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CONFIDENTIAL (FR)
CLASS III - FOMC

May 11, 1990

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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DOMESTIC NONFINANCIAL ECONOMY

Producer prices

The producer price index for finished goods declined 0.3 percent in April. Food prices were down for the second month in row, energy prices fell for a third month, and the rise in the index for finished goods other than food and energy--0.2 percent--was somewhat less than the increases in either of the two previous months.

The drop in food prices in April amounted to 0.6 percent and was the result of a second month of steep decline in the prices of fresh vegetables; in the PPI, the index for these items has reversed the freeze-induced runup of the first two months of the year. Among other foods, price increases continued to be widespread, led by another steep hike in the price of pork. In the energy sector, producer prices fell 1.7 percent in April, pulled down by declines for fuel oil and natural gas. By contrast, gasoline prices turned up sharply in April; however, renewed declines for gasoline are anticipated in May in view of the recent weakness in crude oil prices.

The PPI for finished goods other than food and energy was held down in April by declines in the prices of cars and trucks. Elsewhere, price changes in April tended to be small or moderate; the main exceptions among consumer goods were the continued upward pressures on prices of health products and some other nondurables. Overall, the April index for finished goods other than food and energy was 4.0 percent above its level of a year ago. At the intermediate stage of processing, prices of materials other than food and energy increased 0.1 percent in April; after declining a little in the second half of 1989, these prices have tilted toward a gradual uptrend thus far in 1990.

Retail Sales

According to the Commerce Department's advance report, total retail sales are estimated to have fallen 0.6 percent in April, as the result of reduced spending at automotive dealers and building material and supply stores. Excluding these categories, spending in the retail control group edged up 0.1 percent in April, following small upward revisions to February and March. The April level of nominal retail control was about 2 percent (annual rate) above the first-quarter average.

Among the components of retail control, spending declined in April at general merchandise and apparel stores but firmed at furniture and appliance outlets. Sales at food stores also were up in April after essentially no change in March. The small upward revisions to spending in February and March occurred mainly in sales at apparel outlets, food stores, and gasoline stations.

On balance, the April retail sales report was somewhat weaker than assumed in the May Greenbook. However, given the tentative nature of the advance retail sales data, the staff would not be inclined at this point to make major adjustments to our forecast of real consumer spending in the second quarter.

RECENT CHANGES IN PRODUCER PRICES
(Percentage change; based on seasonally adjusted data)[1]

	Relative importance Dec. 1989	1988	1989	1989 Q3	1989 Q4	1990 Q1	1990 Mar.	1990 Apr.
				------Annual rate-----			-Monthly rate-	
Finished goods	100.0	4.0	4.9	.4	5.0	6.7	-.2	-.3
Consumer foods	25.9	5.7	5.2	.7	12.4	9.5	-.6	-.6
Consumer energy	9.2	-3.6	9.5	-15.3	-5.3	24.0	-2.4	-1.7
Other finished goods	64.9	4.3	4.2	3.0	3.6	3.3	.3	.2
Consumer goods	39.5	4.8	4.4	2.3	4.2	3.5	.2	.1
Capital equipment	25.4	3.6	3.8	4.4	2.0	3.4	.4	.2
Intermediate materials[2]	94.9	5.3	2.5	-.7	-.4	2.5	.0	.0
Excluding food and energy	82.5	7.2	.9	-.7	-1.0	1.3	.3	.1
Crude food materials	41.9	14.2	2.8	-2.2	19.2	8.7	.3	-.8
Crude energy	40.5	-9.5	17.9	-7.0	13.2	1.0	-4.6	-7.8
Other crude materials	17.5	7.5	-3.6	.6	-15.3	4.3	2.0	2.2

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

RETAIL SALES
(Seasonally adjusted percentage change)

	1989		1990	1990		
	Q3	Q4	Q1	Feb.	Mar.	Apr.
Total sales	1.6	-.4	2.7	.0	-.2	-.6
Previous estimate[1]			2.4	-.3	-.6	
Retail control[2]	1.2	1.2	2.4	1.5	-.2	.1
Previous estimate[1]			2.3	1.4	-.4	
GAF[3]	1.2	1.2	2.4	2.2	-.4	-.7
Previous estimate[1]			2.4	2.2	-.7	
Durable goods stores	2.5	-3.2	3.7	-2.1	-.7	-1.6
Previous estimate[1]			3.2	-2.7	-.8	
Automotive dealers	3.5	-5.0	3.6	-5.6	-.2	-2.7
Furniture and appliances	-.4	.7	2.8	1.7	-.2	.4
Other durable goods	2.7	.3	4.9	4.5	-2.9	2.2
Nondurable goods stores	1.1	1.2	2.2	1.3	.0	-.0
Previous estimate[1]			1.9	1.1	-.5	
Apparel	1.5	.4	.9	2.1	1.4	-1.9
Food	1.2	1.2	1.6	1.4	.1	1.1
General merchandise[4]	1.8	1.8	3.0	2.4	-1.2	-.7
Gasoline stations	-1.9	1.5	2.5	-.2	-.3	-1.0
Other nondurables[5]	1.7	1.0	2.6	.7	.4	.0
Memo:						
Motor vehicle sales[6]	15.9	13.0	14.2	13.7	13.8	14.1
Autos	10.8	8.7	9.7	9.5	9.5	9.5
Light trucks	5.1	4.3	4.5	4.2	4.3	4.6

