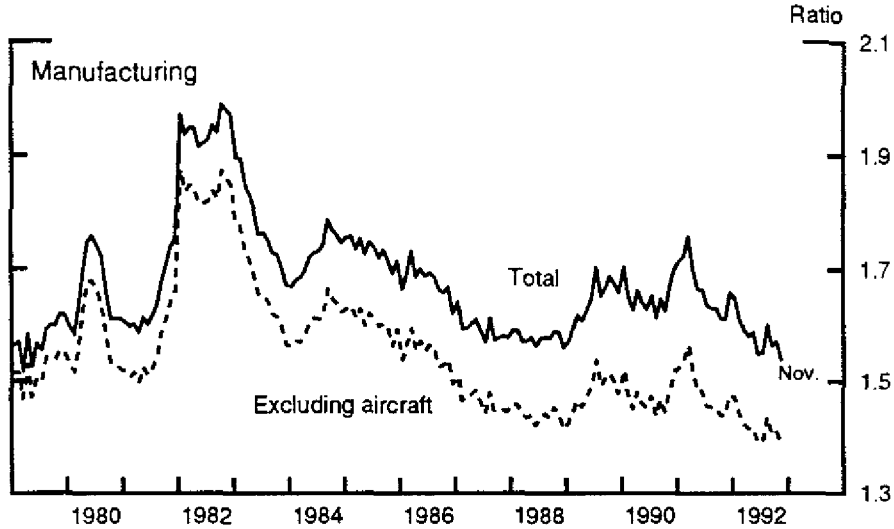
	1992			1992		
	Q1	Q2	Q3	Sep.	Oct.	Nov.
Current-cost basis						
Total	-7.9	22.7	14.3	-18.2	16.0	12.3
Excluding auto dealers	-13.7	16.1	16.7	-12.2	23.4	8.2
Manufacturing	-11.2	-1.5	6.1	-14.5	-8.2	-27.4
Defense aircraft	-1.0	-4.4	-9.5	-13.3	3.4	-10.0
Nondefense aircraft	-3.1	-3.5	3.6	5.0	-1.6	-2.1
Excluding aircraft	-7.1	6.3	12.1	-6.1	-9.9	-15.4
Wholesale	-1.2	6.1	-1.1	-13.8	21.5	22.4
Retail	4.5	18.1	9.3	10.1	2.7	17.3
Automotive	5.8	6.6	-2.3	-6.0	-7.5	4.2
Excluding auto dealers	-1.3	11.5	11.7	16.1	10.2	13.2
Constant-dollar basis						
Total	-13.2	7.4	10.1	-23.9	-31.9	n.a.
Excluding auto dealers	-18.0	1.9	8.5	-19.9	-22.6	n.a.
Manufacturing	-8.7	-6.5	3.9	-16.0	-5.5	n.a.
Wholesale	-4.9	2.1	-3.5	-15.1	-16.2	n.a.
Retail	.5	11.8	9.7	7.2	-10.3	n.a.
Automotive	4.8	5.5	1.6	-4.0	-9.3	n.a.
Excluding auto dealers	-4.4	6.3	8.1	11.2	-1.0	n.a.

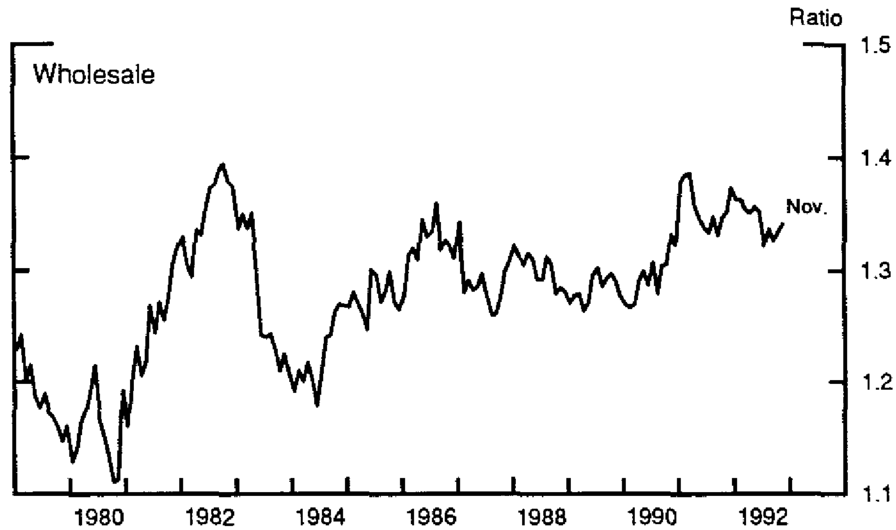
INVENTORIES RELATIVE TO SALES[1]
(Months supply; based on seasonally adjusted data)

