

Board of Governors of the Federal Reserve System



1996 Survey of Corporate Medium-Term Notes

April 16, 1997

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U.S. corporations issued \$93.7 billion of medium-term notes (MTNs) in 1996, down from a record \$98.9 billion in 1995 (table 1.A). The slower pace of issuance is entirely attributable to nonfinancial firms, which sold \$11.7 billion in 1996, \$7.8 billion less than in 1995. Issuance by financial firms rose \$2.5 billion to \$82.0 billion, a record for these firms. A total of 165 firms sold MTNs in 1996, the fewest since 1990 and 30 fewer than in 1995 (table 1.B). The number of nonfinancial issuers, which dropped by one-third, fully accounted for this decline; the number of financial issuers increased by 9 to 87. Since 1983, when the Federal Reserve began collecting these data, 528 companies have raised funds in the MTN market, including 206 financial companies and 322 nonfinancial companies. During 1996, total MTNs outstanding rose \$19.8 billion to \$287.3 billion (tables 2.A and 3). As of year-end, 411 firms--126 financial and 285 nonfinancial--had MTNs outstanding (table 2.B).

The corporations that issued MTNs in 1996 continued to have high credit ratings (table 5). More than 99 percent of the MTNs issued last year had investment-grade ratings. Single-A-rated issuers were again most common and accounted for 65 percent of total issuance. Only four firms with speculative-grade ratings issued MTNs last year. Because the volume of speculative-grade issues has always been small, outstanding MTNs also have high credit ratings; 98 percent of outstanding MTNs were rated investment-grade at year-end 1996 (table 6).

The MTN market accounts for a sizable share of intermediate- and long-term borrowing by U.S. companies. One measure of the MTN market share is the volume of MTN issuance as a percentage of total public issuance of investment-grade debt (MTNs plus straight corporate bonds). As shown in table 7, MTNs were less important in 1996 than in 1995, as the issuance ratio dropped 4 percentage points, to 43 percent.

The reduced importance of MTNs was particularly pronounced among nonfinancial companies, which reduced their relative usage of MTNs for long-term financing by 10 percentage points, to 16 percent. Given the reduced importance of MTN issuance, the ratio of MTNs outstanding to the amount of public long-term debt outstanding (MTNs plus public corporate bonds), another measure of the MTN market share, fell 1 percentage point, to 18 percent (table 8).

The Division of Research and Statistics of the Federal Reserve Board obtains these data from a survey of U.S. corporations that borrow in the public MTN market. The reported figures do not include borrowing in the "Euro" markets or the private placement market (both traditional issues and securities sold under SEC Rule 144a are excluded). Moreover, the survey does not include offerings by foreign corporations, sovereigns, supranationals, or federal agencies. The figures include MTNs offered by bank holding companies but exclude deposit notes and bank notes offered by banks because these securities are exempt from SEC registration under section 3(a)2 of the Securities Act of 1933. The Federal Reserve collects these data to improve its estimates of new securities issues of U.S. corporations, as published in the *Federal Reserve Bulletin*, and to improve estimates of corporate securities outstanding as shown in the Federal Reserve's flow of funds accounts. The Federal Reserve obtains information on new programs from announcements of SEC Rule 415 registrations and contacts with MTN agents. It regards as confidential the disaggregated information provided by individual companies.

Table 1

Gross Borrowing by U.S. Corporations in the U.S. Medium-Term Note Market

A. Millions of Dollars

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
All U.S. Corporations	13,488	19,811	23,153	30,676	34,008	46,617	72,018	74,539	86,062	87,845	98,916	93,676
Financial Corporations	12,175	16,715	20,338	22,232	26,294	29,936	45,773	50,626	57,842	70,074	79,462	81,954
Auto Finance Companies	6,688	8,854	9,930	6,699	8,575	9,874	12,380	13,450	10,755	11,219	11,631	8,642
Banking Firms	1,991	2,120	2,258	3,795	3,610	3,162	11,157	6,603	7,561	8,103	13,945	12,136
Finance Companies ¹	2,624	3,038	4,674	6,562	8,500	12,289	14,802	18,635	19,305	30,086	34,017	32,948
Real Estate, Insurance and Other Financial Companies	0	152	384	677	900	1,186	1,027	1,129	1,422	846	1,671	2,391
Savings and Loans	307	1,404	1,396	2,651	2,312	25	0	67	861	500	1,285	1,518
Securities Brokers	565	1,148	1,695	1,848	2,397	3,399	6,408	10,741	17,937	19,320	16,912	24,319
Nonfinancial Corporations	1,313	3,095	2,815	8,444	7,713	16,681	26,245	23,913	28,220	17,771	19,455	11,722
Electric, Gas and Water	143	344	494	1,485	2,706	3,221	5,143	7,535	10,858	2,523	2,732	1,877
Manufacturing	848	2,103	1,064	2,593	2,570	6,497	12,503	9,190	8,394	6,817	7,531	5,221
Services	191	535	691	1,926	961	1,237	2,409	1,747	3,079	3,529	4,691	3,144
Telephone and Communication	0	0	189	514	84	1,221	1,373	1,635	2,729	1,492	1,493	831
Transportation, Mining, and Construction	25	38	81	752	578	1,933	1,800	1,068	1,740	920	612	405
Wholesale and Retail Trade	107	75	296	1,175	815	2,573	3,018	2,738	1,420	2,489	2,396	245

