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CONFIDENTIAL (FR)
CLASS III - FOMC

August 17, 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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THE DOMESTIC NONFINANCIAL ECONOMY

Consumer Prices

The consumer price index rose 0.4 percent in July, as an acceleration in prices of items other than food and energy was only partly offset by a 0.7 percent decline in energy prices.

July's 0.6 percent increase in the CPI excluding food and energy was about 0.1 percentage point more than the average monthly pace in the first half of the year. The pickup was attributable to the 0.7 percent rise in prices of services other than energy, which were boosted by a 0.7 percent increase in owners' equivalent rent and a 5.1 percent increase in the cost of lodging while out of town. Other than energy and shelter, prices of services increased 0.5 percent in July, about the average monthly pace in the first half of the year; the cost of medical services continued to move up sharply, and auto registration fees jumped 10-1/2 percent. Prices of commodities other than food and energy increased 0.3 percent in July; further slight discounting of car and apparel prices partly offset another sharp increase in prices of tobacco products.

Food prices increased 0.4 percent in July: Prices of a few fresh fruits and vegetables were up sharply, but there was a slight decline in prices of pork and a sizable drop in the price of eggs. Among energy items, prices of natural gas and heating oil each fell a bit more than 1-1/4 percent in July, and the price of electricity moved down 3/4 percent. Gasoline prices edged down 0.3 percent last month. Retail gasoline margins had remained relatively high through June as stocks of gasoline were tight, but in July the retail margin appears to have narrowed a bit.

Housing Starts

Total private housing starts declined an additional 3 percent in July to 1.15 million units at a seasonally adjusted annual rate. Starts have fallen in each of the past six months and, since April, have been at their lowest levels since 1982. Most of the decline in starts recorded in July was in the multifamily segment of the market. Between 1985:Q4 and May-July of 1990, multifamily starts fell about 60 percent. In the single-family segment of the market, starts edged down in July to 873,000 units at an annual rate. Construction of these units has fallen proportionately less than in the multifamily sector; nonetheless, single-family homebuilding is at the lowest level of the current expansion. Sales of new homes have been trending down since late last year, despite ample inventories, suggesting that most of the decline in homebuilding has resulted from reduced demand rather than from credit market constraints on supply.

Estimated Revisions to Second-Quarter GNP

Since the Commerce Department (BEA) published its advance estimate of second-quarter GNP on July 27, we have received several pieces of new information on spending in the second quarter. As discussed in the Greenbook, retail sales for May and June were revised up, construction put in place for nonresidential structures in June was stronger than BEA had been assuming, and investment in nonfarm inventories (excluding autos) during June was much smaller, on a current-cost basis, than assumed by

BEA.[1] Moreover, the June merchandise trade data released today (discussed later in this supplement) were considerably stronger than BEA had assumed.

Our translation of the available information suggests that, if all other spending categories were left unchanged, the new data would add about $5 billion to the level of real GNP in the second quarter, or roughly 1/2 percentage point to the annualized growth rate. However, when the revised GNP data are published on August 24, the figures could be significantly different from the estimates implied by our translation exercise. In particular, BEA also could revise many of the categories for which we have not received new or revised information such as the inventory valuation adjustment, oil inventories held in pipelines and tank farms, and components of expenditures on consumer services, among others.

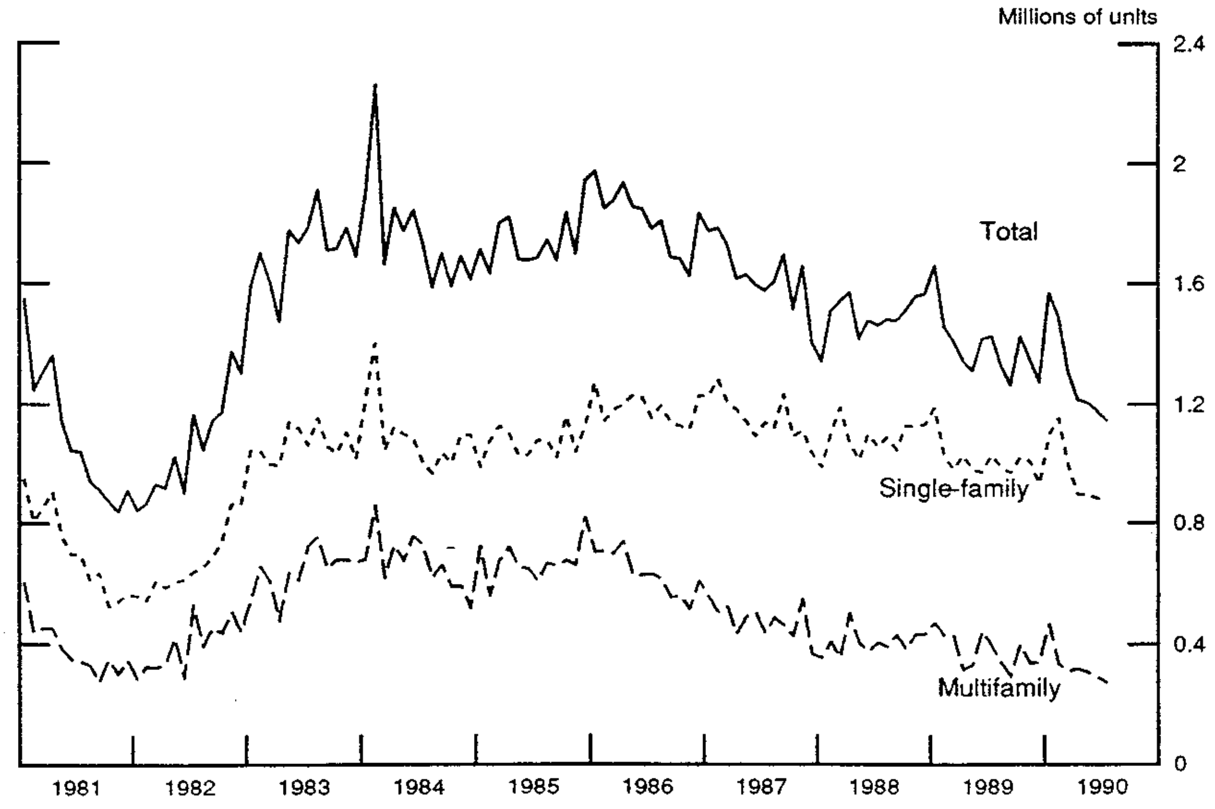
1. In addition, construction put in place by state and local governments was slightly lower than BEA had assumed.