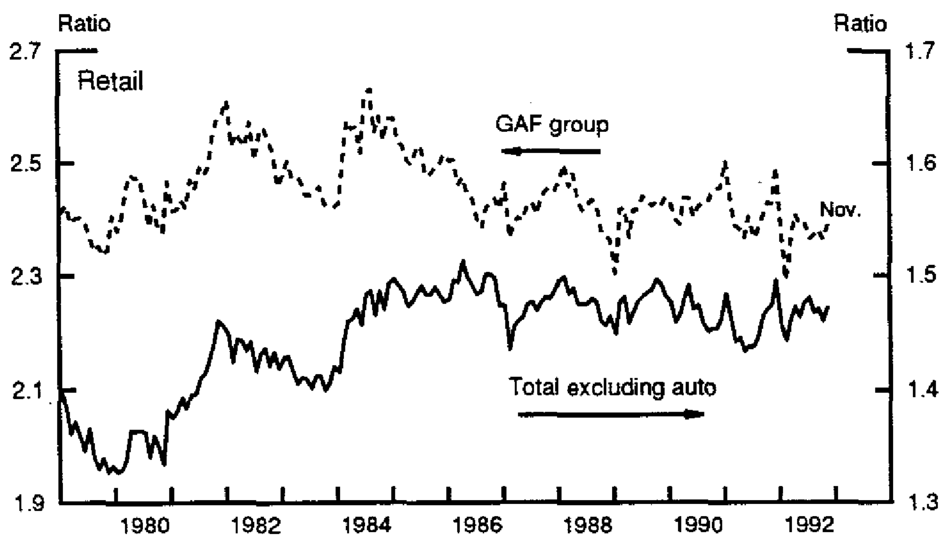
	1992			1992		
	Q1	Q2	Q3	Sep.	Oct.	Nov.
Current-cost basis						
Total	1.52	1.51	1.50	1.50	1.49	1.48
Excluding auto dealers	1.50	1.49	1.48	1.47	1.47	1.47
Manufacturing	1.62	1.57	1.57	1.56	1.57	1.54
Defense aircraft	5.84	5.86	5.37	5.25	5.57	5.46
Nondefense aircraft	4.58	4.60	5.19	5.21	5.01	4.63
Excluding aircraft	1.45	1.41	1.41	1.41	1.41	1.39
Wholesale	1.36	1.36	1.32	1.33	1.33	1.34
Retail	1.54	1.57	1.56	1.55	1.52	1.53
Automotive	1.85	1.90	1.86	1.84	1.72	1.76
Excluding auto dealers	1.46	1.48	1.48	1.47	1.46	1.47

1. Ratio of end of period inventories to average monthly sales for the period.

RATIO OF INVENTORIES TO SALES
(Current–cost data)







THE FINANCIAL ECONOMY

The January 1993 Senior Loan Officer Opinion Survey on Bank Lending Practices

The January 1993 Senior Loan Officer Opinion Survey on Bank Lending Practices posed questions about: changes in bank lending standards and terms, the demand for bank loans by businesses and households, bank capital levels, the maturity of bank securities holdings, and the effects of bank regulation on small business lending. Fifty-eight domestic commercial banks and eighteen U.S. branches and agencies of foreign banks participated in the survey.