1. Based on incomplete sample counts approximately one month ago.
2. Total retail sales less building material and supply stores and automotive dealers, except auto and home supply stores.
3. General merchandise, apparel, furniture, and appliance stores.
4. General merchandise excludes mail order nonstores; mail order sales are also excluded in the GAF grouping.
5. Includes sales at eating and drinking places, drug and proprietary stores.
6. Millions of units at an annual rate; BEA seasonals.

THE FINANCIAL ECONOMY

Summary of the May 1990 Senior Loan Officer Opinion Survey on Bank Lending Practices

The May 1990 Senior Loan Officer Opinion Survey on Bank Lending Practices focused on two episodes of weakness in non-merger-related business lending by commercial banks: the year 1989 as a whole and the early months of 1990. The survey also examined recent changes in the willingness of respondent banks to extend non-merger-related C&I loans to middle-market firms and to small businesses and to provide permanent financing to commercial real estate projects. In addition, the usual questions were asked regarding changes in banks' willingness to lend to households.

The responses indicate that the weakness in the growth of non-merger-related business loans in both episodes owed primarily to reduced demand from customers, but it also reflected tightened lending policies of respondent banks. Respondents indicated that since the end of 1989 they have attempted to tighten the availability of business loans to middle-market firms and to small businesses mainly because of a less favorable economic outlook and a deterioration in their loan portfolios. The latter situation likely also reflects the economic situation as well as current or anticipated capital pressures. Respondents also mentioned industry-specific problems and regulatory pressures. In general, respondents with assets of less than $10 billion exhibited more restraint with respect to business lending than very large banks. Both medium-sized and very large respondents (assets of $10 billion or more) reported a considerable reduction since last year in their willingness to make commercial real estate loans. Survey respondents are, by industry standards, large banks, which control about one-third of industry assets, and their responses may not be fully representative of the industry as a whole.

C&I Loan Growth in 1989. Growth of C&I loans (other than those identifiable as merger-related) is estimated to have virtually ceased in 1989.[1] About one-half of survey respondents indicated that their own C&I lending, net of merger-related loans, also weakened last year. They attributed this weakening mainly to reduced lending to middle-market and large firms, with relatively little contribution from small businesses.[2] Most commonly they ascribed the weaker loan growth to customers' reduced funding needs, but almost as frequently they cited more stringent credit standards or tighter lending terms or both. Several banks mentioned that weaker loan growth last year also owed to their customers' increased reliance on commercial paper; a few banks indicated that C&I loan growth was damped last year by customers' greater reliance on bonds.

C&I Loan Growth in Early 1990. Although non-merger-related C&I loans at all banks showed no growth on balance last year, they are estimated to have expanded during the final two quarters. This measure of business credit weakened after the turn of the year, however. About 40 percent of respondent banks indicated that the growth of C&I loans other than those made to finance mergers and acquisitions slowed at their banks during the first four months of 1990 relative to the last quarter of 1989. Most of the remaining banks saw no change in this measure of C&I loan growth over the

1. Merger-related loans include those made to finance leveraged buyouts, other mergers and acquisitions, and defensive restructurings--such as equity and debt buybacks--related to mergers and acquisitions.

2. About one-quarter of respondents experienced a pickup in non merger-related loan growth last year. By far the most important source of this strength was middle market firms.

period. With respect to the size of customer, many more banks cited middle-market or large firms as borrowers whose loan growth had slowed than cited small businesses.[3] The major reason that respondent banks gave for the slower loan growth of their large and middle market customers was reduced funding needs. Other reasons respondents gave for large firms included their customers' greater reliance on commercial paper and the respondents more stringent credit standards for approving these loans or the tighter rate or nonrate terms placed on them. For middle-market firms, respondents cited more stringent credit standards and tighter loan terms to be almost as important a factor in explaining the weaker loan growth as reduced demand; for small business, they most frequently cited tighter credit standards as the reason for weaker loan growth.

Recent Changes in Willingness to Lend to Middle Market and Smaller Firms. More than one-half of the respondent banks indicated that since late 1989 they had tightened their credit standards for lending both to middle-market firms and to small businesses.[4] Banks with assets below $10 billion showed much more inclination to tighten than did very large banks; about one out of ten respondents indicated that its loan policies had tightened "considerably." The primary reason given for tightening credit availability to middle-market and small firms was a less-favorable economic outlook. The second most frequently given reason was a deterioration in the

3. In part, this difference may reflect the composition of respondents' business loan portfolios, almost one-half of which respondents reported to consist of loans to large customers, about one-third to middle-market customers, and the rest to small businesses.

