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May 13, 1994

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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SUPPLEMENTAL NOTES

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THE DOMESTIC NONFINANCIAL ECONOMY

Consumption

Total nominal retail sales are estimated to have dropped back in April following two months of sizable increases. Indeed, the March increase is now shown to have been 1-1/4 percentage points higher than the estimate reported last month. Nominal sales in the retail control category, which excludes auto dealers and building material and supply stores, fell .04 percent in April. Sales declined last month at stores in every major category within the control group except general merchandisers--where sales were little changed--and gasoline stations--where spending was estimated to have risen 1-1/4 percent. Separate physical product data from the Department of Energy, however, indicate that gasoline sales were down somewhat in real terms last month.

The large upward revision to retail sales in March was concentrated in sales at automotive dealers and stores in the nondurable goods categories. Within the retail control category, nominal spending is now estimated to have risen 1.9 percent in February and 0.8 percent in March, compared with the previous estimates of 1.7 percent and 0.1 percent, respectively. The staff estimates that these revisions to the nominal retail control will translate into roughly a \$5 billion upward revision to the estimate of growth in real PCE for goods other than motor vehicles during the first quarter of 1994 (chart).

The Michigan index of consumer sentiment fell slightly in early May, retracing its small April gain. Deteriorations in households' assessments of their current and future personal financial situations more than offset improvements in their appraisals of buying conditions for appliances and future business conditions.

Results for questions not included in the overall index were also somewhat less upbeat in early May. The index of home buying conditions slipped to its lowest level in a year, with fewer consumers offering favorable views based on low prices and low interest rates. The index of car buying conditions also declined; it now stands at the level reached at the end of last year. In addition, consumers expressed a somewhat less optimistic view of future employment conditions.

The mean values of expected inflation fell in March, but the median values rose. Mean expected inflation over the coming year edged down to 4.4 percent while the median value rose 0.5 percentage point to 3.5 percent. The mean value of expected inflation over the next five to ten years fell 0.3 percentage point to 4.7 percent; the median value rose 0.6 percentage point to 3.8 percent.

#### Business inventories

Retail inventories expanded moderately in March; excluding auto dealers, stocks rose at an annual rate of \$5.1 billion in current-cost terms. Retail outlets of building materials, food, and apparel reported modest increases in their stocks while stores selling furniture and home furnishings as well as general merchandisers indicated substantial declines.

For the first quarter as a whole, non-auto retail inventories increased just \$4.7 billion (annual rate)--well below the pace during the second half of last year. These data bring the first-quarter change in business inventories for manufacturing and trade excluding auto dealers to \$12.8 billion (current cost, annual rate), about \$20 billion below BEA's estimate in the advance GDP report.

## Prices

In April, the consumer price index posted its smallest increase since January. Food prices were little changed, energy prices fell 0.4 percent, and the CPI excluding food and energy increased 0.2 percent. Over the past twelve months, the CPI has risen 2.4 percent, while the CPI excluding food and energy was up 2.8 percent; both of these increases were about 3/4 percentage point less than over the preceding twelve months.

Food price increases were held down by a decline of 2.3 percent in the volatile fruits and vegetables category. That drop provided an offset to large price increases for cereal and bakery goods and dairy products. Among energy items, prices for electricity and heating oil posted large declines.

The index for consumer goods other than food and energy edged up slightly, on balance, in April. Prices of both new cars and light trucks rose 0.4 percent last month. So far in 1994, prices of new cars and light trucks are up at 4 and 5-3/4 percent annual rates, respectively, reflecting strong demand for motor vehicles. However, apparel prices fell 0.5 percent in April to a level slightly below a year ago. The moderation in apparel prices has also been apparent at the producer level, where the PPI for apparel has been about unchanged over the past twelve months.

Prices of nonenergy services rose 0.2 percent in April. Owners' equivalent rent rose just 0.1 percent after increases of 0.6 and 0.4 percent in February and March. But fees for medical services rose 0.7 percent in April, the largest increase in eleven months. In addition, auto finance charges jumped up 2.3 percent in April, the largest increase in this category since 1989.

The PPI for finished goods declined 0.1 percent in April. Food and energy prices both moved down, and the index excluding food and energy items rose 0.1 percent. Over the twelve months ended in

April, the overall PPI declined 0.4 percent while the PPI excluding food and energy edged up 0.1 percent.

The drop in prices of finished foods in April offset an equivalent increase in March. Over the past twelve months, food prices have risen only 0.4 percent--well below the 3 percent increase over the preceding twelve-month period. Energy prices were little changed for a second month in April, as a 1 percent rise in gasoline prices offset a sharp decline for fuel oil. Over the past twelve months, finished energy prices have fallen 3.7 percent.

For goods excluding food and energy, the most notable price change was a 1.6 percent jump in the price of light trucks, for which supplies are tight. In the consumer goods category this increase was offset by price declines for several nondurable goods, including tobacco and apparel. However, prices of capital equipment were up 0.4 percent in April; in addition to the increase in prices of light trucks, higher prices were registered for tools and dies, civilian aircraft, and construction machinery.

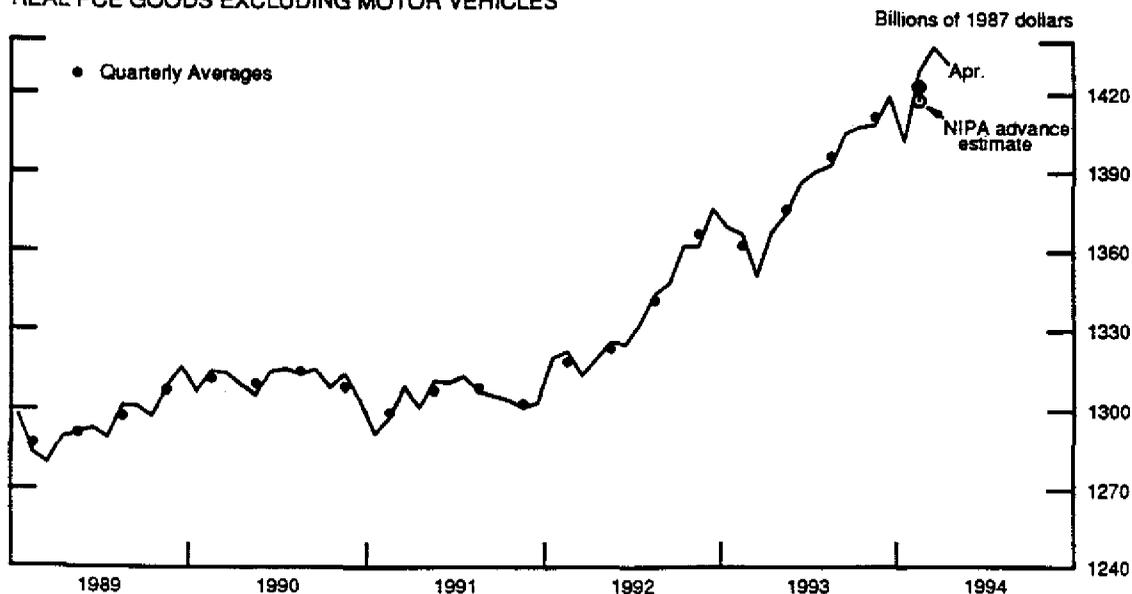
At earlier stages of processing, the index for intermediate goods excluding food and energy was up 0.2 percent in April, bringing the increase over the past twelve months to 1 percent. Materials for nondurable manufacturing fully accounted for the April increase. Price changes for construction materials and supplies were mixed: gypsum prices continued to soar, and concrete prices jumped up further; but the producer price of softwood lumber posted another steep decline. The index for crude materials other than food and energy edged down 0.3 percent in April, following six months of sizable increases. Iron and steel scrap prices, which fell for a second month, accounted for the April decline. In addition, prices of logs and timber only edged up in April after two months of large increases.