A large majority of respondents reported no changes in terms and standards on commercial and industrial loans and commercial real estate loans. A large fraction of respondents indicated, however, that the demand for loans by businesses has increased since November. A small fraction of respondents indicated that they had eased standards on home mortgage loans, and similar fractions reported an increase in their willingness to make loans to individuals over the last three months. In contrast to the November survey, which showed a strong increase in household credit demand, about as many respondents reported weaker demand as reported stronger demand for residential mortgages, home equity lines of credit, and consumer loans.

The questions on capital ratios provide some evidence on the importance of capital constraints for bank lending. As in the August and November surveys, almost all of the respondents claimed that they were fairly comfortable or very comfortable with their bank's capital position. Nonetheless, more than a third of the respondents reported taking actions over the last quarter to improve their capital positions. Less than 10 percent of the respondents indicated that their lending terms and standards were tighter as a result of capital concerns.

A new set of questions asked for information on the remaining maturities of banks' securities holdings. A majority of the respondents reported that their Treasury securities and CMOs had remaining maturities of one to three years and their mortgage pass-through securities had an average remaining maturity of three to seven years. Nearly a third of the respondents reported that the desired average maturity of investment account assets had declined over the past year, with most of them indicating that the change was the result of either existing or anticipated rules regarding the reporting of capital gains and losses resulting from changes in the market value of these assets. More than 60 percent of the respondents reported a decline in the average remaining maturity of their investment portfolio over the past year.

In response to the new questions on the effects of regulation on small business lending, about two-thirds of the banks reported that some features of FIRREA, FDICIA, or other regulations have a disproportionate impact on lending to small businesses. In particular, respondents indicated that the FIRREA requirement that real estate loans of over $100,000 be supported by an appraisal of the property had an adverse impact on small borrowers.

Business Lending

Nonmerger-related commercial and industrial loans. As has been the case since last May's survey, most domestic banks reported unchanged standards for approving commercial and industrial loans since the November survey. They noted a very small net tightening of standards on loans to large and medium-sized borrowers, and a similarly small net easing of standards on loans to small businesses.

As in the last three surveys, most domestic banks reported that lending terms on commercial and industrial loans and lines of credit were basically unchanged. Net changes in the sizes of credit lines were very small and conflicting. Credit line costs increased slightly for large borrowers, but changed little for medium-sized and small borrowers. Spreads of loan rates over base rates, which had narrowed in the November survey for medium-sized and small firms, narrowed slightly for medium-sized firms in January, although no net change occurred for small and large firms. As in the August and November surveys, the use of loan covenants for large and medium-sized borrowers showed a small net increase. For small borrowers, however, the use of covenants was little changed. Collateral requirements were little changed over the past quarter for large and small firms, but showed a small net tightening for medium-sized firms.

U.S. branches and agencies of foreign banks reported unchanged standards and slightly tighter terms over the past quarter, similar to their responses in the last two surveys. The branches and agencies reported small net increases in spreads, and very small net increases in credit line costs and in the use of loan covenants.

Real estate loans. Domestic respondents reported virtually no changes in standards on commercial real estate loans, but a small net tightening of standards for commercial office buildings. As in November, U.S. branches and agencies of foreign banks reported a small net tightening of standards on real estate loans of all types.

Demand. In contrast to recent surveys, nearly a third of the domestic respondents reported stronger loan demand by businesses of all sizes. The new demand was attributed to increased inventory financing needs as well as increased investment. Some respondents also reported decreased competition from other banks. U.S. branches and agencies of foreign banks reported a smaller net increase in the demand for loans.

Lending to Households

As in the last two surveys, respondents reported increased willingness to lend to households. The fraction reporting an increased willingness to lend, however, has fallen in each of the surveys since August. Also as in the last two surveys, a small net easing of standards on residential mortgages was indicated. In contrast to the increases reported on the last two surveys, the respondents reported little change in the demand for consumer loans or for mortgages.