4. For purposes of this survey, "small businesses" were defined as firms with annual sales of $50 million to $250 million; a number of banks used their own definitions, however. Many of these had lower limits, in the $5 to $10 million area, and some had an upper limit below $250 million.

quality of banks' loan portfolios, which likely also reflected concern about the economic situation as well as current or anticipated capital pressures. Other reasons frequently cited for tightening were regulatory pressures and industry-specific problems. Relatively few banks explicitly listed pressure on their capital positions as a reason for restraint, but those that did considered this factor to be among the most important.

Banks reported that, besides tightening their standards for determining which loan applicants qualify for credit, they have recently tightened terms on loans they are currently willing to make. With respect to middle-market customers, more than one-half of the respondents indicated that they had moved to make loan covenants more stringent since late 1989 and a similar number reported that they had tightened collateral requirements; they gave comparable responses with respect to small-business customers. About 30 percent of banks indicated that since late 1989 they had reduced the size of credit lines they were making available to middle-market firms. As for pricing, banks on balance reported that spreads of loan rates over base-lending rates had increased in the past six months, for middle-market and small-business lending. That many banks reported lower spreads, however, perhaps reflected the higher credit standards they had put in place or the lower demand experienced during the period examined. The evidence for tighter lending terms, as with that for more stringent credit standards, is stronger at medium-sized than at very large banks.

Lending for Commercial Real Estate. Respondents reported considerable tightening of standards since late 1989 with respect to commercial real estate lending (excluding construction and land development loans).[5] About 80 percent of respondents tightened their standards for lending on commercial offices in the past six months, a large share "considerably." The evidence of tighter standards for industrial structures and other commercial real estate over the past six months is only slightly less strong. Both medium-sized and very large banks have exhibited similar restraint with respect to lending for commercial real estate since late last year.

Willingness to Lend to Households. As in recent surveys, respondent banks on balance had become a bit more willing to extend consumer installment credit in the three months ending with the survey date. As in the February survey, however, there was little evidence of an increase in banks' willingness to extend the broader category of consumer credit that includes loans made under home equity lines.

5. As reported in the January 1990 Senior Loan Officer Opinion Survey, 80 percent of respondents had become less willing to make construction and land acquisition and development loans during the second half of 1989.

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of May 1990)
(Number of banks and percent of banks answering question)
(By volume of total domestic assets, in $ billions, as of December 31, 1989)[1]

1. What is the rough percentage distribution of C&I loans on your bank's books among large corporate firms, middle market firms, and small businesses? (The middle market has been categorized as consisting of firms with annual sales of between $50 and $250 million; in answering this question, refer either to this definition or to any other that may be employed at your bank. Please indicate the definition used if it is other than the one suggested. "Large" borrowers would then be those larger than middle market customers and "small" borrowers those that are smaller. Percentages should add to 100.)

i. large firms

	0-20%		21-40%		41-60%		61-80%		Over 80%		Mean	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct*	Banks
All Respondents	17	29.3	19	32.8	9	15.5	11	19.0	2	3.4	48.2	58
$10.0 and Over	2	7.1	9	32.1	5	17.9	10	35.7	2	7.1	54.6	28
Under $10.0	15	50.0	10	33.3	4	13.3	1	3.3	0	0	27.9	30

ii. middle market firms

	0-20%		21-40%		41-60%		61-80%		Over 80%		Mean	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct*	Banks
All Respondents	10	17.2	20	34.5	22	37.9	4	6.9	2	3.4	35.5	58
$10.0 and Over	8	28.6	12	42.9	8	28.6	0	0	0	0	31.8	28
Under $10.0	2	6.7	8	26.7	14	46.7	4	13.3	2	6.7	47.3	30

iii. small firms

	0-20%		21-40%		41-60%		61-80%		Over 80%		Mean	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct*	Banks
All Respondents	37	63.8	15	25.9	3	5.2	2	3.4	1	1.7	16.2	58
$10.0 and Over	21	75.0	6	21.4	1	3.6	0	0	0	0	13.5	28
Under $10.0	16	53.3	9	30.0	2	6.7	2	6.7	1	3.3	24.9	30

2. Apart from lending estimated to have been for purposes of financing merger-related activities, C&I loans nationwide showed little if any growth in 1989. At your bank, how did growth of C&I loans in 1989--other than those made to finance merger-related activities--compare with growth of such non merger-related loans in 1988? (Merger-related loans include those made to finance leveraged buyouts, other mergers and acquisitions, and defensive restructurings--such as equity and debt buybacks--related to mergers and acquisitions.)