**RETAIL SALES**  
(Percent change; seasonally adjusted)

	1993		1994	1994		
	Q3	Q4	Q1	Feb.	Mar.	Apr.
<b>Total sales</b>	1.4	3.1	1.4	1.9	1.7	-0.8
Previous estimate			.8	1.6	.4	
<b>Retail control<sup>1</sup></b>	.8	1.4	1.0	1.9	.8	-0.4
Previous estimate			.6	1.7	.1	
<b>Total excl. automotive group</b>	.9	1.9	.6	1.6	1.3	-0.5
Previous estimate			.1	1.3	.4	
<b>GAF<sup>2</sup></b>	2.3	2.0	.6	2.2	.3	-0.3
Previous estimate			.8	2.4	.3	
<b>Durable goods stores</b>	3.1	5.8	2.1	1.8	3.0	-1.6
Previous estimate			1.3	1.6	1.1	
Bldg. material and supply	2.4	7.6	-1.9	-2.0	8.0	-2.5
Automotive dealers	3.3	7.3	4.2	2.7	2.9	-1.7
Furniture and appliances	3.8	4.8	-0.1	3.6	1.2	-0.5
Other durable goods	1.9	-1.9	-0.8	-0.2	-0.5	-1.1
<b>Nondurable goods stores</b>	.5	1.4	1.0	1.9	.8	-0.2
Previous estimate			.6	1.6	-0.0	
Apparel	.8	1.0	-1.5	4.7	-0.6	-1.3
Food	.4	1.8	.9	.7	-0.1	-0.2
General merchandise <sup>3</sup>	2.3	1.3	1.8	.7	.2	.1
Gasoline stations	-3.4	-0.4	3.3	2.9	2.1	1.2
Other nondurables <sup>4</sup>	.6	1.8	.6	2.9	2.1	-0.7

1. Total retail sales less building material and supply stores and automotive dealers, except auto and home supply stores.
2. General merchandise, apparel, furniture, and appliance stores.
3. Excludes mail order nonstores; mail order sales are also excluded from the GAF grouping.
4. Includes sales at eating and drinking places, drug stores and proprietary stores.

**REAL PCE GOODS EXCLUDING MOTOR VEHICLES\***



\*The figures for February, March, April, and 1994:Q1 are staff estimates

May 13, 1994

UNIVERSITY OF MICHIGAN SURVEY RESEARCH CENTER: SURVEY OF CONSUMER ATTITUDES  
(Not seasonally adjusted)