Capital Ratios

The responses to the questions on capital adequacy indicate that the respondents' capital positions have continued to improve since the November survey. More than 90 percent of the domestic banks reported that both their risk-based capital ratio and their tier-1 leverage ratio were either "fairly comfortable" or "very comfortable." As in November, none of the respondents reported that either ratio was tight, as a few banks did in the August survey. More than 10 percent of the respondents reporting comfortable capital levels said that they took a more aggressive lending stance as a result, a small increase since November. About a third of the respondents reported taking steps over the last quarter to improve their capital positions, down from a half in the November survey. Most of those taking such steps issued capital, and 10 percent increased loan sales and securitizations. Only 7 percent reported that they maintained tight lending standards and terms over the last quarter in order to bolster their capital, down from 12 percent in November.

In contrast to the domestic commercial banks, the U.S. branches and agencies of foreign banks reported somewhat weaker capital positions for their parents. Most of the branches and agencies continued to report that their parent's capital position was only "adequate," and three institutions reported a fairly tight capital position--up from just one in November. About a third of the respondents reported that they maintained tight lending standards in order to strengthen their parent firm's capital position, a somewhat lower fraction than in November. Of the five branches and agencies that reported "comfortable" or "very comfortable" capital positions, none reported lending more aggressively as a result.

Maturity of Investments

The survey asked respondents for the average remaining maturity of various classes of security investments. The responses suggest that banks' securities are generally of short to medium maturity, and that these maturities have been reduced over the past year. Most respondents indicated that the average maturity of their U.S. Treasury securities was in the one-to-three-year range, and another 20 percent reported an average maturity under one year. Mortgage-backed obligations (CMOs and mortgage pass-through securities) had longer maturities. A majority of respondents reported average maturities of one to three years for CMOs, and another 30 percent reported three to five years. The average maturity of mortgage pass-through securities was generally reported to be between three and seven years, with about equal numbers reporting three to five years and five to seven years.

More than 60 percent of the domestic respondents reported that the average maturity of their institution's investment portfolio had declined over the past year. In addition, a third of the respondents indicated that their bank's desired average maturity had declined in recent months. This decline was attributed primarily to regulations or anticipated regulations affecting the reporting of capital gains and losses on securities holdings, although some respondents also reported that the shorter desired maturities were intended to reduce their bank's interest rate exposure. In contrast, a small number of banks indicated that they had lengthened the desired maturity of their securities holdings in the last few months to take advantage of the steep yield curve.

Most of the foreign branches and agencies indicated that they did not hold any mortgage-backed securities. Their holdings of Treasury securities, however, had even shorter average maturities than those of domestic commercial banks, with half of the respondents reporting maturities under a year and a third maturities between one and three years. Only two of the branches and agencies reported holding CMOs or mortgage pass-through securities. They reported average remaining maturities of three to five years and over five years for the CMOs and three to five years and over ten years for the mortgage pass-through securities. Of the small number of branches and agencies responding to the question, one-third indicated that the maturity of their investment portfolios had shortened over the past year.

The Effects of Regulation on Small Business Lending

More than 60 percent of the respondents reported that some features of FIRREA, FDICIA, or other regulations had a disproportionate impact on lending to small businesses. More than 80 percent of those reporting a regulatory problem pointed to the FIRREA requirement for an appraisal in all real estate loans over $100,000. They argued that the cost of an appraisal does not vary with the size of the loan, and so the appraisal cost--which is passed through to the borrower--raises costs as a fraction of the loan's size for small loans. Many of the respondents suggested raising the minimum loan size requiring an appraisal, or other changes that would reduce the burden of this requirement.

