
DISCOUNT AND ADVANCE RATES -- Requests by nine Reserve Banks to maintain the existing rate and requests by three Reserve Banks to increase the primary credit rate.

Existing rate maintained.
January 27, 2014.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of New York, Richmond, Chicago, and St. Louis had voted on January 16, 2014, and the directors of the Federal Reserve Banks of Boston, Cleveland, Atlanta, Minneapolis, and San Francisco had voted on January 23, to reestablish the existing rate for discounts and advances (3/4 percent) under the primary credit program (primary credit rate). The directors of the Federal Reserve Bank of Kansas City had voted on January 16, and the directors of the Federal Reserve Banks of Philadelphia and Dallas had voted on January 23, to establish a rate of 1 percent (an increase from 3/4 percent). At its meeting on December 16, 2013, the Board had taken no action on requests by the Federal Reserve Banks of Philadelphia, Kansas City, and Dallas to increase the primary credit rate.

Federal Reserve Bank directors had mostly positive reports on recent economic activity and were generally optimistic that the economy would continue to expand at a moderate pace. Some directors cited strength in the auto and agricultural sectors. Other directors reported that activity in the housing sector had generally remained near recent levels. Directors' comments on consumer spending, including holiday sales, were mixed. While labor market conditions had improved, the unemployment rate was still elevated and hiring activity was described as modest. Wage pressures generally remained muted, although a number of directors reported that there were difficulties in finding qualified workers for some positions. Concerns about fiscal policy had diminished, but some directors noted that increased health care costs could have negative effects on hiring and economic activity. Although recent inflation readings were lower than the Federal Open Market Committee's longer-run goal, directors did not note a change in longer-term inflation expectations, which had remained stable. Against this backdrop, most directors recommended that the current primary credit rate be maintained.

As another step toward restoring a pre-crisis discount rate structure, some directors supported increasing the primary credit rate by 25 basis points (to 1 percent) at this time. Such an action would result in a 75-basis-point spread between the primary credit rate and the upper end of the Federal Open Market Committee's target

range for the federal funds rate. These directors favored a move toward normalization of the primary credit rate in light of current and anticipated economic conditions.

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the meeting of the Federal Open Market Committee this week. No sentiment was expressed for changing the primary credit rate before the Committee's meeting, and the existing rate was maintained. Thereafter, a discussion of economic and financial developments and issues related to possible policy actions took place.

Participating in this determination: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo, Stein, and Powell.

Background: Office of the Secretary memorandum, January 24, 2014.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, January 27, 2014.

DISCOUNT AND ADVANCE RATES -- Renewal by twelve Reserve Banks of the formulas for calculating the secondary and seasonal credit rates.

Approved.
January 27, 2014.

The Board approved renewal by the Federal Reserve Banks of New York, Richmond, Chicago, St. Louis, and Kansas City on January 16, 2014, and by the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Atlanta, Minneapolis, Dallas, and San Francisco on January 23, of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Tarullo, Stein, and Powell.

Background: Office of the Secretary memorandum, January 24, 2014.

Implementation: Transmissions from Mr. Frierson to the Reserve Banks, January 27, 2014.