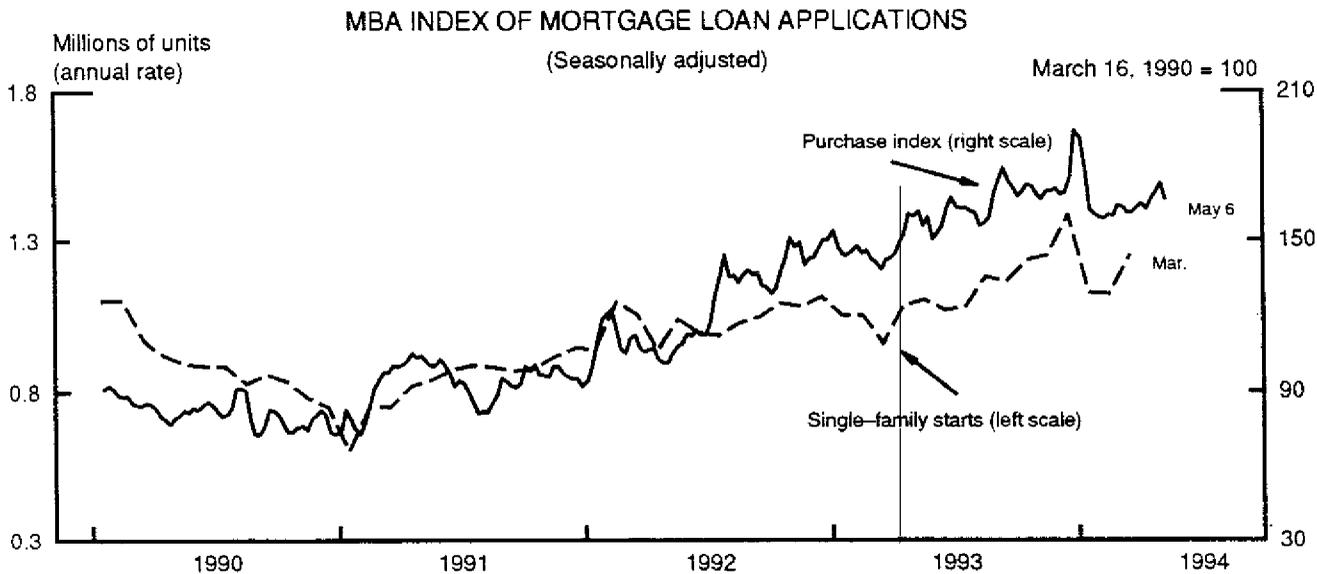
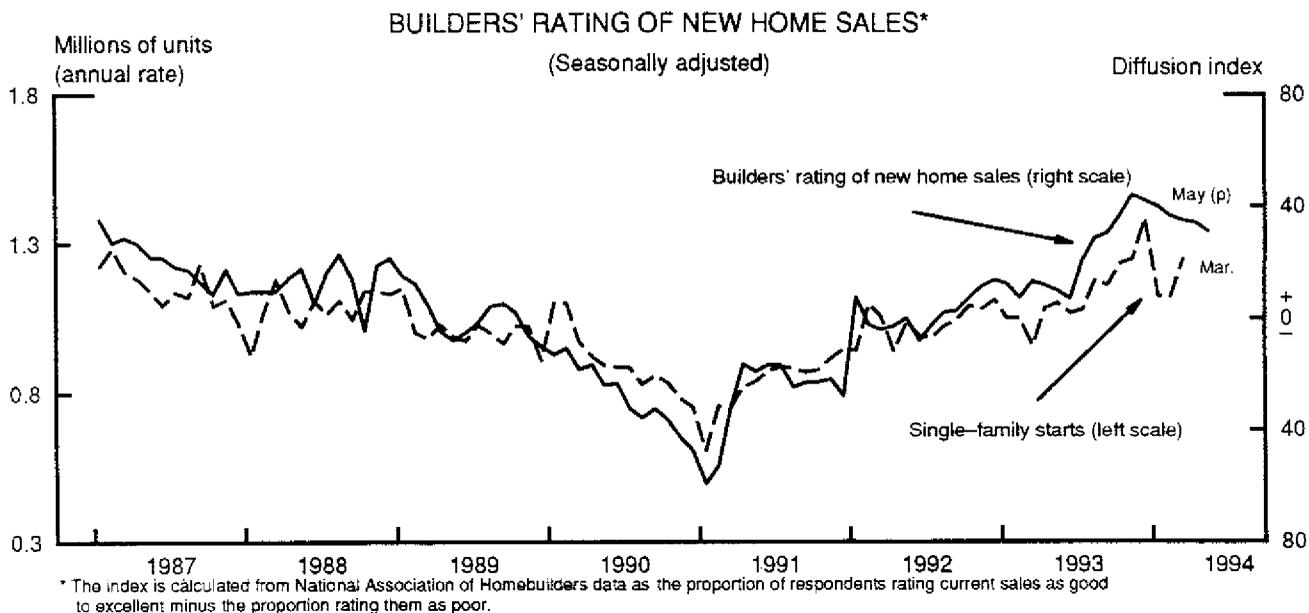
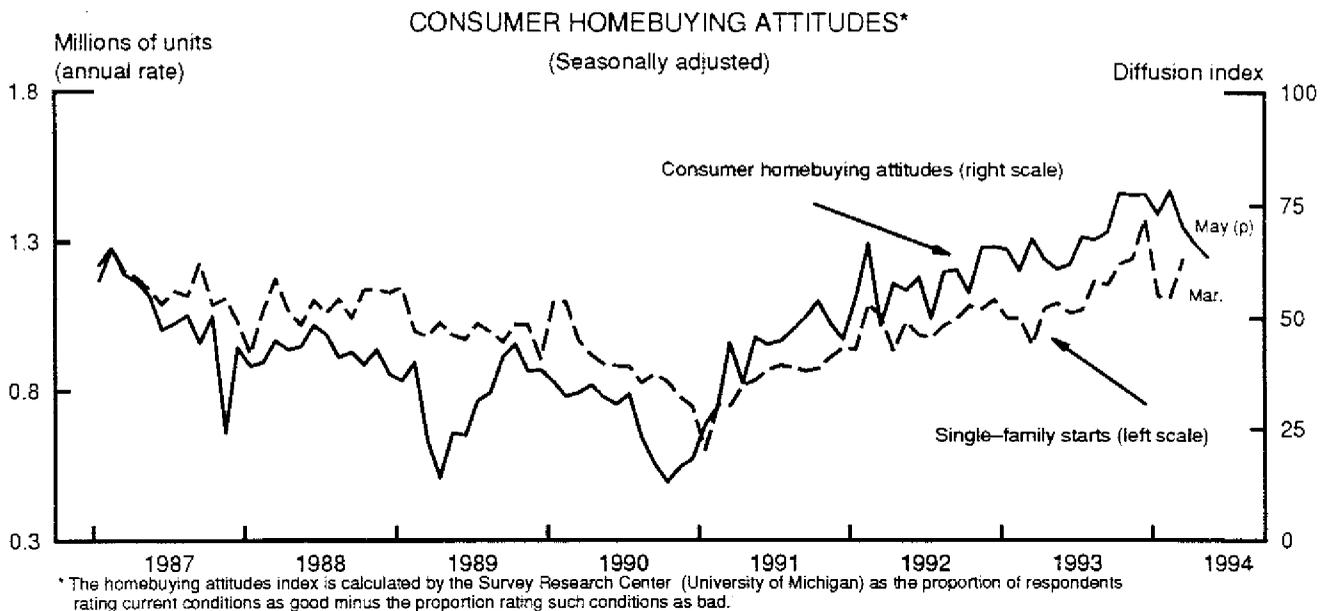
	1993 Sep	1993 Oct	1993 Nov	1993 Dec	1994 Jan	1994 Feb	1994 Mar	1994 Apr	1994 May (p)
<b>Indexes of consumer sentiment (Feb. 1966=100)</b>									
Composite of current and expected conditions	77.9	82.7	81.2	88.2	94.3	93.2	91.5	92.6	91.5
Current conditions	95.2	98.7	98.2	102.9	106.6	108.3	101.4	108.1	105.2
Expected conditions	66.8	72.5	70.3	78.8	86.4	83.5	85.1	82.6	82.7
<b>Personal financial situation</b>									
Now compared with 12 months ago*	104	104	107	113	115	114	105	116	105
Expected in 12 months*	114	119	121	122	123	127	125	124	116
<b>Expected business conditions</b>									
Next 12 months*	77	95	83	107	126	121	121	117	121
Next 5 years*	76	76	77	87	99	88	96	91	95
<b>Appraisal of buying conditions</b>									
Cars	134	132	139	144	148	155	147	150	144
Large household appliances*	143	151	147	153	162	167	158	164	167
Houses	170	170	172	174	174	176	176	170	165
Willingness to use credit	50	43	55	50	50	52	50	58	52
Willingness to use savings	65	58	81	63	70	70	69	71	68
Expected unemployment change - next 12 months	133	137	131	115	104	115	112	116	118
Expected inflation - next 12 months	4.8	4.0	3.6	3.8	3.5	3.7	4.4	4.5	4.4
Expected inflation - next 5 to 10 years	4.6	4.8	4.5	4.8	4.8	4.7	5.4	5.0	4.7

\* -- Indicates the question is one of the five equally-weighted components of the index of sentiment.

(p) -- Preliminary

(f) -- Final

Note: Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Asterisk (\*) indicates the question is one of the five equally-weighted components of the index of sentiment. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall.