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

	1992[1]	1992 Q3	1992 Q4	1992 Nov	1992 Dec	1993 Jan pe	Growth Q4 91- Jan 93pe
	-----------Percent change at annual rates						
1. M1	14.3	11.6	16.8	15.7	8.8	7	13¼
2. M2	1.9	0.8	3.0	2.7	-0.6	-3	1½
3. M3	0.5	0.0	0.4	0.6	-3.2	-6	0
	-----------Percent change at annual rates						Levels bil. $ Dec 92
Selected components							
4. M1-A	13.7	12.2	15.3	10.1	7.3	5	641.4
5. Currency	9.1	11.1	10.5	7.5	10.8	10	292.4
6. Demand deposits	18.0	13.3	19.6	12.5	4.9	2	340.9
7. Other checkable deposits	15.4	10.8	19.3	25.4	11.3	10	385.2
8. M2 minus M1[2]	-2.4	-3.3	-2.4	-2.5	-4.5	-8	2475.8
9. Overnight RPs and Eurodollars, NSA	0.4	14.0	-1.6	-6.5	-21.1	-35	72.7
10. General purpose and broker/dealer money market mutual fund shares	-3.4	-7.3	-1.0	-2.4	-7.2	-10	348.8
11. Commercial banks	-0.1	-1.6	0.2	-1.7	-1.2	-5	1263.0
12. Savings deposits (including MMDAs)	14.5	10.9	12.9	10.3	5.7	-2	756.1
13. Small time deposits	-15.8	-17.4	-17.2	-18.5	-11.7	-10	506.9
14. Thrift institutions	-5.5	-4.8	-5.7	-4.6	-6.9	-7	793.3
15. Savings deposits (including MMDAs)	14.8	9.2	8.7	9.9	5.6	3	429.9
16. Small time deposits	-21.5	-18.9	-21.1	-21.0	-21.4	-18	363.4
17. M3 minus M2[3]	-6.1	-3.5	-12.4	-10.3	-16.1	-20	674.8
18. Large time deposits	-16.2	-17.9	-16.7	-18.3	-10.0	-25	358.4
19. At commercial banks, net[4]	-15.3	-18.6	-18.0	-16.2	-7.0	-29	291.1
20. At thrift institutions	-19.6	-14.7	-11.3	-29.1	-21.0	-5	67.3
21. Institution-only money market mutual fund shares	18.2	32.8	-19.3	-9.7	-39.6	-27	202.3
22. Term RPs, NSA	8.7	3.2	26.2	34.6	-4.4	6	81.8
23. Term Eurodollars, NSA	-18.1	-19.5	-7.1	17.0	-4.8	-41	49.8
MEMORANDA:[5]	-----Average monthly change in billions of dollars----						
24. Managed liabilities at commercial banks (25+26)	-2.0	0.9	-3.0	-0.5	-0.4	-6	679.0
25. Large time deposits, gross	-4.6	-3.4	-5.5	-4.4	-4.7	-7	366.6
26. Nondeposit funds	2.6	4.2	2.6	3.9	4.3	1	312.4
27. Net due to related foreign institutions	2.7	0.6	3.2	3.2	2.8	2	71.4
28. Other[6]	-0.1	3.6	-0.6	0.8	1.5	-1	241.0
29. U.S. government deposits at commercial banks[7]	-0.5	-0.2	-1.2	-0.8	-0.3	5	20.4

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

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT[1]
(Percentage change at annual rate, based on seasonally adjusted data)

