Monetary Aggregates as of December 20, 2004

	M_1	M_2	M_3	Monetary Base
Averages (in billions), Week Ended Dec. 20	1361.3	6402.5	9385.5	759.2
Annual Growth Rate				
Latest 13 wks.	5.9	5.1	2.4	4.6
Latest 6 mos.	6.1	3.0	3.0	5.3
Latest year	6.2	5.2	5.6	4.7

Currency Component of M1: 698.1

Reserve Data

	Total Reserves	Borrowed Reserves	Required Reserves	Excess Reserves
Averages (in millions), Week Ended Dec. 20	45,951	58	44,086	1,865

Key Rates

Percent	Yesterday	Day Ago	Year Ago
Prime rate	**5.25**	5.25	4.00
Federal Funds	**2.25**	2.25	0.99
3-month Libor	**2.61**	2.59	1.14
3-month T-bills	**2.31**	2.34	0.87
6-month T-bills	**2.62**	2.62	1.01
10-yr. T-infl.	**1.71**	1.73	2.01
10-yr. T-note	**4.26**	4.28	4.25
30-yr. T-bond	**4.85**	4.85	5.08
Telephone bd.	**5.86**	5.87	6.05
Municipal bds.	**4.70**	4.72	4.71

Sources: Bloomberg News; Telerate; The Bond Buyer; British Bankers' Assoc.

NY Times, 1/7/05

ADJUSTED
M1 (M1++)
All figures are in billions of dollars

Year (1)	M_1 tradi-tional (2)	CUMU-LATIVE SWEEPS Total (3)	M1+ = M1+ Sweeps (4)	Annual Percent Change in M1+ (5)	MMMF RETAIL (6)	M1++ = M1+ MMMF +SWEEPS (i.e., cols. 2+3+6)	Annual Percent Change in M1++
1985-Dec.	619.9		619.9		176.8	796.7	
1986-Dec.	724.4		724.4	16.86%	210.4	934.8	17.33%
1987-Dec.	749.7		749.7	3.49%	224.6	974.3	4.23%
1988-Dec.	787.0		787.0	4.97%	245.9	1032.9	6.01%
1989-Dec.	794.2		794.2	9.14%	321.7	1115.9	8.04%
1990-Dec.	825.8		825.8	3.98%	357.2	1183.0	6.01%
1991-Dec.	897.3		897.3	8.66%	372.2	1269.5	7.31%
1992-Dec.	1025.0		1025.0	14.23%	354.0	1379.0	8.63%
1993-Dec.	1129.9		1129.9	10.23%	355.6	1485.5	7.72%
1994-Dec.	1150.7	9.9	1160.6	1.84%	385.0	1545.6	4.05%
1995-Dec.	1128.7	54.5	1183.2	1.94%	454.9	1638.1	5.98%
1996-Dec.	1081.1	168.6	1249.7	5.62%	524.3	1774.0	8.30%
1997-Dec.	1073.9	252.6	1326.5	6.15%	601.3	1927.8	8.67%
1998-Dec.	1097.4	319.8	1417.2	6.84%	748.3	2165.5	12.33%
1999-Dec.	1123.8	368.8	1492.6	5.32%	837.5	2330.1	7.60%
2000-Dec.	1090.3	409.6	1499.9	0.49%	934.8	2424.7	4.01%
2001-Dec.	1178.1	457.6	1635.7	9.05%	953.5	2571.2	6.04%
2002-Dec.	1210.5	526.6	1737.1	6.20%	945.8	2682.9	4.34%
2003-Dec.	1276.8	565.5	1842.3	6.06%	833.8	2676.1	-0.26%
2004-Dec.	1361.3	747.2*	2108.5	14.49%	714.5	2823.0	5.48%