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

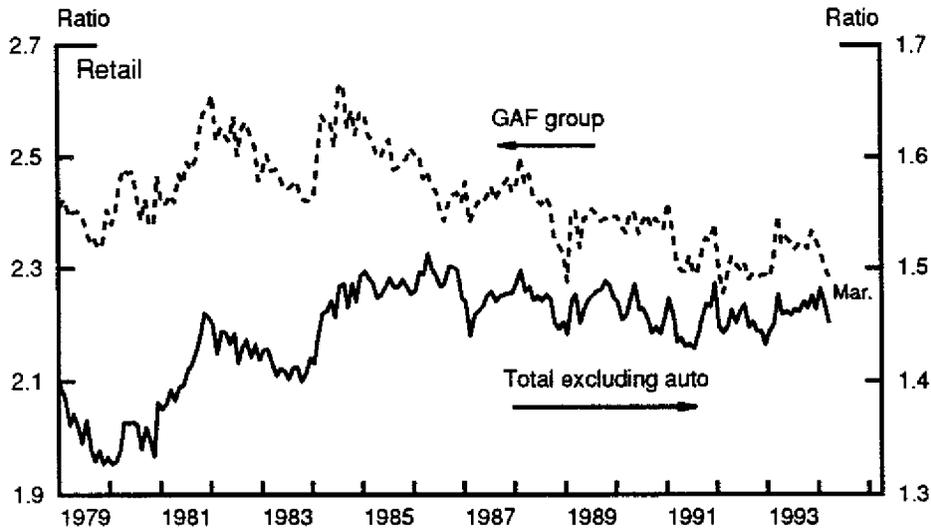
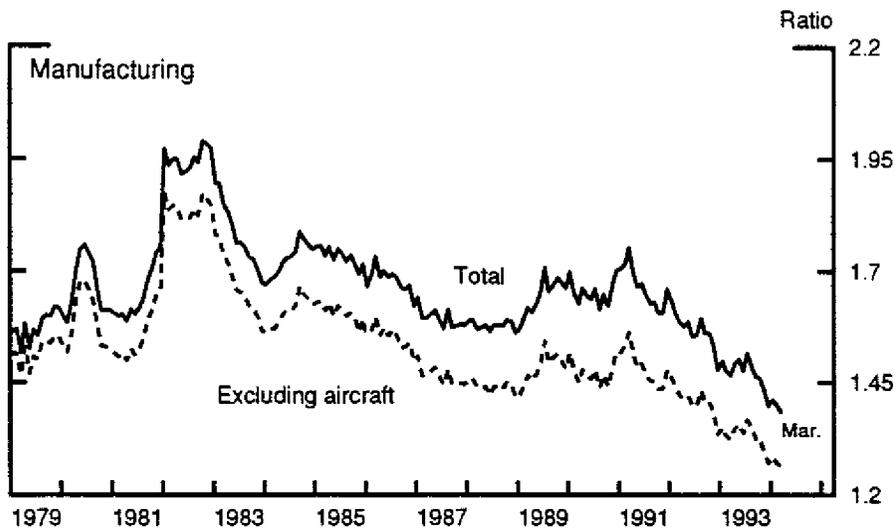
	1993		1994	1994		
	Q3	Q4	Q1	Jan.	Feb.	Mar.
<b>Current-cost basis</b>						
Total	16.1	18.8	15.7	17.8	48.5	-19.1
Excluding auto dealers	23.5	5.5	12.8	12.5	46.2	-20.3
Manufacturing	-2.5	-13.1	9.7	17.8	13.9	-2.7
Defense aircraft	-.8	-4.7	-4.5	-.2	-3.1	-10.3
Nondefense aircraft	-3.3	-4.5	-1.4	2.2	-4.3	-2.1
Excluding aircraft	1.5	-3.9	15.6	15.8	21.3	9.7
Wholesale	12.0	6.1	-1.6	.8	17.2	-22.7
Retail	6.6	25.8	7.6	-.8	17.4	6.3
Automotive	-7.4	13.3	2.9	5.3	2.3	1.2
Excluding auto dealers	14.0	12.5	4.7	-6.1	15.1	5.1
<b>Constant-dollar basis</b>						
Total	16.4	5.4	n.a.	4.2	38.2	n.a.
Excluding auto dealers	23.5	3.0	n.a.	1.4	27.5	n.a.
Manufacturing	3.1	-5.3	n.a.	16.5	4.4	n.a.
Wholesale	8.5	-.4	n.a.	-4.9	12.7	n.a.
Retail	4.8	11.1	n.a.	-7.5	21.1	n.a.
Automotive	-7.1	2.4	n.a.	2.8	10.7	n.a.
Excluding auto dealers	11.8	8.6	n.a.	-10.3	10.4	n.a.

INVENTORIES RELATIVE TO SALES<sup>1</sup>  
(Months supply; based on seasonally adjusted data)

	1993		1994	1994		
	Q3	Q4	Q1	Jan.	Feb.	Mar.
<b>Current-cost basis</b>						
Total	1.46	1.43	1.41	1.42	1.41	1.39
Excluding auto dealers	1.44	1.41	1.39	1.40	1.39	1.37
Manufacturing	1.49	1.42	1.40	1.41	1.40	1.38
Defense aircraft	5.22	5.24	4.78	4.95	5.24	4.69
Nondefense aircraft	5.39	5.05	4.98	5.07	5.49	4.62
Excluding aircraft	1.35	1.29	1.28	1.28	1.27	1.27
Wholesale	1.34	1.34	1.31	1.33	1.32	1.29
Retail	1.52	1.51	1.50	1.52	1.50	1.48
Automotive	1.69	1.66	1.61	1.65	1.61	1.57
Excluding auto dealers	1.48	1.47	1.47	1.48	1.47	1.45
<b>Constant-dollar basis</b>						
Total	1.55	1.52	n.a.	1.51	1.50	n.a.
Excluding auto dealers	1.54	1.50	n.a.	1.50	1.49	n.a.
Manufacturing	1.60	1.53	n.a.	1.52	1.51	n.a.
Wholesale	1.42	1.42	n.a.	1.41	1.41	n.a.
Retail	1.60	1.57	n.a.	1.57	1.56	n.a.
Automotive	1.76	1.67	n.a.	1.65	1.64	n.a.
Excluding auto dealers	1.55	1.54	n.a.	1.55	1.54	n.a.

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

### RATIO OF INVENTORIES TO SALES (Current-cost data)



RECENT CHANGES IN CONSUMER PRICES  
(Percent change; based on seasonally adjusted data)<sup>1</sup>

	Relative importance, Dec. 1993	1992	1993	1993		1994	1994	
				Q3	Q4	Q1	Mar.	Apr.
				-----Annual rate-----			-Monthly rate-	
All items <sup>2</sup>	100.0	2.9	2.7	2.0	3.3	2.5	.3	.1
Food	15.8	1.5	2.9	2.6	4.9	-1.1	.1	.1
Energy	7.0	2.0	-1.4	-4.2	1.2	4.7	.4	-.4
All items less food and energy	77.2	3.3	3.2	2.1	3.4	2.9	.3	.2
Commodities	24.4	2.5	1.6	.0	2.4	.6	.3	.1
Services	52.8	3.7	3.9	3.5	3.7	4.2	.4	.2
Memo:								
CPI-W <sup>3</sup>	100.0	2.9	2.5	1.4	3.1	2.5	.3	.1

1. Changes are from final month of preceding period to final month of period indicated.
2. Official index for all urban consumers.
3. Index for urban wage earners and clerical workers.