Category	1991 Dec. to 1992 Dec.	1992 Q 3	1992 Q 4	1992 Oct.	1992 Nov.	1992 Dec.	Level, bil.$ 1992 Dec.
	Commercial bank credit						
1. Total loans and securities at banks	3.7	4.3	4.2	3.9	4.8	3.8	2,944.9
2. Securities	13.1	15.2	9.9	11.7	9.3	8.5	837.4
3. U.S. government	17.5	17.9	14.3	13.0	13.8	15.6	661.3
4. Other	-0.9	5.9	-5.6	7.4	-6.7	-17.5	176.1
5. Loans	0.4	0.2	1.9	0.8	3.1	1.9	2,107.5
6. Business	-2.7	-0.6	-0.5	-1.8	5.2	-5.0	602.0
7. Real estate	1.7	0.7	2.9	4.6	3.1	0.9	890.3
8. Consumer	-1.9	-2.6	-1.6	-4.7	-1.4	1.4	354.8
9. Security	20.9	11.8	-0.6	-7.3	-23.7	29.8	66.0
10. Other	3.3	2.1	12.5	3.8	14.0	19.5	194.3
	Short- and intermediate-term business credit						
11. Business loans net of bankers acceptances	-2.8	-0.8	-1.2	-4.0	4.4	-4.0	595.3
12. Loans at foreign branches[2]	2.4	1.6	26.2	14.8	29.1	33.2	26.0
13. Sum of lines 11 and 12	-2.6	-0.7	-0.1	-3.3	5.4	-2.5	621.3
14. Commercial paper issued by nonfinancial firms	9.8	7.3	20.2	19.1	49.9	-8.6	151.8
15. Sum of lines 13 and 14	-0.4	0.8	3.7	0.9	13.9	-3.7	773.1
16. Bankers acceptances, U.S. trade-related[3,4]	-17.5	-19.5	-5.1	5.1	-25.5	5.2	23.1
17. Finance company loans to business[4]	n.a.	8.6	n.a.	-1.6	0.4	n.a.	304.8[5]
18. Total (sum of lines 15, 16, and 17)	n.a.	2.5	n.a.	0.3	9.5	n.a.	1,103.4[5]

1. Average of Wednesdays. Data are adjusted for breaks caused by reclassifications.
2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.
3. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.
4. Based on average of data for current and preceding ends of month.
5. November 1992.
n.a.--Not available.

SELECTED FINANCIAL MARKET QUOTATIONS[1]
(percent)

	1992		1993	Change from:	
	Sept 4	FOMC Dec 22	Jan 28	Sept 4	FOMC Dec 22
Short-term rates					
Federal funds[2]	3.19	2.90	2.95	-0.24	0.05
Treasury bills[3]					
3-month	2.92	3.20	2.90	-0.02	-0.30
6-month	2.96	3.31	3.05	0.09	-0.26
1-year	3.06	3.48	3.23	0.17	-0.25
Commercial paper					
1-month	3.22	3.63	3.14	-0.08	-0.49
3-month	3.22	3.59	3.18	-0.04	-0.41
Large negotiable CDs[3]					
1-month	3.06	3.34	3.08	0.02	-0.26
3-month	3.06	3.35	3.14	0.08	-0.21
6-month	3.11	3.49	3.27	0.16	-0.22
Eurodollar deposits[4]					
1-month	3.31	3.31	3.06	-0.25	-0.25
3-month	3.31	3.38	3.19	-0.12	-0.19
Bank prime rate	6.00	6.00	6.00	0.00	0.00
Intermediate- and long-term rates					
U.S. Treasury (constant maturity)					
3-year	4.38	5.12	4.73	0.35	-0.39
10-year	6.40	6.65	6.44	0.04	-0.21
30-year	7.29	7.34	7.23	-0.06	-0.11
Municipal revenue[5] (Bond Buyer)	6.31	6.44	6.36	0.05	-0.08
Corporate--A utility recently offered	8.06	8.16	8.10	0.04	-0.06
Home mortgage rates[6]					
FHLMC 30-yr. FRM	7.84	8.19	8.00	0.16	-0.19
FHLMC 1-yr. ARM	5.15	5.44	5.20	0.05	-0.24

	Record highs	Date	1989 Lows Jan 3	1992 FOMC Dec 22	1993 Jan 28	Percent change from: Record highs	1989 lows	FOMC Dec 22
Stock prices								
Dow-Jones Industrial	3413.21	6/1/92	2144.64	3321.10	3306.25	-3.13	54.16	-0.45
NYSE Composite	242.53	1/26/93	154.00	241.68	241.70	-0.34	56.95	0.01
AMEX Composite	418.99	2/12/92	305.24	391.66	410.49	-2.03	34.48	4.81
NASDAQ (OTC)	707.16	1/26/93	378.56	660.84	694.67	-1.77	83.50	5.12
Wilshire	4358.33	1/26/93	2718.59	4294.50	4332.74	-0.59	59.37	0.89

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 February 3, 1993.
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

Prices of U.S. non-oil imports decreased 1.1 percent in December. Declines were recorded in all major categories. For the fourth quarter, on average, prices of U.S. non-oil imports increased 1.0 percent at an annual rate. The largest increases in the fourth-quarter were for a wide range of manufactured goods (consumer goods, automotive products and passenger cars); those were partially offset by declines in prices of imported non-oil industrial supplies and capital goods.