PRIVATE HOUSING ACTIVITY
(Seasonally adjusted annual rates; millions of units)

	1989	1989	1990		1990		
	Annual	Q4	Q1	Q2[p]	May[r]	June[r]	July[p]
All units							
Permits	1.34	1.38	1.42	1.09	1.07	1.11	1.08
Starts	1.38	1.35	1.45	1.20	1.21	1.18	1.15
Single-family units							
Permits	.93	.98	.96	.80	.80	.80	.78
Starts	1.00	.99	1.08	.89	.90	.89	.87
Sales							
New homes	.65	.65	.59	.55	.54	.58	n.a.
Existing homes	3.44	3.54	3.44	3.32	3.30	3.34	n.a.
Multifamily units							
Permits	.41	.41	.47	.29	.26	.31	.30
Starts	.37	.36	.37	.31	.31	.29	.28
Vacancy rate[1]							
Rental units	9.3	8.8	9.4	8.5	n.a.	n.a.	n.a.
Owned units	7.1	6.8	7.6	7.9	n.a.	n.a.	n.a.

1. Percent. Owned units consist mainly of condominiums. All vacancy rate data are revised.
p Preliminary. r Revised estimates. n.a. Not available.

PRIVATE HOUSING STARTS
(Seasonally adjusted annual rate)



THE FINANCIAL ECONOMY

The August 1990 Senior Loan Officer Opinion Survey on Bank Lending Practices

The August Senior Loan Officer Opinion Survey on Bank Lending Practices (LPS) examined changes in bank business lending policies since May. The results, along with those from the May 1990 LPS, suggest that the weakness in growth of commercial and industrial (C&I) loans this year owes in some part to a reduced willingness on the part of banks to lend. The August survey also addressed recent developments in the market for business loan sales, the fifth annual survey of this market. The responses indicate that earlier very rapid growth in this market has moderated and that some loan quality problems have emerged. Commencing with this survey, 18 U.S. branches and agencies of foreign banks have joined 60 domestically chartered banks as LPS respondents.

Changes in Banks' Lending Practices Since May

Business lending. Domestic respondent banks indicated that since May they have further tightened lending standards and terms with respect to nonmerger-related business loans.[1] The tighter stance was particularly noticeable for lending to middle market firms but was significant for larger and smaller firms as well. With respect to approving loan applications for nonmerger-related purposes, 43 percent of respondents indicated that they had established more stringent standards for their middle market customers and over a third reported tighter standards for both large and small customer firms. As for terms on loans respondents actually are making, the

1. Changes in banks' willingness to make merger-related loans were addressed in the January 1990 Senior Loan Officer Opinion Survey. At that time over 70 percent of respondents indicated that they had tightened their credit standards for approving loan applications related to mergers and acquisitions compared to six months earlier.

most noticeable area of tightening was with respect to loan covenants: 53 percent of domestic LPS banks reported tightening covenants for their middle market customers and well over a third did so for their large borrowers. A significant number of domestic respondents tightened in other ways as well, including reducing the maximum size of credit lines and increasing their cost, raising spreads of loan rates over base rates, and increasing collateral requirements. These actions applied to borrowers of all sizes, but again were somewhat more commonly reported for banks' middle market customers. As shown in table 1, for middle market and small firms, the tightening of lending standards and terms over the last three months followed a similar reported tightening over the early months of the year.[1]

Branches and agencies of foreign banks reported that, on balance, they too have moved to restrict the availability of business credit. Sixty percent of these institutions reported that they had raised their standards for approving nonmerger-related credit applications in the six months ending with August. These banks also reported that they had tightened terms on nonmerger-related C&I loans in the last six months. Over a quarter restricted the maximum size of credit lines and between 40 and 50 percent acted to increase the cost of credit lines, to raise loan rates relative to base rates, to tighten covenants, and to increase collateral requirements (table 1).

By far the most important reasons domestic respondents gave for tightening their credit standards in the last three months were a less

1. See the May 1990 Senior Loan Officer Opinion Survey; this survey did not address changes in bank lending practices with respect to respondents' large customers. However, the January Senior Loan Officer Opinion Survey revealed that very few banks at that time had moved to restrict nonmerger-related credit to their investment-grade customers.

favorable economic outlook and industry specific problems. Also important were current pressures on banks' capital positions and capital pressures anticipated to result from a deterioration in the quality of their loan portfolios. Many banks also mentioned regulatory pressures. (Domestic respondents provided similar motivations for the tightening that occurred earlier in the year.) As for the tightening of lending standards at branches and agencies of foreign banks, the reasons given were similar to those provided by domestic reporters, although only one branch and agency cited regulatory pressures.

Commercial real estate lending. As in the May survey, a large majority of domestic respondents indicated that they had tightened their credit standards for commercial real estate lending. About three-quarters of respondents reported that they had imposed tighter credit standards for applications to finance commercial office buildings in the last three months, compared to 80 percent of banks that reported tightening in this area in the May LPS. In both surveys, a large number of respondents reported tightening "considerably." Almost two-thirds of respondents to the August LPS indicated tighter standards for loans secured by industrial structures and for other commercial mortgages, and three-quarters reported tightening standards for approving applications for construction and land development loans.[1] A large majority of branches and agency respondents also reported a reduced willingness to make commercial real estate loans. Compared to six months ago, three-quarters of these banks had tightened standards with

1. By contrast, there is only a little evidence of reduced willingness to make residential mortgages. Six LPS respondents indicated they had tightened somewhat standards for approving applications from individuals for residential mortgages over the last three months, while one respondent indicated it had eased its standards.

respect to construction and land development loans and 60 percent for mortgages secured by office buildings.

The Loan Sales Market

After about half a decade of rapid expansion, growth of the loan sales market appears to have moderated in the last year. As shown in table 2, domestic respondents reported an aggregate of $80 billion in outstanding C&I loans sold or participated to others as of June 30, 1990, an increase of $8 billion from a year earlier. This increase was about evenly split between nine money center banks and other domestic respondents. By contrast, outstandings rose about $20 billion in the year ending in June 1989. Perhaps reflecting purchasers' concerns about credit quality, the share of outstanding loans sold that represented obligations of investment-grade borrowers rose to 44 percent, up from about 35 percent a year earlier. Merger-related loans continued to constitute an important source of loans sold, but with merger activity off since late last year, their share of outstanding loans sold in June was about 37 percent, down from around 45 percent a year earlier.[1] Although their holdings were down noticeably from last year, branches and agencies of foreign banks continued to be the largest purchasers of these loans. Smaller domestic banks significantly increased their holdings in the year ending June 30.

The share of outstanding loans sold that were nonperforming rose to 3-1/2 percent as of June 30, 1990, up from 1 percent a year earlier. This mainly reflected a deterioration in loans sold by LPS respondents other than the nine money center banks. A smaller percentage of the loans sold by

1. Merger-related loans represented approximately 16-3/4 percent of the C&I loans on domestic LPS respondents' books as of June 30, 1990.

these banks represents the obligations of investment-grade borrowers than is the case for the money center banks.