RECENT CHANGES IN PRODUCER PRICES  
(Percent change; based on seasonally adjusted data)<sup>1</sup>

	Relative importance, Dec. 1993	1992	1993	1993		1994	1994	
				Q3	Q4	Q1	Mar.	Apr.
				-----Annual rate-----			-Monthly rate-	
Finished goods	100.0	1.6	.2	-2.5	-.3	3.9	.2	-.1
Consumer foods	22.9	1.6	2.4	3.2	5.2	-.9	.5	-.5
Consumer energy	13.3	-.3	-4.1	-7.4	-15.6	16.6	.0	-.1
Other finished goods	63.7	2.0	.4	-3.5	.9	3.3	.2	.1
Consumer goods	40.3	2.1	-.4	-6.4	1.5	2.3	.1	-.1
Capital equipment	23.4	1.7	1.8	2.2	.3	4.6	.3	.4
Intermediate materials <sup>2</sup>	95.2	1.1	.8	-1.0	-.3	2.8	.2	.0
Excluding food and energy	82.3	1.2	1.6	1.0	1.6	1.6	.2	.2
Crude food materials	44.1	3.0	7.2	13.1	18.4	-4.8	-1.0	-1.1
Crude energy	34.4	2.3	-12.3	-28.1	-22.1	18.9	9.3	-.1
Other crude materials	21.5	5.7	10.7	-4.5	15.4	23.4	.9	-.3

1. Changes are from final month of preceding period to final month of period indicated.
2. Excludes materials for food manufacturing and animal feeds.

## INFLATION RATES EXCLUDING FOOD AND ENERGY

	Percent change from twelve months earlier		
	Apr. 1992	Apr. 1993	Apr. 1994
CPI	3.9	3.5	2.8
Goods	3.0	2.7	0.9
Alcoholic beverages	3.2	1.7	1.3
New vehicles	2.5	2.4	3.6
Apparel	2.4	2.6	-0.6
House furnishings	2.1	.0	0.9
Housekeeping supplies	0.1	1.2	0.7
Medical commodities	7.8	3.1	3.1
Entertainment	2.3	1.4	1.9
Tobacco	7.7	10.6	-8.1
Services	4.3	3.8	3.7
Owners' equivalent rent	3.6	3.3	3.2
Tenants' rent	2.6	2.4	2.4
Other renters' costs	4.9	4.5	2.8
Airline fares	5.0	7.1	11.7
Medical care	7.8	6.7	5.3
Entertainment	4.0	3.0	4.1
Auto financing	-12.2	-9.2	-1.9
Tuition	9.4	8.4	6.7
PPI finished goods	2.7	2.0	0.1
Consumer goods	2.9	2.2	-1.0
Capital goods, excluding computers	3.2	2.4	2.4
Computers	-20.9	-15.2	-8.3
PPI intermediate materials	0.2	1.9	1.0
PPI crude materials	-2.7	9.0	9.1
<u>Factors affecting price inflation</u>			
ECI hourly compensation <sup>1</sup>	4.2	3.5	3.3
Goods-producing	4.6	4.0	3.2
Service-producing	4.0	3.2	3.4
Civilian unemployment rate <sup>2,3</sup>	7.3	7.0	6.4
Capacity utilization <sup>2,4</sup> (manufacturing)	78.3	80.1	82.8
Inflation expectations <sup>5,6</sup>			
Mean of responses	3.4	4.4	4.4
Median, bias-adjusted <sup>7</sup>	3.9	4.0	4.4
Non-oil import price <sup>8</sup>	0.1	0.1	2.0
Consumer goods, excluding autos, food, and beverages	1.8	1.3	1.1
Autos	1.1	0.5	4.1

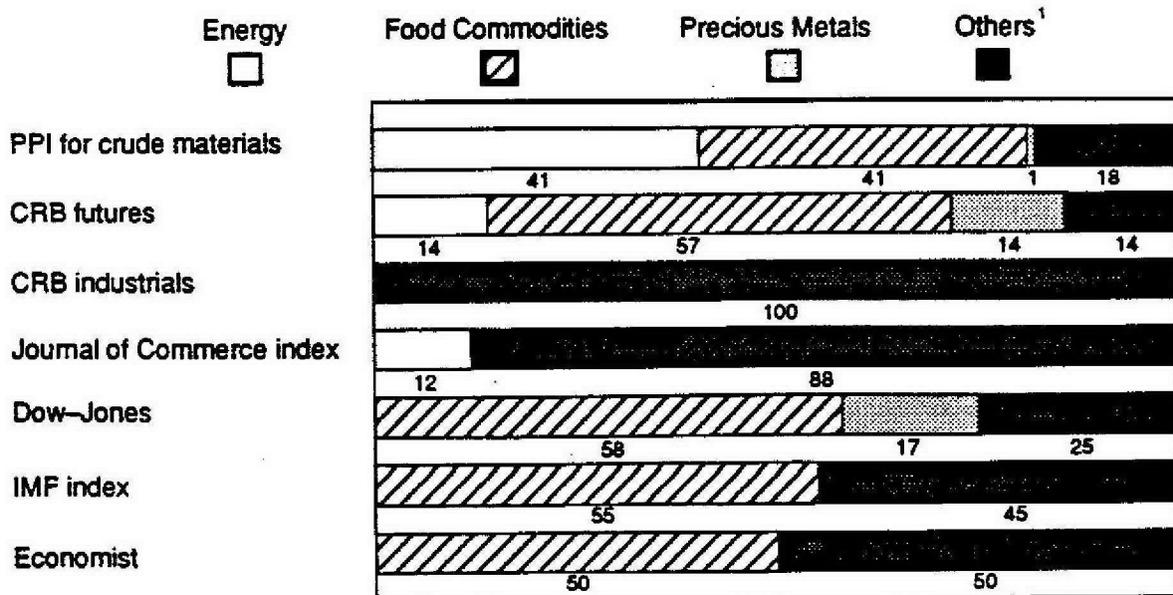
1. Private industry workers, periods ended in March.
2. End-of-period value.
3. Data for 1994 are not directly comparable with earlier values because of a redesign of the CPS in January 1994.
4. Latest reported value: March.
5. Michigan Survey one-year-ahead expectations.
6. Latest reported value: May.
7. Median adjusted for average downward bias of 0.9 percentage points, relative to actual inflation, since 1978.
8. BLS import price index (not seasonally adjusted), periods ended in March.

