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DISCOUNT AND ADVANCE RATES -- Requests by ten Reserve Banks to maintain the existing rate; request by one Reserve Bank to decrease the primary credit rate; and request by one Reserve Bank to increase the primary credit rate.

Existing rate maintained.  
January 23, 2012.

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Subject to review and determination by the Board of Governors, the directors of the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Dallas, and San Francisco had voted on January 12, 2012, and the directors of the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis had voted on January 19 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 Bank of Boston had voted on January 12 to establish a rate of 1/2 percent (a decrease from 3/4 percent). The directors of the Federal Reserve Bank of Kansas City had voted on January 12 to establish a rate of 1 percent (an increase from 3/4 percent). At its meeting on December 12, the Board had taken no action on similar requests by the Federal Reserve Bank of Boston to decrease and by the Federal Reserve Bank of Kansas City to increase the primary credit rate.

Federal Reserve Bank directors noted that recent economic data had improved somewhat, but they were cautious about the outlook and expected only moderate growth over the coming quarters. Some directors reported encouraging though uneven increases in consumer spending and retail sales, as well as further gains in manufacturing activity in certain sectors. The housing sector remained weak, despite pockets of increased activity in some parts of the country. Although conditions in labor markets had shown some signs of improvement, directors remained concerned about the elevated rate of unemployment. Many directors also cited the downside risks posed by ongoing uncertainty about global financial markets and U.S. regulatory and fiscal policies. Inflationary pressures had continued to moderate, and longer-term inflation expectations had remained stable. Against this backdrop, most directors recommended that the current primary credit rate be maintained.

However, other Federal Reserve Bank directors favored changing the primary credit rate. On the one hand, some directors supported decreasing the primary credit rate by 25 basis points (to 1/2 percent), in part as a technical adjustment to better align the rate with the reduced charges on the Federal Reserve's dollar liquidity swap arrangements with major foreign central banks. On the other hand, some directors supported increasing the primary credit rate by 25 basis points (to 1 percent), and the

spread between that rate and the upper end of the target range for the federal funds rate to 75 basis points, partly as a move toward restoring the 100-basis-point spread in the pre-crisis discount rate structure. Directors also pointed to current and anticipated economic conditions as reasons to decrease or increase the primary credit rate.

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 Duke, Tarullo, and Raskin.

Background: Office of the Secretary memorandum, January 20, 2012.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, January 23, 2012.

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

Approved.  
January 23, 2012.

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The Board approved renewal by the Federal Reserve Banks of Boston, Cleveland, Richmond, St. Louis, Kansas City, Dallas, and San Francisco on January 12, 2012, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Minneapolis on January 19 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 Duke, Tarullo, and Raskin.

Background: Office of the Secretary memorandum, January 20, 2012.

Implementation: Transmissions from Ms. Johnson to the Reserve Banks, January 23, 2012.