	Much weaker		Weaker		Same		Stronger		Much stronger		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.8	28	49.1	16	28.1	10	17.5	2	3.5	57
$10.0 and Over	0	0.0	14	51.9	9	33.3	4	14.8	0	0.0	27
Under $10.0	1	3.3	14	46.7	7	23.3	6	20.0	2	6.7	30

1 As of December 31,1989, 28 respondents had domestic assets of $10.0 billion or more; combined assets of these banks totalled $721 billion, compared to $938 billion for the entire panel of 60 banks, and $2.91 trillion for all domestically chartered federally insured commercial banks.

* Weighted by volume of commercial and industrial loans to domestic addressees as of April 18, 1990.

Note: In questions 3, 4, 6 and 8 "mean" refers to average rank, with 1 most important, 2 next most important and so on.

3. If growth of non merger-related C&I loans at your bank was weaker last year than in 1988 (answer i. or ii. to question 2.):

a. which category of borrower mainly accounted for the weakness? (If more than one was an important source of weakness, please rank.)

	Large firms		Middle market firms		Small businesses		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	21	1.4	22	1.3	8	1.8	29
$10.0 and Over	12	1.3	9	1.2	3	2.3	14
Under $10.0	9	1.4	13	1.4	5	1.4	15

b. did the weaker loan growth mainly reflect: (If more than one was important, please rank.)

i. reduced (non merger-related) funding needs of your customers?
ii. greater reliance of your customers on commercial paper?
iii. greater reliance of your customers on junk bonds?
iv. greater reliance of your customers on investment-grade bonds?
v. reclassifications of C&I loans into real estate loans for reporting purposes consequent upon their collateralization by real estate?
vi. more stringent credit standards at your bank for approving (non merger-related) C&I loans and/or tighter rate and non rate terms on these loans?

	Reduced funding needs of customers		Greater reliance on comm. paper		Greater reliance on junk bonds		Greater reliance on inv. grade bonds		Reclassification of C&I loans to RE		More stringent credit standards/ terms		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	19	1.2	12	1.8	3	2.3	2	2.5	2	2.5	15	1.5	28
$10.0 and Over	9	1.1	7	1.9	2	2.5	2	2.5	1	2.0	6	1.5	14
Under $10.0	10	1.3	5	1.8	1	2.0	0	0	1	3.0	9	1.4	14

4. If growth of non merger-related C&I loans at your bank strengthened in 1989 (answer iv. or v. to question 2), did it mainly involve (if more than one applies, please rank by importance.)

	Large firms		Middle market firms		Small businesses		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	5	1.8	13	1.4	7	1.9	13
$10.0 and Over	2	1.5	4	1.3	1	3.0	4
Under $10.0	3	2.0	9	1.4	6	1.7	9

5. At your bank, how has growth in non merger-related C&I lending thus far in 1990 compared with growth in the last quarter of 1989? (In answering, please refer to the underlying or trend movements in these loans, making allowance for normal seasonal swings.)

	Much weaker		Weaker		Same		Stronger		Much stronger		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	4	7.3	20	36.4	24	43.6	6	10.9	1	1.8	55
$10.0 and Over	0	0.0	13	50.0	10	38.5	2	7.7	1	3.8	26
Under $10.0	4	13.8	7	24.1	14	48.3	4	13.8	0	0.0	29

6. If non merger-related C&I loan growth has weakened at your bank since late last year: (answer i. or ii. to question 5):

a. which category of borrower mainly accounted for the weakness?
(If more than one was an important source of weakness, please rank.)

	Large firms		Middle market firms		Small businesses		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	15	1.6	19	1.2	9	1.6	24
$10.0 and Over	8	1.5	9	1.1	3	1.3	12
Under $10.0	7	1.7	10	1.2	6	1.7	12

b. if C&I loan growth was weaker at large firms, did this reflect: (If more than one was important, please rank.)

i. reduced (non merger-related) funding needs of these customers?
ii. greater reliance of these customers on commercial paper?
iii. greater reliance of these customers on junk bonds?
iv. greater reliance of these customers on investment-grade bonds?
v. reclassifications of C&I loans into real estate loans for reporting purposes consequent upon their collateralization by real estate?
vi. more stringent credit standards at your bank for approving (non merger-related) C&I loans and/or tighter rate and non rate terms on loans to these customers?

	Reduced funding needs of customers		Greater reliance on comm. paper		Greater reliance on junk bonds		Greater reliance on inv. grade bonds		Reclassification of C&I loans to RE		More stringent credit standards/ terms		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	12	1.2	6	1.5	1	2.0	1	2.0	1	3.0	6	1.7	15
$10.0 and Over	6	1.3	3	1.3	0	0	1	2.0	1	3.0	4	1.3	8
Under $10.0	6	1.0	3	1.7	1	2.0	0	0	0	0	2	2.5	7

c. if C&I loan growth was weaker at middle market firms, did this reflect: (If more than one was important, please rank.)

i. reduced (non merger-related) funding needs of these customers?
ii. greater reliance of these customers on commercial paper?
iii. greater reliance of these customers on junk bonds?
iv. greater reliance of these customers on investment-grade bonds?
v. reclassifications of C&I loans into real estate loans for reporting purposes consequent upon their collateralization by real estate?
vi. more stringent credit standards at your bank for approving (non merger-related) C&I loans and/or tighter rate and non rate terms on loans to these customers?