SPOT PRICES OF SELECTED COMMODITIES<sup>1</sup>

	Last observation	-----Percent change <sup>2</sup> -----				Memo: Year earlier to date
		1992	1993	Dec 93 to Mar 15 <sup>3</sup>	Mar 15 <sup>3</sup> to date	
1. PPI for crude materials <sup>4</sup>	Apr	3.3	0.1	3.8	-0.4	0.5
1a. Foods and feeds	Apr	3.0	7.2	1.7	-0.8	2.4
1b. Energy	Apr	2.3	-12.3	4.4	-0.1	-6.4
1c. Excluding food and energy	Apr	5.7	10.7	6.8	0.1	9.1
1d. Excluding food and energy, seasonally adjusted	Apr	6.1	10.6	5.4	-0.3	9.0
2. Commodity Research Bureau						
2a. Futures prices	May 10	-2.9	11.6	1.7	-1.9	8.1
2b. Industrial spot prices	May 10	-0.7	-0.0	5.1	2.6	10.8
3. Journal of Commerce industrials	May 10	5.0	-4.0	3.5	3.1	3.8
3a. Metals	May 10	1.9	-2.6	3.7	0.1	4.2
4. Dow-Jones Spot	May 10	10.4	5.1	4.1	2.1	13.2
5. IMF commodity index <sup>4</sup>	Mar	-2.6	2.4	2.9	n.a.	6.4
5a. Metals	Mar	-3.1	-14.4	4.4	n.a.	-4.8
5b. Nonfood agricultural	Mar	2.4	0.2	6.5	n.a.	5.2
6. Economist (U.S. dollar index)	May 03	1.6	9.1	5.3	-0.3	12.9
6a. Industrials	May 03	4.5	4.4	8.7	-5.0	8.5

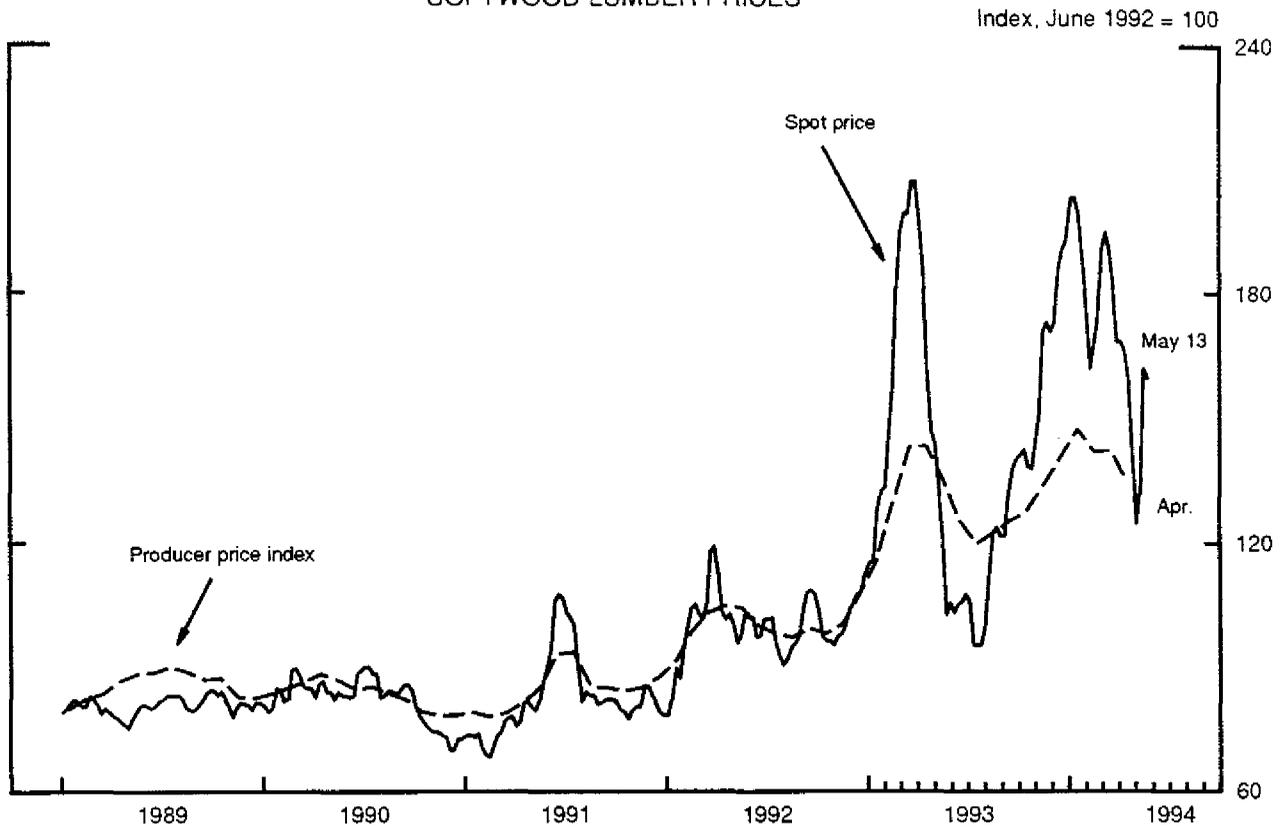
1. Not seasonally adjusted.
  2. Change is measured to end of period, from last observation of previous period.
  3. Week of the March Greenbook.
  4. Monthly observations. IMF index includes items not shown separately.
- n.a. Not available.