1. Excluding auto finance companies

Note: Numbers may not add due to rounding

Table 1

Gross Borrowing by U.S. Corporations in the U.S. Medium-Term Note Market

B. Number of Issuers

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Total
All U.S. Corporations	52	72	86	132	139	165	224	211	210	171	195	165	528
Financial Corporations	41	50	61	80	72	65	76	66	71	68	78	87	206
Auto Finance Companies	3	3	3	3	3	3	2	2	3	3	3	3	3
Banking Firms	10	13	14	16	15	13	23	16	19	16	19	21	48
Finance Companies ¹	23	20	25	30	30	37	38	31	28	27	31	33	65
Real Estate, Insurance and Other Financial Companies	0	5	5	9	8	5	7	10	12	11	14	18	42
Savings and Loans	3	7	11	18	11	1	0	1	2	1	3	2	36
Securities Brokers	2	2	3	4	5	6	6	6	7	10	8	10	12
Nonfinancial Corporations	11	22	25	52	67	100	148	145	139	103	117	78	322
Electric, Gas and Water	1	4	5	12	25	30	44	56	60	37	42	31	96
Manufacturing	4	10	9	21	25	41	62	51	47	39	46	29	136
Services	3	5	7	8	7	7	10	7	7	8	7	7	19
Telephone and Communication	0	0	2	2	1	9	11	10	8	6	8	5	20
Transportation, Mining, and Construction	1	2	1	5	6	8	11	8	9	7	7	3	27
Wholesale and Retail Trade	2	1	1	4	3	5	10	13	8	6	7	3	24

1. Excluding auto finance companies

Table 2

Medium-Term Notes Outstanding

A. Millions of Dollars

	Year-End					
	1991	1992	1993	1994	1995	1996
All U.S. Corporations	142,416	176,855	210,894	235,485	267,501	287,324
<i>Financial Corporations</i>	89,823	108,277	125,404	145,858	171,096	194,536
Auto Finance Companies	29,526	33,657	33,270	33,753	37,076	37,541
Banking Firms	15,794	17,988	19,558	21,468	27,964	33,569
Finance Companies ¹	31,645	39,306	45,257	57,686	70,542	78,197
Real Estate, Insurance and Other Financial Companies	2,783	3,442	4,567	4,757	6,083	8,002
Savings and Loans	1,398	805	1,002	1,250	2,255	2,670
Securities Brokers	8,678	13,078	21,751	26,944	27,176	34,556
<i>Nonfinancial Corporations</i>	52,593	68,578	85,490	89,627	96,405	92,788
Electric, Gas and Water	12,414	18,895	28,178	28,771	29,658	28,288
Manufacturing	21,793	27,384	30,885	31,959	33,945	34,204
Services	4,953	5,211	6,182	7,453	10,091	10,944
Telephone and Communication	2,610	3,841	5,841	6,731	7,414	5,538
Transportation, Mining and Construction	4,482	5,097	6,482	6,233	6,094	5,713
Wholesale and Retail Trade	6,341	8,150	7,922	8,482	9,203	8,101

1. Excluding auto finance companies

Note: Numbers may not add due to rounding

Table 2

Medium-Term Notes Outstanding

B. Number of Issuers with MTNs Outstanding

	Year-End					
	1991	1992	1993	1994	1995	1996
All U.S. Corporations	315	354	367	376	401	411
<i>Financial Corporations</i>	114	119	115	114	121	126
Auto Finance Companies	3	3	3	3	3	3
Banking Firms	29	29	32	30	31	32
Finance Companies ¹	45	47	47	48	47	46
Real Estate, Insurance and Other Financial Companies	13	17	17	18	24	29
Savings and Loans	18	17	9	5	6	6
Securities Brokers	6	6	7	10	10	10
<i>Nonfinancial Corporations</i>	201	235	252	262	280	285
Electric, Gas and Water	62	74	83	83	90	91
Manufacturing	85	99	104	111	117	117
Services	14	13	13	13	14	14
Telephone and Communication	14	16	16	17	17	18
Transportation, Mining and Construction	15	16	19	19	21	23
Wholesale and Retail Trade	11	17	17	19	21	22