	Reduced funding needs of customers		Greater reliance on comm. paper		Greater reliance on junk bonds		Greater reliance on inv. grade bonds		Reclassification of C&I loans to RE		More stringent credit standards/ terms		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	15	1.2	3	2.0	0	0	2	1.5	2	2.0	13	1.6	20
$10.0 and Over	7	1.3	2	2.0	0	0	1	1.0	1	2.0	6	1.5	10
Under $10.0	8	1.1	1	2.0	0	0	1	2.0	1	2.0	7	1.7	10

d. if C&I loan growth was weaker at small businesses, did this reflect: (If more than one was important, please rank.)

i. reduced funding needs of these customers?
ii. greater reliance of these customers on other funding sources?
iii. reclassifications of C&I loans into real estate loans for reporting purposes consequent upon their collateralization by real estate?
iv. more stringent credit standards at your bank for approving C&I loans and/or tighter rate and non rate terms on loans to these customers?

	Reduced funding needs of customers		Greater reliance on other sources		Reclassification of C&I loans to RE		More stringent credit standards/ terms		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	5	1.2	0	0	0	0	8	1.3	10
$10.0 and Over	1	1.0	0	0	0	0	4	1.3	4
Under $10.0	4	1.3	0	0	0	0	4	1.3	6

7. Since late last year, how have your bank's credit standards for approving loan applications from C&I loan customers changed: (Please report changes in enforcement of existing standards as changes in standards.)

a. for middle market firms

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	6	10.3	28	48.3	23	39.7	1	1.7	0	0.0	58
$10.0 and Over	4	14.3	9	32.1	14	50.0	1	3.6	0	0.0	28
Under $10.0	2	6.7	19	63.3	9	30.0	0	0.0	0	0.0	30

b. for small businesses

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	6	10.5	25	43.9	25	43.9	1	1.8	0	0.0	57
$10.0 and Over	5	18.5	8	29.6	14	51.9	0	0.0	0	0.0	27
Under $10.0	1	3.3	17	56.7	11	36.7	1	3.3	0	0.0	30

8.a. If your bank's credit standards for approving loan applications from middle market firms have been tightened since late last year (answers i. or ii. to question 7.a) what were the main reasons? (Please rank.)

	Pressures on bank's capital position		Deterioration in quality of loan portfol		Less favorable economic outlook		Industry specific problems		Regulatory pressures		Increased attractiveness of other assets		Other		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	6	1.5	19	1.8	25	1.5	14	2.5	15	2.6	1	3.0	3	1.3	34
$10.0 and Over	4	1.5	10	1.8	10	1.7	7	2.6	6	3.2	1	3.0	1	1.0	13
Under $10.0	2	1.5	9	1.8	15	1.3	7	2.4	9	2.2	0	0	2	1.5	21

8.b. If your bank's credit standards for approving loan applications from small businesses have been tightened since late last year (answers i. or ii. to question 7.b) what were the main reasons? (Please rank.)

	Pressures on bank"s capital position		Deteriorat-ion in quality of loan portfol		Less favorable economic outlook		Industry specific problems		Regulatory pressures		Increased attractive-ness of other assets		Other		Total
	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks	Mean	Banks
All Respondents	5	1.6	16	1.6	21	1.5	12	2.2	9	2.7	1	3.0	2	1.5	34
$10.0 and Over	3	1.7	9	1.7	10	1.8	7	2.4	5	3.0	1	3.0	0	0	13
Under $10.0	2	1.5	7	1.6	11	1.2	5	1.8	4	2.3	0	0	2	1.5	21

9. With respect to C&I loan applications from middle market firms that your bank currently is willing to approve, please indicate how terms have changed since late last year with respect to:

a. maximum size of credit lines

	Decreased considerab-ly		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerab-ly		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	3	5.2	14	24.1	39	67.2	2	3.4	0	0.0	58
$10.0 and Over	3	10.7	4	14.3	20	71.4	1	3.6	0	0.0	28
Under $10.0	0	0.0	10	33.3	19	63.3	1	3.3	0	0.0	30

b. spreads of loan rates over base rates

	Increased considerab-ly		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerab-ly		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.4	16	27.6	29	50.0	11	19.0	0	0.0	58
$10.0 and Over	1	3.6	4	14.3	17	60.7	6	21.4	0	0.0	28
Under $10.0	1	3.3	12	40.0	12	40.0	5	16.7	0	0.0	30