*Estimated

Since January 1994, hundreds of banks and other depository financial institutions have initiated sweep programs to avoid statutory reserve requirements on transactions deposits. In a sweep program, a bank's computers analyze customer use of checkable deposits (demand deposits, ATS, NOW, and other checkable deposits) and "sweep" funds into money market deposit accounts (MMDA). MMDA accounts are personal saving deposits under the Federal Reserve's Regulation D and have a zero statutory reserve requirement ratio. Two types of sweep programs are in use. One type, the weekend program, reclassifies transaction deposits as savings deposits at the close of business on Friday and moves the funds back to the transactions account on Monday. By so doing, the depository avoids (on average) more than 3/7 of the reserve requirement on these deposits (Friday, Saturday and Sunday, plus an occasional Monday holiday) because reserve requirements are computed on the daily close of business level of deposits during a 7-day week that includes Saturday and Sunday. A second type of sweep program moves the portion of a customer's account balance that exceeds a certain threshold, say $1000, into an MMDA account and returns the funds to the transaction account as needed. For both type of programs, a constraint is that the number of withdrawals from the MMDA deposit, that is, the number of transfers back to the transaction deposit, must be 6 or less each month. (More than 6 and the MMDA would become subject to reserve requirements as an ATS account.) Hence, the second type of program must move all funds back into the transaction deposit on the sixth transfer. These sweep programs are not to be confused with the sweep programs initiated by banks during the 1960s and 1970s. In those programs, business demand deposits were swept overnight (typically) into non-deposit interest-earning assets such as repurchase agreements and money market mutual funds. Although these programs also reduced banks' required reserves, their primary intent was to allow firms to earn interest overnight on demand deposits because, under the Banking Acts of 1933 and 1935, banks are prohibited from paying explicit interest on such deposits Sweep programs have substantially distorted the growth of M1, total reserves and the monetary base, as Chairman Greenspan noted in his July 1995 Humphrey-Hawkins Act testimony to the Congress. (See "Monetary Policy Report to the Congress", Federal Reserve Bulletin, August 1995, pp. 772-3.) In the fall of 1995, the Board staff began releasing monthly data on the amount of newly initiated sweep programs to the public. On October 12, 1995, the Board of Governors' staff released the following statement:

"To avoid misinterpretation of monetary and reserves data on the part of the public, the Federal Reserve Board intends to release to the public information regarding sweeps from NOW accounts to MMDAs. On an historical basis, monthly estimates of the nationwide change in NOW accounts attributable to the implementation of sweeps during the month would be provided on request to any member of the public. No names of individual institutions, no specific dates and no disaggregation of the data by District or any other category will be provided. Rather, only a single national monthly average will be provided."

The data in this file are these estimates.

These data are the estimated daily-average effect of new sweep programs on the month-average level of OCD for all depositories. Example: a sweep program that moves

$30 million from OCD to MMDA would reduce the month average level of OCD by $30 million if the program began on the first day of the month, $15 million if it began on the 15th day of a 30-day month, $10 million if it began on the 20th day of a 30-day month, etc. These calculations correspond to those used in published monetary and reserve aggregates based on averages of daily deposit data. (For general discussion of the reporting of deposit data and construction of monetary aggregates, see R. Anderson and K. Kavajecz, "A Historical Perspective on the Federal Reserve's Monetary Aggregates," and K. Kavajecz, "The Evolution of the Federal Reserve's Monetary Aggregates: A Timeline," both in Federal Reserve Bank of St. Louis Review, March/April 1994. Copies are available on request to Debbie Dawe, Federal Reserve Bank of St. Louis, (314) 444-8809.)

Inferences regarding distortions to narrow monetary and reserve aggregates from these data should be made with caution. In particular, these are not the current amounts being swept, and no data are available regarding the aggregate volume of deposits currently affected by sweep programs. Depositories do not report to the Federal Reserve the size of their sweep programs. The MMDA used in the sweep are included with all other savings deposits in deposit reports filed the Federal Reserve. MMDA have been included with reported savings deposits since September 1991.

No comparable estimates of the reduction in required reserves due to sweep programs are available. Board staff noted in the July 1995 Humphrey-Hawkins testimony cited above that sweep programs "...this year..." had reduced OCD by about $12 billion and required reserves by about $1.2 billion. Required reserve balances at Federal Reserve Banks had decreased less, since some of the reduction in required reserves occurred at smaller banks that satisfy their required reserves fully with vault cash; see footnote 4 in the Bulletin article. Although most sweep programs have been implemented in larger depository institutions subject to a 10 percent marginal reserve requirement, some are in smaller institutions subject to only a 3 percent requirement.

These data may also understate initial amounts being swept. Depositories are not required to notify the Federal Reserve prior to beginning a sweep program and some may have started programs that have not been detected by Federal Reserve staff. The amount of any such undetected sweep activity, however, is likely small. The initiation of a sweep program of any importance will sharply decrease a depository's reported checkable deposits and increase its reported savings deposits.

Note that sweep programs do not directly affect M2, since MMDA are included in M2. Sweep programs might indirectly affect M2 growth if they affect deposit offering rates paid on MMDA, OCD or other deposits.

The data reported here on the reduction in M1 due to the initiation of sweep programs are produced by staff of the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. They are reported here as a convenience. New data for each month will be available during the last week of the following month. Data for September, for example, are expected to be available during the last week of October.

Substantive questions should be directed to Gerard Sinzdak, [MMDA’s; Gretchen Weinbach 2841; Michael Cox 202-452-2936 average Oct., Nov. Dec. use a quarter

average] Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington DC at (202) 452-3727. For general questions regarding monetary aggregates, contact Brian Preslopsky, Federal Reserve Bank of St. Louis, at (314) 444-8590.

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