1. Excluding auto finance companies

Table 3

**Net Borrowing in the Medium-Term Note Market
(Millions of Dollars)**

	Year-Over-Year Change in Outstandings					
	1991	1992	1993	1994	1995	1996
All U.S. Corporations	42,375	34,440	34,039	24,592	32,015	19,823
<i>Financial Corporations</i>	20,677	18,454	17,127	20,454	25,238	23,440
Auto Finance Companies	5,115	4,131	-387	483	3,323	465
Banking Firms	6,766	2,194	1,569	1,910	6,496	5,605
Finance Companies ¹	6,897	7,661	5,950	12,429	12,856	7,655
Real Estate, Insurance and Other Financial Companies	694	660	1,125	190	1,326	1,919
Savings and Loans	-2,727	-593	197	248	1,005	415
Securities Brokers	3,932	4,401	8,673	5,194	231	7,380
<i>Nonfinancial Corporations</i>	21,699	15,985	16,912	4,138	6,777	-3,616
Electric, Gas and Water	4,631	6,481	9,283	593	887	-1,370
Manufacturing	10,840	5,591	3,501	1,074	1,986	259
Services	1,424	259	971	1,270	2,639	852
Telephone and Communication	1,034	1,232	2,000	890	684	-1,876
Transportation, Mining and Construction	1,210	614	1,385	-249	-139	-381
Wholesale and Retail Trade	2,560	1,809	-228	560	721	-1,102

1. Excluding auto finance companies

Note: Numbers may not add due to rounding

Table 4

**Statistics on Firm-Level Outstandings of
Corporate Medium-Term Notes
(Millions of Dollars)**

	Average Outstandings						Median Outstandings					
	1991	1992	1993	1994	1995	1996	1991	1992	1993	1994	1995	1996
All U.S. Corporations	452	500	575	626	667	699	153	167	200	200	200	211
Financial Corporations	788	910	1,090	1,279	1,414	1,544	233	229	260	346	394	323
Auto Finance Companies	9,842	11,219	11,090	11,251	12,359	12,514	9,837	10,851	13,660	15,575	15,769	15,653
Banking Firms	545	620	611	716	902	1,049	225	150	225	355	400	323
Finance Companies ¹	703	836	963	1,202	1,501	1,700	350	444	442	477	621	857
Real Estate, Insurance and Other Financial Companies	214	202	269	264	253	276	129	133	200	169	121	163
Savings and Loans	78	47	111	250	376	445	50	25	26	16	105	133
Securities Brokers	1,446	2,180	3,107	2,694	2,718	3,456	1,028	1,316	3,396	2,242	2,575	3,653
Nonfinancial Corporations	262	292	339	342	344	326	130	157	198	183	185	171
Electric, Gas and Water	200	255	339	347	330	311	103	165	185	200	197	203
Manufacturing	256	277	297	282	290	292	124	140	193	170	160	153
Services	354	401	476	573	721	782	238	300	248	299	345	503
Telephone and Communication	186	240	365	396	436	308	148	198	192	198	219	193
Transportation, Mining and Construction	299	319	341	328	290	248	210	174	189	159	145	113
Wholesale and Retail Trade	576	479	466	446	438	368	165	150	245	250	250	163

1. Excluding auto finance companies.

Table 5

Ratings Distribution of Medium-Term Note Issuance

A. Millions of Dollars

Moody's Rating	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Total
Aaa	789	1,585	2,651	2,644	1,635	4,250	2,966	4,091	9,274	10,358	4,740	45,194
Aa	10,117	11,908	10,129	9,722	14,920	5,441	6,381	4,840	5,292	7,965	12,011	114,405
A	6,607	7,469	11,735	16,333	23,731	51,589	50,652	57,800	58,600	65,440	60,910	420,004
Baa	1,799	1,919	5,596	5,098	6,331	10,585	13,807	17,759	13,926	14,452	15,126	109,695
Ba	498	273	565	109	0	145	732	1,573	618	573	757	6,725
B	0	0	0	0	0	1	0	0	134	128	131	393

Note: Numbers may not add due to rounding

B. Number of Issuers

Moody's Rating	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Total
Aaa	7	14	21	14	6	9	9	8	3	2	3	47
A	24	26	22	18	25	27	23	25	14	19	17	96
A	34	38	59	71	92	136	111	115	107	119	96	282
Baa	11	13	29	36	48	59	69	64	50	53	50	190
Ba	1	1	2	2	0	2	7	8	5	4	3	19
B	0	0	0	0	0	1	0	0	2	1	1	3

Table 6

Ratings Distribution of Medium-Term Notes Outstanding
(Millions of Dollars)