Prices of oil imports declined 6.5 percent in December, bringing the decrease for the fourth quarter to 7.7 percent at an annual rate.

Prices of U.S. exports rose 0.1 percent in December, with almost all of the rise in prices of exported agricultural products, which were up 1.3 percent. Prices of exported nonagricultural products declined 0.1 percent.

In the fourth quarter, prices of U.S. exports declined 1.0 percent at an annual rate. Prices of nonagricultural products decreased at a 0.5 percent rate, led by declines in the prices of nonagricultural industrial supplies. Prices of agricultural products continued to decline, with a fourth-quarter decrease of 2.6 percent at an annual rate.

January 29, 1993

IMPORT AND EXPORT PRICE MEASURES
(percent change from previous period, annual rate)

	Year	Quarters			Months	
	1992-Q4	1992			1992	
	1991-Q4	Q2	Q3	Q4	Nov	Dec
		(Quarterly Average, AR)			(Monthly Rates)	
	BLS Prices					
Imports, Total	1.5	0.8	6.5	0.0	-0.6	-1.6
Foods, Feeds, Bev.	-1.8	-15.0	-1.8	1.5	1.0	-2.1
Industrial Supplies	0.3	12.1	9.4	-2.8	-1.2	-2.6
Ind Supp Ex Oil*	1.5	-0.5	2.2	-0.4	-0.6	-0.7
Capital Goods	2.2	-3.4	8.1	-0.1	-0.4	-1.1
Automotive Products	1.2	-2.6	4.6	2.0	-0.4	-1.1
Consumer Goods	3.7	0.3	5.7	2.6	-0.1	-1.4
Memo:						
Oil	-2.2	44.4	24.7	-7.7	-2.3	-6.5
Non-oil	1.8	-2.7	4.8	1.0	-0.3	-1.1
Exports, Total	0.1	2.0	0.7	-1.0	-0.1	0.1
Foods, Feeds, Bev.	-5.3	-2.0	-13.5	-3.7	1.4	0.9
Industrial Supplies	0.3	5.5	5.7	-2.9	-0.8	0.1
Capital Goods	0.9	0.9	1.4	0.0	-0.1	0.0
Automotive Products	1.7	1.2	1.1	2.8	0.1	-0.2
Consumer Goods	2.8	1.6	0.8	2.9	0.4	0.1
Memo:						
Agricultural	-3.5	-1.0	-7.0	-2.6	0.8	1.3
Nonagricultural	0.8	2.7	2.1	-0.5	-0.3	-0.1
	Prices in the NIPA Accounts					
Fixed-Weight						
Imports, Total	--	4.8	6.3	1.8	--	--
Oil	--	72.1	28.6	-8.2	--	--
Non-oil	--	0.0	4.3	3.2	--	--
Exports, Total	--	1.5	0.4	-0.4	--	--
Ag	--	-1.1	-8.2	5.5	--	--
Nonag	--	1.8	1.8	-1.4	--	--
Deflators						
Imports, Total	-0.7	2.3	2.2	0.1	--	--
Oil	0.5	70.7	26.9	-8.3	--	--
Non-oil	-0.8	-2.3	-0.3	1.0	--	--
Exports, Total	-1.5	-1.8	-1.5	-1.7	--	--
Ag	-3.5	-1.6	-6.0	-1.1	--	--
Nonag	-1.3	-1.8	-1.3	-1.5	--	--

*/ Months not for publication.