U.S. branches and agencies of foreign banks are active as both buyers and sellers of C&I loans. As of June 30, the 18 branch and agency respondents reported just over $7 billion of loans sold outstanding and an almost equal amount of loans purchased on their books. Of their loans sold, only about 23 percent represented obligations of investment-grade borrowers, well below the share at domestically chartered banks. The share accounted for by merger-related loans was similar, however, at 36 percent. Of the C&I loans purchased by branch and agency respondents, about one-third were obligations of investment-grade borrowers and 30 percent were merger-related.[1]

Lending to Households

As in recent surveys, several more banks reported that they had become more willing to extend consumer installment credit than had become less willing, although most respondent banks indicated no change in their willingness to extend consumer credit in the three months ending with the survey date.[2] Respondents also continued to indicate that they had become more willing on balance to extend consumer credit defined more broadly to include home equity loans. In this case, however, the margin by which banks indicating greater willingness to lend exceeded the number indicating a

1. Merger-related loans represented approximately 22 percent of C&I loans on the books of branches and agency respondents as of June 30, 1990.

2. For some banks, willingness to extend consumer credit has probably been increased by their ability to securitize consumer receivables. The 16 LPS respondents that have used their credit card receivables as collateral for securities indicated, however, that they had not changed their approval standards for credit cards in order to make the associated receivables more suitable as collateral.

reduced willingness was smaller than for consumer credit more narrowly defined. The three preceding surveys also had suggested that banks' preference for lending to consumers has shifted away from home equity loans. A different picture had been found in the results from most of the surveys taken in the 1987 to mid-1989 period, when enthusiasm for making consumer loans defined to include home equity lines exceeded that for the narrower class of loans. This apparent relative de-emphasis of home equity lending, which is consistent with the cessation of promotional programs associated with this market, may be attributable to a number of factors, including some recent slowing in the appreciation of home prices and increases in delinquency rates on home equity lines of credit.

Table 1

Percent of Domestic Respondent Banks Reporting Tightening Lending Standards/Terms on Nonmerger-Related Business Lending in the May-August Period

	Size of customer[1]			
Criterion	Large firms	Middle market firms	Small businesses	Memo: Branches & agencies of foreign banks[2]
Standards for approving loan applications	36	43 (58)[3]	34 (54)	61
Maximum size of credit lines	25	27 (29)	9 (5)	28
Cost of credit lines	22	30	18	39
Spreads of loan over base rates	25	35 (31)	21 (19)	39
Covenants	37	53 (57)	43 (43)	39
Collateral requirements	25	45 (53)	40 (52)	50

1. The middle market is often categorized as consisting of firms with annual sales between $50 and $250 million. "Large" firms are those larger than middle market firms and "small" businesses are those that are smaller. Not all respondents used the same criteria to distinguish among size of customers.
2. For U. S. branches and agencies of foreign banks, responses refer to tightening over the six-month period February to August.
3. Numbers in parentheses refer to the percent of respondents that tightened in the period from late 1989 to early May, as reported in the May 1990 Senior Loan Officer Opinion Survey.

Table 2

Outstanding Loans Sold or Participated to Others by Domestic LPS Respondents as of June 30, 1990
(Billions of dollars)

By Purchaser	By Seller: All LPS respondents	Nine money center banks[1]	Other banks[2]
1. All purchasers	80.1 (72.2)	55.4 (51.5)	24.7 (20.7)
2. Large domestic banks[3]	20.3 (22.2)	6.4 (13.0)	13.9 (9.2)
3. Other domestic banks[3]	9.5 (2.4)	7.8 (1.4)	1.7 (1.0)
4. Branches and agencies of foreign banks	25.9 (30.1)	19.4 (23.8)	6.5 (6.3)
5. Foreign offices of foreign banks	4.8 (2.5)	4.2 (1.5)	.6 (1.0)
6. Nonfinancial corporations	6.6 (4.8)	5.9 (3.8)	.7 (1.0)
All other	13.0 (9.9)	11.6 (8.0)	1.4 (1.9)
Memoranda			
Percent of outstanding loans sold that:			
a) were obligations of investment-grade borrowers	44.1 (34.8)	52.9 (36.8)	24.5 (29.7)
b) represented financings for mergers and acquisitions	36.5 (44.5)	33.4 (47.4)	40.7 (37.2)
c) were nonperforming	3.5 (1.0)	2.4 (1.1)	5.5 (.7)

Note: Data in parentheses refer to outstandings on June 30, 1989, and are taken from the August 1989 LPS. A few banks reporting outstanding loans sold were unable to provide information on the purchasers of these loans. For purposes of this table, loans sold by these banks were assigned to purchasers according to the average sales distribution reported by all other respondents.

1. Citibank, Bank of America, Chase Manhattan, Morgan Guaranty, Manufacturers Hanover, Chemical Bank, Bankers Trust, Security Pacific, and First National Bank of Chicago. This somewhat arbitrary grouping of banks has been used in other LPS and other Federal Reserve publications. Not all of these banks were among the most active participants in the loan sales market. The Federal Reserve System regards individual bank reports as confidential.

2. Because of some minor panel changes, outstandings at other banks as of June 30, 1990, are not strictly comparable to outstandings at this group of banks as of June 30, 1989.

3. For purposes of this survey, large banks were defined as those with $2 billion or more in total assets.

Table 3

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED LARGE BANKS IN THE UNITED STATES
(Status of policy as of August 1990)
(Number of banks and percent of banks answering question)

(By volume of total domestic assets, in $ billions, as of June 27, 1990)[1]

(By type of bank)[2]

1. Approximately what was the dollar volume of commercial and industrial loans outstanding on June 30, 1990 that your bank had originated and then sold to others through participations or assignments? (Exclude sales and participations of any C&I loans that for purposes of the Call Report were retained on your books because, for example, they were sold with recourse.)

	$0-100 mil.		$101-250 mil.		$251-500 mil		$501 mil.-$1 bil.		Over $1 bil.			
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Total Banks	Total Amount ($ bil.)
All Respondents	14	25.0	10	17.9	12	21.4	4	7.1	16	28.6	56	80.1
Nine money center banks	0	0	0	0	0	0	0	0	9	100.0	9	55.4
Other	14	29.8	10	21.3	12	25.5	4	8.5	7	14.9	47	24.7

2. Of the outstanding C&I loans that were sold or participated to others as reported in question 1.

a. please indicate the approximate percentage distribution of these loans by purchasers. (Percentages should add to 100.)

