DISCOUNT AND ADVANCE RATES -- Requests by ten Reserve Banks to maintain the existing rate; requests by two Reserve Banks to increase the primary credit rate.

Existing rate maintained.
January 24, 2011.

Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Boston, Cleveland, Richmond, St. Louis, and San Francisco had voted on January 13, 2011, and the directors of the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis had voted on January 20 to reestablish the existing rate for discounts and advances (3/4 percent) under the primary credit program (primary credit rate). The directors of the Federal Reserve Banks of Kansas City and Dallas had voted on January 13 to establish a rate of 1 percent (an increase from 3/4 percent). At its meeting on December 13, 2010, the Board had taken no action on similar requests by the Federal Reserve Banks of Kansas City and Dallas to increase the primary credit rate.

Federal Reserve Bank directors noted positive economic developments, including a pickup in consumer sales at the end of last year and improvements in the manufacturing sector. While the incoming data provided greater confidence that the recovery will be sustained, many directors remained cautious about the outlook. Unemployment was still higher than desired, and job creation remained sluggish. The housing sector continued to struggle, and some directors attributed the persistent downward pressure on home prices to still-increasing foreclosures. Some directors expected retailers to continue to manage their inventory levels conservatively. Although increases in certain prices, including those for agricultural products, metals, and petroleum-based commodities, were noted, most directors expected inflation to remain quite low. Against this backdrop, those directors recommended that the current accommodative stance of monetary policy be maintained.

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

Today, Board members considered the primary credit rate and discussed, on a preliminary basis, their individual assessments of the appropriate rate and its communication, which would be discussed at the meeting of the Federal Open Market Committee this week. No sentiment was expressed for changing the primary credit rate before the Committee's meeting, and the existing rate was maintained.

Participating in this determination: Chairman Bernanke, Vice Chair Yellen, and Governors Warsh, Duke, Tarullo, and Raskin.

Background: Office of the Secretary memorandum, January 21, 2011.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, January 24, 2011.

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

Approved.
January 24, 2011.

The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco on January 13, 2011, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis on January 20 of the formulas for calculating the rates applicable to discounts and advances under the secondary and seasonal credit programs.

Voting for this action: Chairman Bernanke, Vice Chair Yellen, and Governors Warsh, Duke, Tarullo, and Raskin.

Background: Office of the Secretary memorandum, January 21, 2011.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, January 24, 2011.