c. loan covenants

	Tightened considerab-ly		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerab-ly		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.4	31	53.4	25	43.1	0	0.0	0	0.0	58
$10.0 and Over	1	3.6	13	46.4	14	50.0	0	0.0	0	0.0	28
Under $10.0	1	3.3	18	60.0	11	36.7	0	0.0	0	0.0	30

d. collateralization requirements

	Tightened considerab-ly		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerab-ly		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	4	6.9	27	46.6	27	46.6	0	0.0	0	0.0	58
$10.0 and Over	3	10.7	11	39.3	14	50.0	0	0.0	0	0.0	28
Under $10.0	1	3.3	16	53.3	13	43.3	0	0.0	0	0.0	30

10. With respect to C&I loan applications from small businesses that your bank currently is willing to approve please indicate how terms have changed since late last year with respect to:

a. maximum size of credit lines

	Decreased considerably		Decreased somewhat		Basically unchanged		Increased somewhat		Increased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	3	5.4	50	89.3	3	5.4	0	0.0	56
$10.0 and Over	0	0.0	2	7.7	22	84.6	2	7.7	0	0.0	26
Under $10.0	0	0.0	1	3.3	28	93.3	1	3.3	0	0.0	30

b. spreads of loan rates over base rates

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.6	9	16.1	38	67.9	7	12.5	0	0.0	56
$10.0 and Over	1	3.8	1	3.8	21	80.8	3	11.5	0	0.0	26
Under $10.0	1	3.3	8	26.7	17	56.7	4	13.3	0	0.0	30

c. loan covenants

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	2	3.6	22	39.3	32	57.1	0	0.0	0	0.0	56
$10.0 and Over	1	3.8	8	30.8	17	65.4	0	0.0	0	0.0	26
Under $10.0	1	3.3	14	46.7	15	50.0	0	0.0	0	0.0	30

d. collateralization requirements

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	4	7.1	25	44.6	27	48.2	0	0.0	0	0.0	56
$10.0 and Over	2	7.7	8	30.8	16	61.5	0	0.0	0	0.0	26
Under $10.0	2	6.7	17	56.7	11	36.7	0	0.0	0	0.0	30

11. Apart from construction and land development loans, since late last year, how have your bank's credit standards changed for approving applications for nonfarm nonresidential real estate loans used to finance: (Please report changes in enforcement of existing standards as changes in standards.)

a. commercial office buildings

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	22	37.9	24	43.1	11	19.0	0	0.0	0	0.0	58
$10.0 and Over	9	32.1	12	46.4	6	21.4	0	0.0	0	0.0	28
Under $10.0	13	43.3	12	40.0	5	16.7	0	0.0	0	0.0	30

b. industrial structures

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	12	20.7	31	53.4	15	25.9	0	0.0	0	0.0	58
$10.0 and Over	9	32.1	13	46.4	6	21.4	0	0.0	0	0.0	28
Under $10.0	3	10.0	18	60.0	9	30.0	0	0.0	0	0.0	30

c. other nonfarm nonresidential purposes

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	15	25.9	30	51.7	13	22.4	0	0.0	0	0.0	58
$10.0 and Over	7	25.0	14	50.0	7	25.0	0	0.0	0	0.0	28
Under $10.0	8	26.7	16	53.3	6	20.0	0	0.0	0	0.0	30

12.a. Please indicate your bank's willingness to make general purpose loans to individuals now as opposed to three months ago. "Loans to individuals" here include standard consumer installment loans plus loans taken down under home equity lines of credit.

	Much More		Somewhat More		About Unchanged		Somewhat Less		Much Less		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	7	12.3	44	77.2	6	10.5	0	0.0	57
$10.0 and Over	0	0.0	3	11.1	22	81.5	2	7.4	0	0.0	27
Under $10.0	0	0.0	4	13.3	22	73.3	4	13.3	0	0.0	30

2.b. Please indicate your bank's willingness to make consumer installment loans now as opposed to three months ago?

	Much More		Somewhat More		About Unchanged		Somewhat Less		Much Less		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.8	5	8.9	48	85.7	2	3.6	0	0.0	56
$10.0 and Over	0	0.0	2	7.7	23	88.5	1	3.8	0	0.0	26
Under $10.0	1	3.3	3	10.0	25	83.3	1	3.3	0	0.0	30