	Domestic Commercial Banks with Assets less than $2 billion			Domestic Commercial Banks with Assets greater than $2 billion			Foreign Banks: Agencies and Branches			Foreign Banks: Foreign Offices		
	Banks	Mean[3] pct	Amount[4] ($ bil.)	Banks	Mean[3] pct	Amount[4] ($ bil.)	Banks	Mean[3] pct	Amount[4] ($ bil.)	Banks	Mean[3] pct	Amount[4] ($ bil.)
All Respondents	44	11.8	8.6	48	25.4	18.6	36	32.4	23.7	17	6.0	4.4
money center s	6	14.1	6.9	7	11.6	5.6	8	35.1	17.1	7	7.6	3.7
r	38	7.3	1.8	41	52.6	12.9	28	27.2	6.7	10	2.8	0.7

	Nonfinancial Corp.			Other				
	Banks	Mean[3] pct	Amount[4] ($ bil.)	Banks	Mean[3] pct	Amount[4] ($ bil.)	Total Banks	Amount ($ bil.)
All Respondents	2	8.2	6.0	24	16.2	11.8	53	73.1
Nine money center banks	1	10.7	5.2	7	20.9	10.2	8	48.6
Other	1	3.1	0.8	17	7.0	1.7	45	24.5

1 As of June 27, 1990, 30 respondents had domestic assets of $10 billion or more; combined assets of these banks totaled $765 billion, compared to $964 billion for the entire panel of 60 banks, and $2.94 trillion for all domestically chartered federally insured commercial banks.
2 Money center banks are Citibank, Bank of America, Chase Manhattan, Morgan Guaranty, Manufactures Hanover, Chemical Bank, Bankers Trust, Security Pacific, and First National Bank of Chicago. This is a somewhat arbitrary grouping which has been used in other Federal Reserve publications. Not all of these banks were among the most active sellers. The Federal Reserve System regards individual bank responses to this survey as confidential.
'ghted by amount reported in question 1.
als reported percentage times the amount reported in question 1. Components may not add due to rounding.

b. About what percent of these loans were nonperforming?

	0%		.01-2.5%		2.5-5%		6-10%		Over 10%		Mean[5]	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks
All Respondents	24	45.3	6	11.3	8	15.1	10	18.9	5	9.4	3.5	53
Nine money center banks	2	25.0	3	37.5	2	25.0	1	12.5	0	0	2.4	8
Other	22	48.9	3	6.7	6	13.3	9	20.0	5	11.1	5.5	45

c. About what percent of these loans represented lending to publicly rated, investment-grade borrowers?

	0-20%		21-40%		41-60%		61-80%		80-100%		Mean[5]	Total	Total Amount
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	30	61.2	10	20.4	5	10.2	3	6.1	1	2.0	44.1	49	26.6
Nine money center banks	1	14.3	2	28.6	1	14.3	2	28.6	1	14.3	52.9	7	22.0
Other	29	69.0	8	19.0	4	9.5	1	2.4	0	0	24.5	42	4.6

d. Around what percent of these loans represented financings for mergers and acquisitions? (Note: Merger-related loans include those made to finance leveraged buyouts, other mergers and acquisitions, and defensive restructurings--such as equity or debt buybacks--related to mergers and acquisitions.)

	0-20%		21-40%		41-60%		61-80%		80-100%		Mean[5]	Total	Total Amount
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	23	45.1	12	23.5	12	23.5	2	3.9	2	3.9	36.5	51	20.8
Nine money center banks	2	28.6	2	28.6	3	42.9	0	0	0	0	33.4	7	11.0
Other	21	47.7	10	22.7	9	20.5	2	4.5	2	4.5	40.7	44	9.7

the total C&I loans on your books as of June 30, 1990, roughly what percent was merger related? (Merger-related loans re defined in question 2.d.)

	0-5%		6-10%		11-15%		16-20%		Over 20%		Mean[6]	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks
All Respondents	12	21.4	18	32.1	9	16.1	9	16.1	8	14.3	16.8	56
$10.0 and Over	3	10.7	10	35.7	3	10.7	6	21.4	6	21.4	18.8	28
Under $10.0	9	32.1	8	28.6	6	21.4	3	10.7	2	7.1	10.1	28

4. In the last three months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large corporate, middle market and small business customers changed: (Please report changes in enforcement of existing standards as changes in standards. The middle market 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.)

a. for large 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	3	5.1	18	30.5	38	64.4	0	0.0	0	0.0	59
$10.0 and Over	2	6.9	8	27.6	19	65.5	0	0.0	0	0.0	29
Under $10.0	1	3.3	10	33.3	19	63.3	0	0.0	0	0.0	30

ghted by amount reported in question 1.
ghted by volume of commercial and industrial loans to domestic addressees as of June 27, 1990.

b. 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	5	8.3	21	35.0	34	56.7	0	0.0	0	0.0	60
$10.0 and Over	3	10.0	10	33.3	17	56.7	0	0.0	0	0.0	30
Under $10.0	2	6.7	11	36.7	17	56.7	0	0.0	0	0.0	30

c. 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	5	8.5	15	25.4	39	66.1	0	0.0	0	0.0	59
$10.0 and Over	2	6.9	7	24.1	20	69.0	0	0.0	0	0.0	29
Under $10.0	3	10.0	8	26.7	19	63.3	0	0.0	0	0.0	30

5.a. If your bank's credit standards for approving applications for C&I loans or credit lines from large corporate firms--other than those to be used to finance mergers and acquisitions--have been tightened in the last three months (answers i. or ii. to question 4.a) what were the main reasons? (Please rank.)

	Pressures on bank's capital position		Deterioration in quality of loan portfolio		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	5	1.5	4	1.8	19	1.7	13	2.5	10	2.6	2	5.0	5	1.4	22
$10.0 and Over	3	1.8	1	1.0	9	1.8	7	2.5	5	2.5	2	5.0	3	1.7	10
Under $10.0	2	1.0	3	2.0	10	1.5	6	2.5	5	2.8	0	0	2	1.0	12

5.b. If your bank's credit standards for approving applications for C&I loans or credit lines from middle market firms--other than those to be used to finance mergers and acquisitions—have been tightened in the last three months (answers i. or ii. to question 4.b) what were the main reasons? (Please rank.)

	Pressures on bank's capital position		Deterioration in quality of loan portfolio		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	1.4	6	2.2	25	1.5	14	2.4	11	2.3	2	5.0	3	2.0	27
$10.0 and Over	3	1.8	2	2.0	13	1.6	8	2.7	6	1.9	2	5.0	1	3.0	13
Under $10.0	3	1.0	4	2.3	12	1.5	6	2.0	5	2.8	0	0	2	1.5	14

5.c. If your bank's credit standards for approving applications for C&I loans and credit lines from small businesses have been tightened in the last three months (answers i. or ii. to question 4.c) what were the main reasons? (Please rank.)