Index Weights

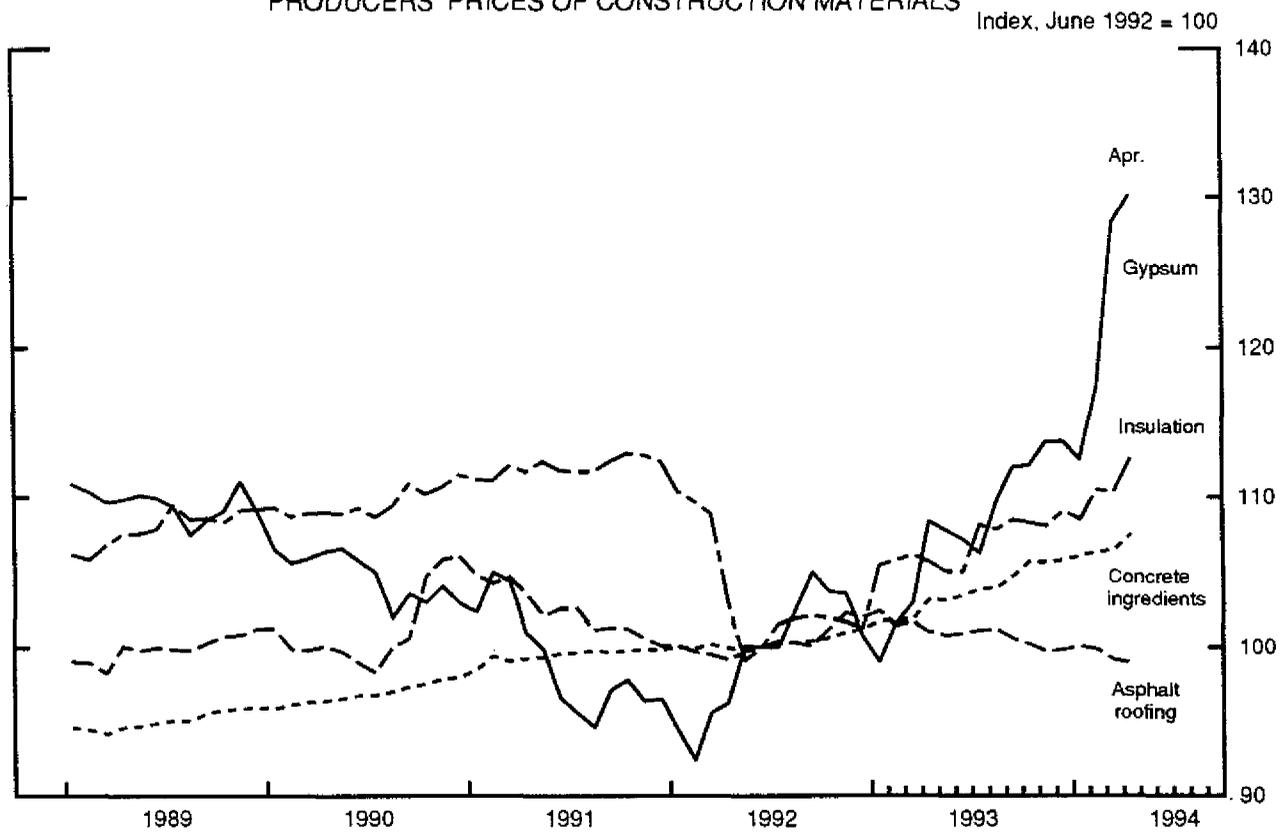


1. Forest products, industrial metals, and other industrial materials.

### SOFTWOOD LUMBER PRICES



### PRODUCERS' PRICES OF CONSTRUCTION MATERIALS



THE FINANCIAL ECONOMY

The May Senior Loan Officer Opinion Survey on Bank Lending Practices

The May 1994 Senior Loan Officer Opinion Survey on Bank Lending Practices posed questions about changes in bank lending standards and terms, changes in loan demand by businesses and households, banks' holdings of securities, and real estate loans. Fifty-nine domestic commercial banks and eighteen U.S. branches and agencies of foreign banks participated in the survey.

As in the last several surveys, the results show an easing of terms and standards on loans both to businesses and to households. Respondents reported easing terms and standards on commercial and industrial loans to firms of all size categories, with more banks easing for middle-market firms than for larger and smaller firms. As in the February survey, the responses indicated a slight easing of standards for commercial real estate loans. Respondents reported an increased willingness to make loans to individuals and indicated that they had eased standards on home mortgage loans. Demand for business credit surged. For each size category of borrower, a larger fraction of banks reported increased demand than has so reported since the questions were introduced at the end of 1991. Respondents also reported that demand for business loans is now more sensitive to changes in terms than it had been a year ago. Household demand for credit, particularly for installment credit, continued to grow, but demand for residential mortgages fell back a bit.

Special questions on the survey explored the reasons for the recent strength in banks' security holdings and weakness in banks' real estate loans. Those respondents that had expanded their holdings of Treasury securities stated they had done so primarily because the recent decline in the price of those securities made

them an attractive investment. A majority of respondents who had experienced decreased growth in their holdings of residential real estate loans attributed the drop largely to a slowdown in refinancing activity. However, more respondents reported increases than decreases in holdings of commercial real estate loans.

#### Lending to Businesses

##### Commercial and industrial loans other than for mergers.

Domestic respondents reported some easing of credit standards for firms in all size categories, with less than 10 percent easing for large firms and small firms and around 15 percent easing for middle-market firms. These figures are little changed from those in the February survey. Two U.S. branches of foreign banks, or 11 percent of the sample, eased lending standards, and none reported tightening. With respect to loan terms, many banks reduced the spreads of loan rates over base rates and the cost of credit lines. About half of the domestic respondents reported reductions for large and middle-market firms, and about a quarter indicated reductions for small firms. Smaller fractions of respondents eased other terms, such as loan covenants, credit line size, and collateralization. Terms were eased the most for large firms and the least for small firms. The fraction of foreign respondents that eased terms was similar to that for domestic banks. Respondents attributed their easing to various reasons, including increased competition, a more favorable economic outlook, and a lessening of industry-specific problems.<sup>1</sup>

**Commercial real estate loans.** Domestic respondents indicated that credit standards for commercial real estate loans eased slightly. A couple of domestic banks reported a slight easing on

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1. "Increased competition" was not offered as a reason for easing of terms and standards, but many banks wrote it in under the "Other" category. Increased competition was, in fact, the most popular and most highly ranked response.

loans secured by commercial office buildings, and a few more reported easing for other types of commercial real estate loans. These results are similar to those reported in the February survey, which represented the first sign of a backing-off in standards for commercial real estate loans since the significant tightening in 1990-91. At U.S. branches and agencies of foreign banks, standards for commercial real estate loans were essentially unchanged.

**Demand.** Demand for business loans was reported to have strengthened considerably over the past three months. Between a third and a half of domestic respondents experienced stronger demand, particularly from middle-market and small firms. For each size category of borrower, this survey's net share of respondents reporting increased demand is the largest since the questions on this subject were introduced on a regular basis at the end of 1991. Respondents attributed the strength primarily to customers' greater needs to finance inventories and investment in plant and equipment. A few banks attributed the increase in demand to a reduction in their customers' financing from nonbank sources. Foreign respondents also noted increased demand. About half of both domestic and foreign respondents stated that, for all size categories of borrower, the demand for business loans is currently more sensitive to changes in terms than it was a year ago.

#### **Lending to Households**

Respondents were also more willing to make consumer and residential mortgage loans. More than a quarter of the respondents, similar to the fractions in the February survey, indicated greater willingness to make consumer installment and home equity loans. Only a few banks reported having eased standards for approving mortgage applications for purchasing houses during the past three months.

Demand for household credit was said to have increased on net from February to May. More than a third of the respondent banks experienced an increase in demand for consumer installment loans, a slightly higher proportion than reported in the February survey. The respondents reporting declines in residential mortgage demand exceeded those indicating increases, with several banks experiencing substantial declines. However, demand for home equity lines of credit picked up: On net, just under 10 percent of banks saw higher demand. Demand for home equity loans had been weak in the last couple of surveys, likely because of paydowns of these loans with the proceeds from mortgage refinancings.

#### **Securities**

Nationwide, banks' holdings of U.S. Treasury and agency securities grew rapidly in March and April. About 25 percent of the survey respondents had stronger growth in their holdings of securities over that period. About a third of these banks experienced a pickup in growth only in agency securities. Those banks that accelerated their purchases of Treasury securities did so largely because the recent decline in the price of Treasuries has made them more attractive investments.

Banks were also asked what actions they had taken in response to FAS 115, which substantially increased the share of securities that must be marked to market. The most common action was to decrease the maturity of their security portfolios, although many banks increased hedging activities and reduced security holdings.