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

	1989[1]	1989 Q4	1990 Q1	1990 Feb	1990 Mar	1990 Apr p	Growth Q4 89-Apr 90p
	Percent change at annual rates						
1. M1	0.6	5.1	4.8	10.0	5.1	3.4	4.9
2. M2	4.5	7.0	6.0	8.7	5.0	2.0	5.3
3. M3	3.3	1.8	2.8	4.6	0.8	1.2	2.4
	Percent change at annual rates						Levels bil. $ Apr 90p
Selected components							
4. M1-A	0.4	2.5	4.2	11.8	2.1	0.5	515.5
5. Currency	4.8	4.0	10.3	10.7	9.5	8.9	230.1
6. Demand deposits	-2.8	1.1	-0.9	12.5	-3.9	-6.4	277.8
7. Other checkable deposits	1.0	9.8	5.9	6.7	10.5	8.7	291.6
8. M2 minus M1[2]	5.9	7.7	6.4	8.2	5.0	1.6	2464.6
9. Overnight RPs and Eurodollars, NSA	-9.2	-12.8	28.6	10.4	-11.8	-31.2	78.6
10. General purpose and broker/dealer money market mutual fund shares	29.7	29.1	18.8	24.1	1.8	-0.7	324.8
11. Commercial banks	7.5	10.9	8.5	9.8	8.0	8.4	1097.3
12. Savings deposits plus MMDAs[3]	-1.7	10.4	9.3	12.2	10.3	7.4	555.9
13. Small time deposits	19.0	11.3	7.8	7.5	5.6	9.4	541.4
14. Thrift institutions	-0.2	-0.9	-1.7	-2.9	2.4	-3.1	961.1
15. Savings deposits plus MMDAs[3]	-9.3	1.9	2.8	7.8	6.1	5.0	358.5
16. Small time deposits	5.8	-2.5	-4.3	-9.0	0.2	-7.9	602.6
17. M3 minus M2[4]	-1.5	-17.1	-9.6	-11.0	-16.5	-1.8	796.9
18. Large time deposits	4.2	-6.7	-8.2	-10.2	-11.8	-11.3	538.9
19. At commercial banks, net[5]	9.9	2.7	-1.5	-5.7	-7.5	-2.7	395.9
20. At thrift institutions	-7.8	-28.8	-24.7	-22.0	-23.2	-34.2	143.0
21. Institution-only money market mutual fund shares	17.1	3.2	10.2	5.8	19.7	15.9	106.8
22. Term RPs, NSA	-16.1	-49.2	-40.2	44.6	-24.1	-5.2	92.5
23. Term Eurodollars, NSA	-22.0	-39.6	-38.0	-64.8	-35.1	1.7	69.8
	Average monthly change in billions of dollars						
MEMORANDA:[6]							
24. Managed liabilities at commercial banks (25+26)	5.9	4.5	1.9	6.9	-0.2	-5.2	720.2
25. Large time deposits, gross	2.6	1.4	-2.3	-2.1	-3.3	-2.0	455.3
26. Nondeposit funds	3.3	3.1	4.2	9.0	3.1	-3.2	264.9
27. Net due to related foreign institutions	0.2	-1.2	3.3	3.7	2.6	-0.5	16.7
28. Other[7]	3.1	4.3	1.0	5.3	0.5	-2.7	248.2
29. U.S. government deposits at commercial banks[8]	-0.3	-0.6	-0.6	-2.4	1.4	2.0	21.2

1. Amounts shown are from fourth quarter to fourth quarter.
2. Nontransactions M2 is seasonally adjusted as a whole.
3. Commercial bank savings deposits excluding MMDAs grew during March and April at rates of 10 percent and 1.9 percent, respectively. At thrift institutions, savings deposits excluding MMDAs grew during March and April at rates of -3.2 percent and 4.3 percent, respectively.
4. The non-M2 component of M3 is seasonally adjusted as a whole.
5. Net of large denomination time deposits held by money market mutual funds and thrift institutions.
6. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.
7. 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.
8. Consists of Treasury demand deposits and note balances at commercial banks.

p - preliminary

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

	1988:Q4 to 1989:Q4	1989 Q4	1990 Q1	1990 Feb.	1990 Mar.	1990 Apr.p	Levels bil.$ April p
	Commercial Bank Credit						
1. Total loans and securities at banks	7.2	6.9	6.8	8.4	9.2	4.1	2632.8
2. Securities	3.9	9.6	16.8	20.0	13.8	7.8	603.0
3. U.S. government securities	9.7	16.9	24.6	29.2	19.5	10.3	422.5
4. Other securities	-6.9	-5.5	-.2	-.7	.7	2.0	180.5
5. Total loans	8.1	6.1	3.9	5.0	7.8	3.0	2029.8
6. Business loans	6.8	3.0	.6	-2.1	9.6	7.1	646.6
7. Real estate loans	12.9	11.2	10.1	13.3	9.7	6.8	778.8
8. Consumer loans	6.3	6.4	3.7	3.2	1.0	-4.4	377.8
9. Security loans	3.8	-1.0	-18.2	15.3	-60.5	-25.5	36.9
10. Other loans	.6	-1.9	-5.0	-3.2	23.1	-5.6	189.7
	Short- and Intermediate-Term Business Credit						
11. Business loans net of bankers acceptances	6.8	2.7	.1	-3.2	9.0	6.8	638.3
12. Loans at foreign branches[2]	-5.0	9.5	3.7	-47.0	-21.7	5.5	21.8
Sum of lines 11 & 12	6.4	2.9	.2	-4.9	8.1	6.9	660.2
14. Commercial paper issued by nonfinancial firms	31.2	21.0	24.5	.9	43.7	55.7	148.9
15. Sum of lines 13 & 14	9.8	5.9	4.4	-3.9	14.3	15.5	809.0
16. Bankers acceptances: U.S. trade related[3,4]	6.1	-9.1	-18.6	-31.3	-28.6	n.a.	32.8[5]
17. Line 15 plus bankers acceptances: U.S. trade related	9.7	5.3	3.4	-4.9	12.5	n.a.	831.5[5]
18. Finance company loans to business[3,6]	10.6	6.2	4.7	.9	5.1	n.a.	260.3[5]
19. Total short- and intermediate-term business credit (sum of lines 17 & 18)	9.9	5.4	3.7	-3.5	10.6	n.a.	1091.8[5]