	Pressures on bank's capital position		Deterioration in quality of loan portfolio		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	4	1.3	5	2.2	20	1.6	9	2.4	9	2.0	1	6.0	1	1.0	21
$10.0 and Over	2	1.5	1	1.0	10	1.7	5	2.8	5	1.8	1	6.0	0	0	10
Under $10.0	2	1.0	4	2.5	10	1.5	4	2.0	4	2.3	0	0	1	1.0	11

6. With respect to applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--from large corporate firms that your bank currently is willing to approve, please indicate how terms ave changed in the last three months 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	5	8.3	10	16.7	41	68.3	4	6.7	0	0.0	60
$10.0 and Over	1	3.3	5	16.7	21	70.0	3	10.0	0	0.0	30
Under $10.0	4	13.3	5	16.7	20	66.7	1	3.3	0	0.0	30

b. costs of credit lines

	Increased considerably		Increased somewhat		Basically unchanged		Decreased somewhat		Decreased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	1	1.7	12	20.0	44	73.3	3	5.0	0	0.0	60
$10.0 and Over	0	0.0	7	23.3	21	70.0	2	6.7	0	0.0	30
Under $10.0	1	3.3	5	16.7	23	76.7	1	3.3	0	0.0	30

c. 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	1	1.7	14	23.3	41	68.3	3	5.0	1	1.7	60
$10.0 and Over	0	0.0	10	33.3	18	60.0	1	3.3	1	3.3	30
Under $10.0	1	3.3	4	13.3	23	76.7	2	6.7	0	0.0	30

d. 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	1	1.7	21	35.0	38	63.3	0	0.0	0	0.0	60
$10.0 and Over	0	0.0	12	40.0	18	60.0	0	0.0	0	0.0	30
Under $10.0	1	3.3	9	30.0	20	66.7	0	0.0	0	0.0	30

e. 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	1	1.7	14	23.3	45	75.0	0	0.0	0	0.0	60
$10.0 and Over	0	0.0	8	26.7	22	73.3	0	0.0	0	0.0	30
Under $10.0	1	3.3	6	20.0	23	76.7	0	0.0	0	0.0	30

7. With respect to applications for C&I loans or credit lines--other than those to be used to finance ergers and acquisitions--from middle market firms that your bank currently is willing to approve, please dicate how terms have changed in the last three months 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	3	5.0	13	21.7	42	70.0	2	3.3	0	0.0	60
$10.0 and Over	0	0.0	4	13.3	25	83.3	1	3.3	0	0.0	30
Under $10.0	3	10.0	9	30.0	17	56.7	1	3.3	0	0.0	30

b. costs of credit lines

	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	3.3	16	26.7	41	68.3	1	1.7	0	0.0	60
$10.0 and Over	1	3.3	7	23.3	22	73.3	0	0.0	0	0.0	30
Under $10.0	1	3.3	9	30.0	19	63.3	1	3.3	0	0.0	30

c. 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	3.3	19	31.7	37	61.7	2	3.3	0	0.0	60
$10.0 and Over	1	3.3	10	33.3	18	60.0	1	3.3	0	0.0	30
Under $10.0	1	3.3	9	30.0	19	63.3	1	3.3	0	0.0	30

d. loan covenants

	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	3.3	30	50.0	28	46.7	0	0.0	0	0.0	60
$10.0 and Over	1	3.3	15	50.0	14	46.7	0	0.0	0	0.0	30
Under $10.0	1	3.3	15	50.0	14	46.7	0	0.0	0	0.0	30

e. 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	2	3.3	25	41.7	33	55.0	0	0.0	0	0.0	60
$10.0 and Over	1	3.3	13	43.3	16	53.3	0	0.0	0	0.0	30
Under $10.0	1	3.3	12	40.0	17	56.7	0	0.0	0	0.0	30

8. With respect to applications for C&I loans or credit lines from small businesses that your bank currently is willing to approve, please indicate how terms have changed in the last three months 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	1	1.7	4	6.9	52	89.7	1	1.7	0	0.0	58
$10.0 and Over	0	0.0	0	0.0	27	96.4	1	3.6	0	0.0	28
Under $10.0	1	3.3	4	13.3	25	83.3	0	0.0	0	0.0	30

b. costs of credit lines

	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	3.4	8	13.8	47	81.0	1	1.7	0	0.0	58
$10.0 and Over	1	3.6	3	10.7	24	85.7	0	0.0	0	0.0	28
Under $10.0	1	3.3	5	16.7	23	76.7	1	3.3	0	0.0	30

c. 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	3.4	10	17.2	44	75.9	2	3.4	0	0.0	58
$10.0 and Over	1	3.6	6	21.4	20	71.4	1	3.6	0	0.0	28
Under $10.0	1	3.3	4	13.3	24	80.0	1	3.3	0	0.0	30

d. 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	3	5.2	22	37.9	33	56.9	0	0.0	0	0.0	58
$10.0 and Over	1	3.6	12	42.9	15	53.6	0	0.0	0	0.0	28
Under $10.0	2	6.7	10	33.3	18	60.0	0	0.0	0	0.0	30

e. 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	2	3.4	21	36.2	35	60.3	0	0.0	0	0.0	58
$10.0 and Over	1	3.6	10	35.7	17	60.7	0	0.0	0	0.0	28
Under $10.0	1	3.3	11	36.7	18	60.0	0	0.0	0	0.0	30

9 In the last three months, how have your bank's credit standards changed for approving applications for construction and land velopment loans? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Essentially unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	20	33.9	24	40.7	15	25.4	0	0.0	0	0.0	59
$10.0 and Over	6	20.7	17	58.6	6	20.7	0	0.0	0	0.0	29
Under $10.0	14	46.7	7	23.3	9	30.0	0	0.0	0	0.0	30

10. Apart from construction and land development loans, in the last three months, 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	18	31.0	25	43.1	15	25.9	0	0.0	0	0.0	58
$10.0 and Over	8	27.6	15	51.7	6	20.7	0	0.0	0	0.0	29
Under $10.0	10	34.5	10	34.5	9	31.0	0	0.0	0	0.0	29

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	11	18.6	26	44.1	22	37.3	0	0.0	0	0.0	59
$10.0 and Over	5	17.2	16	55.2	8	27.6	0	0.0	0	0.0	29
Under $10.0	6	20.0	10	33.3	14	46.7	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	12	20.3	27	45.8	20	33.9	0	0.0	0	0.0	59
$10.0 and Over	6	20.7	15	51.7	8	27.6	0	0.0	0	0.0	29
Under $10.0	6	20.0	12	40.0	12	40.0	0	0.0	0	0.0	30

11. In the last three months, how have your bank's credit standards changed for approving mortgage applications from individuals to purchase homes? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Basically unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	0	0.0	6	10.5	50	87.7	1	1.8	0	0.0	57
$10.0 and Over	0	0.0	4	14.3	23	82.1	1	3.6	0	0.0	28
Under $10.0	0	0.0	2	6.9	27	93.1	0	0.0	0	0.0	29

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	6	10.2	50	84.7	3	5.1	0	0.0	59
$10.0 and Over	0	0.0	2	6.9	24	82.8	3	10.3	0	0.0	29
Under $10.0	0	0.0	4	13.3	26	86.7	0	0.0	0	0.0	30

12.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	1.7	7	11.9	49	83.1	2	3.4	0	0.0	59
$10.0 and Over	1	3.4	2	6.9	24	82.8	2	6.9	0	0.0	29
Under $10.0	0	0.0	5	16.7	25	83.3	0	0.0	0	0.0	30

13. If your bank has used its credit card receivables as collateral for credit card backed securities, has this caused you to change your approval standards for credit cards in order to make them more suitable as collateral? If so, please indicate what these changes have been.