Moody's Rating	Year-End Outstandings					Net change				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
All U.S. Corporations	176,857	210,895	235,486	267,501	287,324	34,439	34,039	24,591	32,014	19,824
Aaa	6,077	8,799	12,725	17,021	13,599	-638	2,722	3,926	4,296	-3,422
Aa	13,137	12,860	15,686	22,984	38,027	4,384	-277	2,826	7,298	15,043
A	89,514	122,544	142,543	161,758	168,488	-11,344	33,030	19,999	19,214	6,731
Baa	64,621	62,232	59,603	61,040	61,449	41,794	-2,388	-2,630	1,437	409
Ba	3,005	3,637	4,136	3,723	4,638	448	632	500	-412	914
B	53	373	343	500	635	-130	320	-30	157	135
Caa or lower	450	450	450	450	450	-75	0	0	0	0
Financial Corporations	108,277	125,404	145,858	171,097	194,535	18,455	17,126	20,454	25,237	23,440
Aaa	4,930	7,570	12,130	16,621	13,045	-579	2,640	4,560	4,491	-3,576
Aa	6,596	4,853	9,747	16,185	30,771	3,309	-1,744	4,895	6,438	14,586
A	55,668	81,172	96,965	107,663	119,131	-13,488	25,504	15,792	10,698	11,468
Baa	40,042	30,596	25,839	29,410	30,337	30,067	-9,446	-4,757	3,570	928
Ba	989	1,213	1,177	1,218	1,251	-724	224	-36	40	34
B	52	0	0	0	0	-130	-52	0	0	0
Caa or lower	0	0	0	0	0	0	0	0	0	0
Nonfinancial Corporations	68,580	85,490	89,628	96,404	92,788	15,986	16,912	4,138	6,777	-3,616
Aaa	1,147	1,229	595	400	554	-58	81	-634	-195	154
Aa	6,541	8,007	5,939	6,799	7,256	1,076	1,467	-2,068	861	457
A	33,846	41,371	45,579	54,095	49,357	2,144	7,526	4,207	8,516	-4,738
Baa	24,579	31,636	33,763	31,630	31,111	11,727	7,058	2,127	-2,133	-519
Ba	2,016	2,424	2,959	2,506	3,387	1,172	408	536	-453	881
B	1	373	343	500	635	0	372	-30	157	135
Caa or lower	450	450	450	450	450	-75	0	0	0	0

Note: Numbers may not add due to rounding

Table 7

**Ratio of Medium-Term Note Issuance to the
Sum of Medium-Term Note and Corporate Bond Issuance
for Investment-Grade Issuers¹**
(Percent)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
All U.S. Corporations	17	15	23	31	33	42	41	37	35	54	47	43
Financial Corporations	35	31	36	42	44	58	57	57	51	63	59	57
Auto Finance Companies	46	46	54	62	61	73	74	73	62	73	77	81
Banking Firms	22	14	15	28	33	58	64	32	27	34	40	30
Finance Companies ²	35	33	33	40	40	50	48	62	65	69	65	72
Real Estate, Insurance and Other Financial Companies	0	8	9	19	38	85	38	36	17	21	20	19
Savings and Loans	21	6	56	40	36	3	0	8	45	49	72	89
Securities Brokers	27	38	73	58	46	67	54	69	65	84	75	76
Nonfinancial Corporations	3	4	7	20	18	28	27	21	21	35	26	16
Electric, Gas and Water	2	2	4	11	24	26	27	18	21	23	24	23
Manufacturing	3	7	6	14	13	22	25	21	23	49	27	15
Services	13	19	38	49	56	46	61	40	48	58	45	36
Telephone and Communication	0	0	9	47	3	25	20	19	13	25	15	12
Transportation, Mining, and Construction	3	1	6	42	15	37	26	18	16	10	8	4
Wholesale and Retail Trade	4	2	9	34	29	45	34	29	16	43	35	4

1. In the ratio, the volume of issuance of MTNs and corporate bonds does not include convertible bonds, Federal agency bonds, asset-backed securities, or private placements.

2. Excluding auto finance companies.

Table 8

**Ratio of Medium-Term Notes Outstanding to the
Sum of Medium-Term Notes and Corporate Bonds Outstanding**
(Percent)

	1991	1992	1993	1994	1995	1996
All U.S. Corporate MTNs and Bonds	14	16	17	19	19	18
All U.S. Corporate MTNs and Bonds with Investment-Grade Ratings	17	19	21	23	23	22

Source: Moody's Investors Service for corporate bond outstandings. Both Moody's and Federal Reserve figures exclude private placements, asset-backed securities, bonds issued by Federal agencies, Eurobonds, and Yankee bonds. Moody's figures include convertible bonds.