1. Average of Wednesdays.
2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.
3. Based on average of data for current and preceding ends of month.
4. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.
5. March data.
6. Finance company data for March will not be released to the public until Friday, May 11, 1990.
p--preliminary.
n.a.--not available

SELECTED FINANCIAL MARKET QUOTATIONS[1]
(percent)

	1987	1989		1990		Change from:		
	Oct 16[2]	March highs	Dec lows	FOMC Mar 27	May 10	Mar 89 highs	Dec 89 lows	FOMC Mar 27
Short-term rates								
Federal funds[3]	7.59	9.85	8.45	8.27	8.21	-1.64	-0.24	-0.06
Treasury bills[4]								
3-month	6.93	9.09	7.53	7.90	7.71	-1.38	0.18	-0.19
6-month	7.58	9.11	7.29	7.86	7.72	-1.39	0.43	-0.14
1-year	7.74	9.05	7.11	7.76	7.73	-1.32	0.62	-0.03
Commercial paper								
1-month	7.94	10.05	8.51	8.35	8.26	-1.79	-0.25	-0.09
3-month	8.65	10.15	8.22	8.31	8.26	-1.89	0.04	-0.05
Large negotiable CDs[4]								
1-month	7.92	10.07	8.52	8.31	8.25	-1.82	-0.27	-0.06
3-month	8.90	10.32	8.22	8.35	8.35	-1.97	0.13	0.00
6-month	9.12	10.08	8.01	8.53	8.50	-1.58	0.49	-0.03
Eurodollar deposits[5]								
1-month	8.00	10.19	8.38	8.31	8.25	-1.94	-0.13	-0.06
3-month	9.06	10.50	8.25	8.38	8.38	-2.12	0.13	0.00
Bank prime rate	9.25	11.50	10.50	10.00	10.00	-1.50	-0.50	0.00
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	9.52	9.88	7.69	8.60	8.73	-1.15	1.04	0.13
10-year	10.23	9.53	7.77	8.52	8.82	-0.71	1.05	0.30
30-year	10.24	9.31	7.83	8.48	8.81	-0.50	0.98	0.33
Municipal revenue[6] (Bond Buyer)	9.59	7.95	7.28	7.54	7.66	-0.29	0.38	0.12
Corporate--A utility recently offered	11.50	10.47	9.29	9.84	10.14	-0.33	0.85	0.30
Home mortgage rates[7]								
S&L fixed-rate	11.58	11.22	9.69	10.26	10.67	-0.55	0.98	0.41
S&L ARM, 1-yr.	8.45	9.31	8.34	8.56	8.62	-0.69	0.28	0.06

			1989	1990		Percent change from:		
	Record highs	Date	Lows Jan 3	FOMC Mar 27	May 10	Record highs	1989 lows	FOMC Mar 27
Stock prices								
Dow-Jones Industrial	2810.15	1/2/90	2144.64	2736.94	2738.51	-2.55	27.69	0.06
NYSE Composite	199.34	10/9/89	154.98	187.40	188.14	-5.62	21.40	0.39
AMEX Composite	397.03	10/10/89	305.24	361.88	348.92	-12.12	14.31	-3.58
NASDAQ (OTC)	485.73	10/9/89	378.56	439.50	433.20	-10.81	14.43	-1.43
Wilshire	3523.47	10/9/89	2718.59	3286.05	3285.07	-6.77	20.84	-0.03

1/ One-day quotes except as noted.
2/ Last business day prior to stock market decline on Monday Oct. 19, 1987.
3/ Average for two-week reserve maintenance period closest to date shown. Last observation is average to date for the maintenance period ending May 16, 1990.
4/ Secondary market.
5/ Bid rates for Eurodollar deposits at 11 a.m. London time.
6/ Based on one-day Thursday quotes and futures market index changes.
7/ Quotes for week ending Friday closest to date shown.