	No		Total
	Banks	Pct	Banks
All Respondents	18	100.0	18
$10.0 and Over	10	100.0	10
Under $10.0	8	100.0	8

Table 4

SENIOR LOAN OFFICER OPINION SURVEY ON BANK LENDING PRACTICES
AT SELECTED BRANCHES AND AGENCIES OF FOREIGN BANKS IN THE UNITED STATES
(Status of policy as of August 1990)
(Number of banks and percent of banks answering question)
(By volume of total assets, in $ billions, as of June 27, 1990)[1]

1. Approximately what was the dollar volume of commercial and industrial loans outstanding on June 30, 1990 that your bank had originated and then sold to others through participations or assignments? (Exclude sales and participations of any C&I loans that for purposes of the Call Report were retained on your books because, for example, they were sold with recourse.)

	$0-100 mil.		$101-250 mil.		$251-500 mil		$501 mil.- $1 bil.		Over $1 bil.			Total Amount
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Total Banks	($ bil.)
All Respondents	6	33.3	5	27.8	1	5.6	4	22.2	2	11.1	18	7.3

2. Of the outstanding C&I loans that were sold or participated to others as reported in question 1:

a. About what percent of these loans represented lending to publicly rated, investment-grade borrowers?

	0-20%		41-60%		61-80%		80-100%		Mean[2]	Total	Total Amount[3]
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	12	75.0	1	6.3	2	12.5	1	6.3	23.1	16	1.7

b. Around what percent of these loans represented financings for mergers and acquisitions? (Note: Merger-related loans include those made to finance leveraged buyouts, other mergers and acquisitions, and defensive restructurings--such as equity or debt buybacks-- related to mergers and acquisitions.)

	0-20%		21-40%		41-60%		61-80%		80-100%		Mean[2]	Total	Total Amount[3]
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	7	43.8	3	18.8	2	12.5	1	6.3	3	18.8	36.0	16	2.6

3. Approximately what was the dollar volume of commercial and industrial loans on the books of your bank as of June 30, 1990 that your bank had not originated but had purchased from other banks through participations or assignments?

	$0-100 mil.		mil.		mil		$1 bil.		Total	Total Amount
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	($ bil.)
All Respondents	2	11.1	4	22.2	6	33.3	6	33.3	18	7.1

4. Of your bank's outstanding C&I loans that it had purchased from other banks through participations or assignments as of June 30, as reported in question 3:

a. About what percent of these loans represented lending to publicly rated, investment-grade borrowers?

	0-20%		21-40%		41-60%		61-80%		Mean[4]	Total	Total Amount[5]
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	8	44.4	5	27.8	2	11.1	3	16.7	32.0	18	2.3

1 As of June 27, 1990, respondents had combined assets of $86 billion, compared to $358 billion
r all foreign related banking institutions in the United States.
ghted by amount reported in question 1.
als reported percentage times the amount reported in question 1. Components may not add due to rounding.
4 ..eighted by amount reported in question 3.
5 Equals reported percentage times the amount reported in question 3. Components may not add due to rounding.

b. Around what percent of these loans represented financings for mergers and acquisitions? (Merger-related loans are defined in question 2.b.)

	0-20%		21-40%		41-60%		61-80%		80-100%		Mean[4]	Total	Total Amount[5]
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks	($ bil.)
All Respondents	7	38.9	4	22.2	1	5.6	3	16.7	3	16.7	29.8	18	2.1

5. Of the total of C&I loans on your books as of June 30, 1990, roughly what percent was merger related? (Merger-related loans are defined in question 2.b.)

	0-5%		6-10%		11-15%		16-20%		Over 20%		Mean[6]	Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	pct	Banks
All Respondents	4	22.2	2	11.1	1	5.6	2	11.1	9	50.0	21.7	18

6. In the last six months, how have your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and aquisitions--changed? (Merger-related loans are defined in question 2.b; please report changes in enforcement of existing standards as changes in standards.)

	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	1	5.6	10	55.6	7	38.9	0	0.0	0	0.0	18

7. If your bank's credit standards for approving applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--have been tightened in the last six months (answers i. or ii. to question 6) 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	2.4	2	3.5	8	1.3	6	1.5	1	3.0	1	5.0	2	2.5	11

8. With respect to applications for C&I loans or credit lines--other than those to be used to finance mergers and acquisitions--that your bank currently is willing to approve, please indicate how terms have changed in the last six months 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	1	5.6	4	22.2	13	72.2	0	0.0	0	0.0	18

b. costs of credit lines

	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	1	5.6	6	33.3	11	61.1	0	0.0	0	0.0	18

6 Weighted by volume of commercial and industrial loans to domestic addressees as of June 27, 1990.

c. 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	1	5.6	6	33.3	11	61.1	0	0.0	0	0.0	18

d. 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	0	0.0	7	38.9	11	61.1	0	0.0	0	0.0	18

e. 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	0	0.0	9	50.0	9	50.0	0	0.0	0	0.0	18

9. In the *last six months*, how have your bank's credit standards changed for approving applications for construction and land development loans? (Please report changes in enforcement of existing standards as changes in standards.)

	Tightened considerably		Tightened somewhat		Essentially unchanged		Eased somewhat		Eased considerably		Total
	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks	Pct	Banks
All Respondents	5	27.8	9	50.0	4	22.2	0	0.0	0	0.0	18

10. Apart from construction and land development loans, in the *last six months*, 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	3	16.7	8	44.4	7	38.9	0	0.0	0	0.0	18

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	1	6.7	4	26.7	10	66.7	0	0.0	0	0.0	15

c. other nonfarm nonresidential purposes

	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	3	16.7	8	44.4	7	38.9	0	0.0	0	0.0	18