#### **Real Estate Loans**

For the United States as a whole, the growth in commercial banks' holdings of real estate loans slowed markedly in the first quarter of this year. A majority of the domestic respondents experienced a similar slowdown in residential real estate loan

growth. Of those banks that saw reduced growth, the most popular explanation was a deceleration in refinancing activity, followed at some distance by loss of business to competitors and a slowdown in originations. The most common destination of lost mortgage business appears to have been mortgage companies.

Despite the overall decline in real estate loans, respondents characterized the growth at their bank of commercial real estate loans as somewhat increased, on net, relative to growth in the preceding three months. This finding is consistent with the greater willingness to lend indicated in this and the February survey as well as the pickup in the commercial real estate market reported in the press.

COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT<sup>1</sup>  
(Percentage change at annual rate, based on seasonally adjusted data)

Type of credit	Dec. 1992 to Dec. 1993	1993 Q4	1994 Q1	1994 Feb.	1994 Mar.	1994 Apr. p	Level, Apr. 1994 p (\$billions)
Commercial bank credit							
1. Total loans and securities	5.2	4.1	7.9	5.5	10.4	10.4	3,193.1
2. Securities	8.5	2.8	17.2	6.9	25.7	22.2	967.6
3. U.S. government	9.6	3.7	11.6	0.0	25.2	18.0	758.9
4. Other	4.4	-.7	39.1	33.0	26.7	38.6	208.7
5. Loans	4.0	4.7	4.0	4.9	4.1	5.3	2,225.5
6. Business	-1.8	-2.0	8.3	4.7	9.5	13.3	602.3
7. Real estate	4.5	7.8	-.0	-1.5	-.1	2.8	943.0
8. Consumer	9.0	11.3	10.5	10.1	12.4	18.2	407.3
9. Security	35.1	25.3	-18.3	19.3	16.1	-93.6	76.8
10. Other	-.6	-10.8	7.7	19.8	-14.0	8.6	196.1
Short- and intermediate-term business credit							
11. Business loans net of bankers acceptances	-2.0	-1.7	8.3	5.0	9.9	11.0	592.5
12. Loans at foreign branches <sup>2</sup>	-12.1	1.9	-7.4	-44.4	28.8	45.1	22.1
13. Sum of lines 11 and 12	-2.5	-1.6	7.8	3.4	10.3	12.2	614.6
14. Commercial paper issued by nonfinancial firms	4.4	-8.2	-12.2	-10.6	-29.8	-11.0	151.5
15. Sum of lines 13 and 14	-1.1	-3.0	3.6	.5	2.1	7.6	766.1
16. Bankers acceptances, U.S. trade-related <sup>3,4</sup>	-12.2	-22.5	17.9	23.6	17.4	n.a.	21.0 <sup>5</sup>
17. Loans at finance companies <sup>4</sup>	-.5	.1	9.3	9.4	18.3	n.a.	312.9 <sup>5</sup>
18. Total (sum of lines 15, 16, and 17)	-1.2	-2.5	5.5	3.3	6.9	n.a.	1,095.2 <sup>5</sup>

1. Except as noted, levels are averages of Wednesday data and percentage changes are based on averages of Wednesday data; data are adjusted for breaks caused by reclassification; changes are measured from preceding period to period indicated.

2. Loans to U.S. firms made by foreign branches of domestically chartered banks.

3. Acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

4. Changes are based on averages of month-end data.

5. March 1994.

p Preliminary.

n.a. Not available.

III-T-1  
 SELECTED FINANCIAL MARKET QUOTATIONS  
 (Percent except as noted)

Instrument	1993	1994			Change to May 12 1994			
	Mid-Oct lows	Feb 3	FOMC. <sup>1</sup> Mar 22	May 12	From Mid-Oct lows	From Feb 3	From FOMC Mar 22	
<b>SHORT-TERM RATES</b>								
Federal funds <sup>2</sup>	3.07	3.07	3.22	3.73	0.66	0.66	0.51	
Treasury bills <sup>3</sup>								
3-month	3.01	3.13	3.52	4.13	1.12	1.00	0.61	
6-month	3.09	3.27	3.87	4.71	1.62	1.44	0.84	
1-year	3.23	3.52	4.19	5.18	1.95	1.66	0.99	
Commercial paper								
1-month	3.13	3.16	3.64	4.37	1.24	1.21	0.73	
3-month	3.23	3.25	3.87	4.72	1.49	1.47	0.85	
Large negotiable CDs <sup>3</sup>								
1-month	3.08	3.11	3.54	4.32	1.24	1.21	0.78	
3-month	3.22	3.25	3.80	4.67	1.45	1.42	0.87	
6-month	3.23	3.41	4.07	5.10	1.87	1.69	1.03	
Eurodollar deposits <sup>4</sup>								
1-month	3.06	3.06	3.50	4.31	1.25	1.25	0.81	
3-month	3.25	3.25	3.81	4.75	1.50	1.50	0.94	
Bank prime rate	6.00	6.00	6.00	6.75	0.75	0.75	0.75	
<b>INTERMEDIATE AND LONG-TERM RATES</b>								
U.S. Treasury (constant maturity)								
3-year	4.06	4.60	5.49	6.53	2.47	1.93	1.04	
10-year	5.19	5.81	6.55	7.36	2.17	1.55	0.81	
30-year	5.78	6.31	6.94	7.57	1.79	1.26	0.63	
Municipal revenue <sup>5</sup> (Bond Buyer)	5.41	5.49	6.06	6.60	1.19	1.11	0.54	
Corporate - A utility, recently offered <sup>6</sup>	6.79	7.35	7.76	8.46	1.67	.11	0.70	
Home mortgages <sup>6</sup>								
FHLMC 30-yr fixed rate	6.74	6.97	7.76	8.53	1.79	1.56	0.77	
FHLMC 1-yr adjustable rate	4.14	4.12	4.60	5.25	1.11	1.13	0.65	
Stock exchange index	Record high		1989	1994		Percentage change to May 12		
	Level	Date	Low, Jan. 3	FOMC. <sup>1</sup> Mar 22	May 12	From record high	From 1989 low	From FOMC Mar 22
Dow-Jones Industrial	3978.36	1/31/94	2144.64	3864.85	3652.84	-8.18	70.32	-5.49
NYSE Composite	267.71	2/2/94	154.00	259.91	245.55	-8.28	59.45	-5.52
NASDAQ (OTC)	803.93	3/18/94	378.56	797.30	719.61	-10.49	90.09	-9.74
Wilshire	4804.31	2/2/94	2718.59	4705.03	4408.29	-8.24	62.15	-6.31

1. One-day quotes except as noted.  
 2. Average for two-week reserve maintenance period closest to date shown. Last observation is average for maintenance period ending May 11, 1994.  
 3. Secondary market.

4. Bid rates for Eurodollar deposits at 11 a.m. London time.  
 5. Most recent observation based on one-day Thursday quote and futures market index changes.  
 6. Quotes for week ending Friday previous to date shown.

Rates are as of the close on March 21, 1994.