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

	1989[1]	1990 Q1	1990 Q2	1990 May	1990 Jun	1990 Jul p	Growth Q4 89- Jul 90p
	-----------Percent change at annual rates						-------------------
1. M1	0.6	4.8	3.5	-2.8	6.0	-0.3	3.5
2. M2	4.6	6.3	2.8	-2.3	2.6	1.2	3.7
3. M3	3.3	2.9	0.7	-2.4	0.8	0.5	1.4
	-----------Percent change at annual rates					-----------	Levels bil. $ Jul 90p
Selected components							
4. M1-A	0.4	4.2	1.6	-3.7	4.0	5.6	518.0
5. Currency	4.8	10.3	9.2	7.8	9.3	10.3	235.4
6. Demand deposits	-2.8	-0.9	-4.7	-14.3	0.0	1.3	274.8
7. Other checkable deposits	1.0	5.9	7.1	-1.2	9.5	-10.6	291.2
8. M2 minus M1[2]	5.9	6.8	2.6	-2.1	1.5	1.7	2471.6
9. Overnight RPs and Eurodollars, NSA	-8.6	33.1	-2.9	58.6	-24.4	0.0	82.0
10. General purpose and broker/dealer money market mutual fund shares	29.7	18.8	-1.0	-20.0	6.0	11.6	324.1
11. Commercial banks	7.5	8.5	10.3	13.3	14.0	12.8	1134.5
12. Savings deposits plus MMDAs[3]	-1.7	9.3	8.6	5.8	9.2	6.8	566.3
13. Small time deposits	19.0	7.8	12.1	20.8	18.5	19.1	568.2
14. Thrift institutions	-0.2	-1.1	-4.6	-12.9	-16.1	-11.7	932.4
5. Savings deposits plus MMDAs[3]	-9.3	2.8	1.4	-7.7	-8.1	-5.4	352.2
. Small time deposits	5.8	-3.3	-8.0	-16.0	-20.9	-15.5	580.2
17. M3 minus M2[4]	-1.2	-10.6	-7.6	-2.9	-6.7	-2.1	787.6
18. Large time deposits	4.2	-8.3	-10.4	-6.7	-6.3	-3.8	530.2
19. At commercial banks, net[5]	9.9	-1.6	-3.0	5.5	1.8	7.0	399.3
20. At thrift institutions	-7.8	-24.7	-30.4	-40.3	-28.7	-35.6	130.9
21. Institution-only money market mutual fund shares	17.1	10.2	11.5	5.6	0.0	17.9	108.9
22. Term RPs, NSA	-14.7	-37.7	4.6	10.1	35.1	-18.3	96.9
23. Term Eurodollars, NSA	-21.7	-51.2	-23.4	31.0	-56.8	-26.1	63.0
	-----Average monthly change in billions of dollars----						
MEMORANDA:[6]							
24. Managed liabilities at commercial banks (25+26)	6.1	2.5	-0.1	2.6	1.6	13.8	742.6
25. Large time deposits, gross	2.6	-2.3	-1.5	-0.4	-2.0	1.3	454.0
26. Nondeposit funds	3.5	4.8	1.4	3.0	3.6	12.5	288.6
27. Net due to related foreign institutions	0.2	3.3	-0.9	7.8	-9.8	2.0	16.7
28. Other[7]	3.3	1.5	2.3	-4.9	13.3	10.5	271.8
29. U.S. government deposits at commercial banks[8]	-0.3	-0.6	0.4	-2.6	1.8	-5.5	14.9

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 June and July at rates of 9.3 percent and 3.7 percent, respectively. At thrift institutions, savings deposits excluding MMDAs grew during June and July at rates of -3.8 percent and -1.1 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	1990 Q1	Q2	May	June	July p	Levels bil.$ July p
		Commercial Bank Credit						
1.	Total loans and securities at banks	7.2	6.8	5.2	3.3	7.1	5.9	2670.9
2.	Securities	3.9	16.8	9.3	3.4	15.7	4.7	615.5
3.	U.S. government securities	9.7	24.6	15.1	9.4	24.5	7.5	437.4
4.	Other securities	-6.9	-.2	-3.8	-10.6	-4.7	-2.0	178.2
5.	Total loans	8.1	3.9	4.0	3.2	4.5	6.3	2055.4
6.	Business loans	6.8	.6	5.2	-.6	6.1	-2.4	649.9
7.	Real estate loans	12.9	10.1	10.0	12.5	9.4	11.3	801.2
8.	Consumer loans	6.3	3.7	-1.4	4.4	-4.1	-5.1	376.3
9.	Security loans	3.8	-18.2	-23.0	-42.2	13.4	129.6	40.0
10.	Other loans	.6	-5.0	-9.0	-5.1	-15.8	14.2	188.0
		Short- and Intermediate-Term Business Credit						
11.	Business loans net of bankers acceptances	6.8	.1	5.0	-.8	5.6	-1.9	641.6
12.	Loans at foreign branches[2]	-5.0	3.7	9.2	16.4	.0	27.0	22.7
13.	Sum of lines 11 & 12	6.4	.3	5.1	.0	5.6	-1.1	664.3
14.	Commercial paper issued by nonfinancial firms	31.2	24.5	9.3	-31.4	5.0	-13.2	144.0
15.	Sum of lines 13 & 14	9.8	4.4	5.9	-5.8	5.5	-3.4	808.2
16.	Bankers acceptances: U.S. trade related[3,4]	6.1	-19.8	-9.8	-15.1	23.0	n.a.	31.9[5]
17.	Line 15 plus bankers acceptances: U.S. trade related	9.7	3.4	5.2	-6.3	6.2	n.a.	842.3[5]
18.	Finance company loans to business[3,6]	10.6	4.7	15.4	11.9	25.9	n.a.	270.3[5]
19.	Total short- and intermediate-term business credit (sum of lines 17 & 18)	9.9	3.7	7.6	-1.8	10.8	n.a.	1112.6[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. June data.
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 Jul 3	Aug 16	Mar 89 highs	Dec 89 lows	FOMC Jul 3
Short-term rates								
Federal funds [3]	7.59	9.85	8.45	8.28	8.05	-1.80	-.40	-.23
Treasury bills [4]								
3-month	6.93	9.09	7.53	7.70	7.48	-1.61	-.05	-.22
6-month	7.58	9.11	7.29	7.59	7.43	-1.68	.14	-.16
1-year	7.74	9.05	7.11	7.45	7.29	-1.76	.18	-.16
Commercial paper								
1-month	7.94	10.05	8.51	8.22	8.03	-2.02	-.48	-.19
3-month	8.65	10.15	8.22	8.12	7.86	-2.29	-.36	-.26
Large negotiable CDs [4]								
1-month	7.92	10.07	8.52	8.23	8.01	-2.06	-.51	-.22
3-month	8.90	10.32	8.22	8.23	7.98	-2.34	-.24	-.25
6-month	9.12	10.08	8.01	8.25	7.97	-2.11	-.04	-.28
Eurodollar deposits [5]								
1-month	8.00	10.19	8.38	8.19	7.94	-2.25	-.44	-.25
3-month	9.06	10.50	8.25	8.19	7.88	-2.62	-.37	-.31
Bank prime rate	9.25	11.50	10.50	10.00	10.00	-1.50	-.50	.00
Intermediate- and long-term rates								
U.S. Treasury (constant maturity)								
3-year	9.52	9.88	7.69	8.28	8.23	-1.65	.54	-.05
10-year	10.23	9.53	7.77	8.40	8.76	-.77	.99	.36
30-year	10.24	9.31	7.83	8.40	8.91	-.40	1.08	.51
Municipal revenue [6] (Bond Buyer)	9.59	7.95	7.28	7.48	7.53	-.42	.25	.05
Corporate--A utility recently offered	11.50	10.47	9.29	9.92	10.16	-.31	.87	.24
Home mortgage rates [7]								
S&L fixed-rate	11.58	11.22	9.69	10.15	10.08	-1.14	.39	-.07
S&L ARM, 1-yr.	8.45	9.31	8.34	8.45	8.39	-.92	.05	-.06

			1989	1990		Percent change from:		
	Record highs	Date	Lows Jan 3	FOMC Jul 3	Aug 16	Record highs	1989 lows	FOMC Jul 3
Stock prices								
Dow-Jones Industrial	2999.75	7/16/90	2144.64	2911.63	2681.44	-10.61	25.03	-7.91
NYSE Composite	201.13	7/16/90	154.98	196.61	182.73	-9.15	17.91	-7.06
AMEX Composite	397.03	10/10/89	305.24	360.67	336.83	-15.16	10.35	-6.61
NASDAQ (OTC)	485.73	10/9/89	378.56	461.76	402.27	-17.18	6.26	-12.88
Wilshire	3523.47	10/9/89	2718.59	3441.27	3165.32	-10.16	16.43	-8.02

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 for the maintenance period ending August 8, 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.

THE INTERNATIONAL ECONOMY

U.S. Merchandise Trade

Preliminary data for June indicate that the deficit for U.S. merchandise trade narrowed to $5.1 billion (seasonally adjusted, Census basis) from a deficit in May of $7.8 billion (revised). For the second quarter, the deficit was substantially less than in the first quarter, and was the lowest quarterly average recorded since 1983.

The value of exports rose nearly 5 percent in June from the May level, with most of the increase in civilian aircraft and parts, consumer goods, and agricultural products. For the second quarter as a whole, exports increased 3 percent (not at an annual rate)--the third consecutive strong quarterly gain. Nearly all of the increase in the second quarter was in consumer goods, capital goods, and automotive products; the value of agricultural exports declined. Exports to Western Europe were particularly strong in the first half. Exports to Mexico also expanded at a strong rate.

The value of imports declined in June, with about half of the decrease in oil (about equally split between price and quantity) and the remainder spread among a broad range of categories. For the second quarter, imports declined 2 percent. Most of the drop was in oil imports, as prices fell by more than $3.75 per barrel reflecting strong OPEC production in the face of a marginal increase in world demand, and the quantity imported decreased by 5 percent. Non-oil imports rose 1 percent in the second quarter; declines in food, consumer goods, computers and semiconductors, were more than offset by increases in automotive products (primarily from Canada), and industrial supplies.

August 17, 1990

Merchandise Trade: Census-Based Data
(in billions of dollars, seasonally adjusted)

	Exports			Imports			
	Total	Agri.**	Nonagri.	Total	Oil	Non-Oil	Balance
1988	322.4	37.7	284.7	441.0	38.5	402.5	-118.5
1989	363.8	42.2	321.6	473.2	48.9	424.3	-109.4
Quarters at annual rates:							
1989 Qtr 1	350.4	43.3	307.1	461.9	41.7	420.2	-111.5
2	370.7	43.5	327.3	476.7	52.0	424.7	-106.0
3	360.9	40.4	320.4	473.6	50.8	422.8	-112.7
4	373.3	41.6	331.6	480.7	51.3	429.4	-107.4
1990 Qtr 1	384.9	43.0	341.8	487.5	61.3	426.2	-102.7
2	396.5	40.8	355.7	477.1	47.0	430.0	-80.6
Monthly Rates:							
1988 Jan	23.7	2.7	21.0	34.2	3.3	30.9	-10.5
Feb	24.5	3.0	21.5	37.1	3.5	33.6	-12.6
Mar	27.4	3.1	24.3	36.7	3.0	33.7	-9.3
Apr	26.3	3.0	23.2	35.3	3.1	32.2	-9.0
May	27.6	3.2	24.5	36.0	3.6	32.4	-8.4
Jun	26.7	3.1	23.6	37.6	3.3	34.3	-11.0
Jul	26.2	3.1	23.1	35.1	3.1	31.9	-8.9
Aug	27.4	3.3	24.1	37.8	3.4	34.4	-10.4
Sep	27.5	3.6	23.9	36.5	3.0	33.5	-9.0
Oct	28.2	3.2	25.0	36.9	2.9	34.0	-8.7
Nov	27.7	3.1	24.6	37.9	2.9	35.0	-10.2
Dec	29.2	3.4	25.8	39.9	3.3	36.6	-10.7
1989 Jan	28.3	3.6	24.8	37.4	3.5	33.9	-9.1
Feb	28.4	3.4	25.0	38.2	3.2	34.9	-9.8
Mar	30.8	3.8	27.0	39.9	3.7	36.2	-9.0
Apr	30.4	3.5	26.9	38.7	4.0	34.7	-8.3
May	30.7	3.6	27.0	40.9	4.7	36.2	-10.3
Jun	31.6	3.7	27.9	39.5	4.2	35.3	-8.0
Jul	29.9	3.5	26.4	39.0	4.3	34.7	-9.1
Aug	30.2	3.3	26.9	40.5	4.3	36.2	-10.3
Sep	30.1	3.3	26.8	38.9	4.0	34.9	-8.8
Oct	31.4	3.4	28.0	41.6	4.4	37.2	-10.2
Nov	30.6	3.6	27.0	40.5	4.4	36.2	-9.9
Dec	31.3	3.4	27.9	38.1	4.1	34.0	-6.8
1990 Jan	31.4	3.6	27.8	41.6	5.9	35.7	-10.2
Feb	31.6	3.4	28.1	38.7	4.7	34.0	-7.1
Mar	33.3	3.7	29.5	41.6	4.7	36.9	-8.4
Apr	32.1	3.3	28.8	39.4	3.8	35.6	-7.3
May-R	32.8	3.3	29.5	40.5	4.3	36.2	-7.8
Jun-P	34.3	3.6	30.7	39.4	3.7	35.7	-5.1

P/ preliminary R/ revised
** Seasonally adjusted using BOP-basis seasonal factors.

Source: U.S. Department of Commerce, Bureau of the Census, Customs Valuation.

ERRATA

1. The first paragraph on page I-12 of the Greenbook should have read:

"The current account deficit in the alternative scenario is about $10 billion greater in the second quarter of 1991 than shown in the current Greenbook forecast. However, this difference diminishes after mid-1991 as the level of GNP in the alternative scenario continues to fall below the Greenbook path and reduces demand for imports."

2. The first sentence of the Domestic Financial Developments section of Part 1 should have read:

"Short-term interest rates fell during July in response to the announcement of a possible System easing and the subsequent 1/4 percentage point drop in the federal funds rate on July 13."