

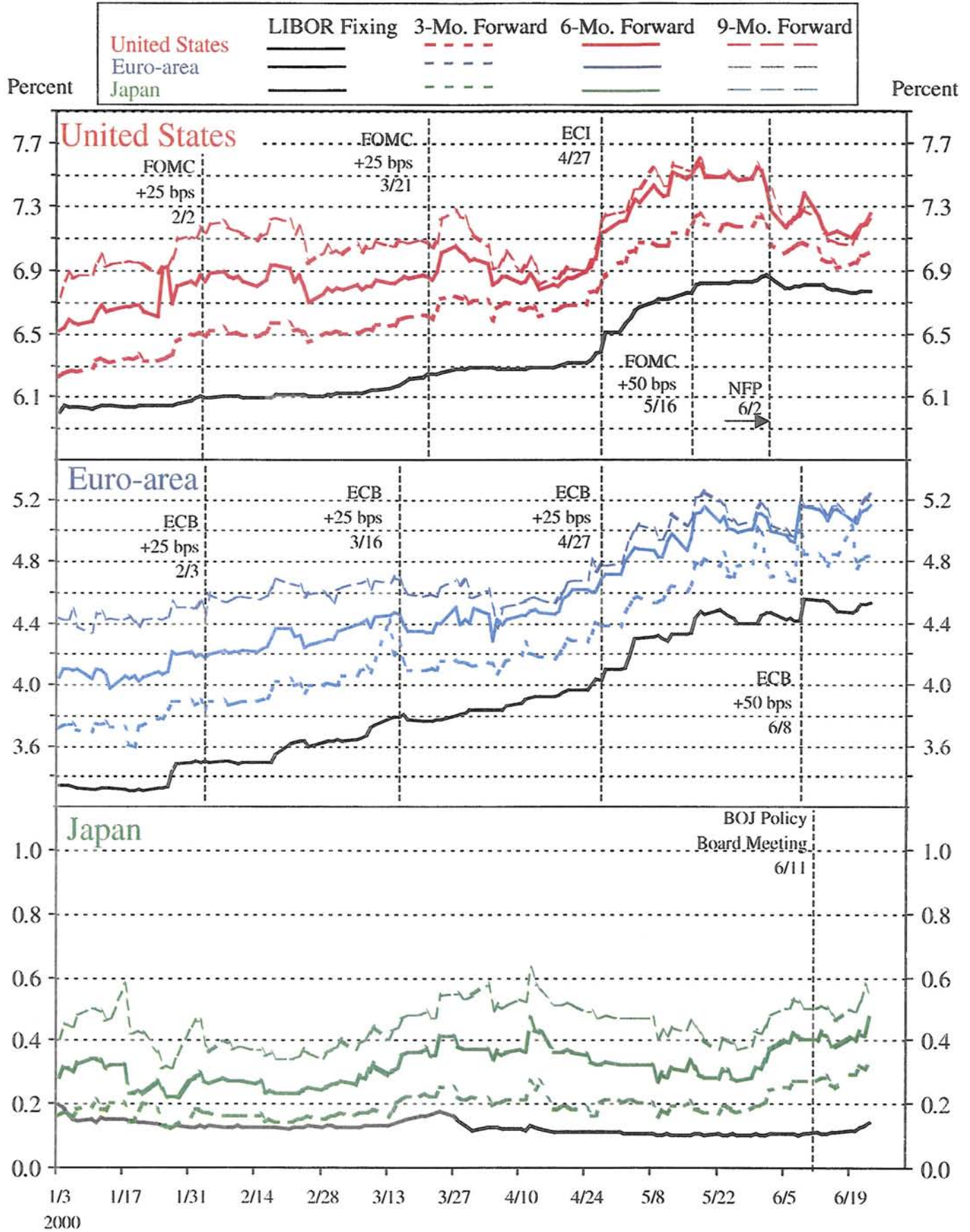
APPENDIX 1

Material used by Mr. Fisher.

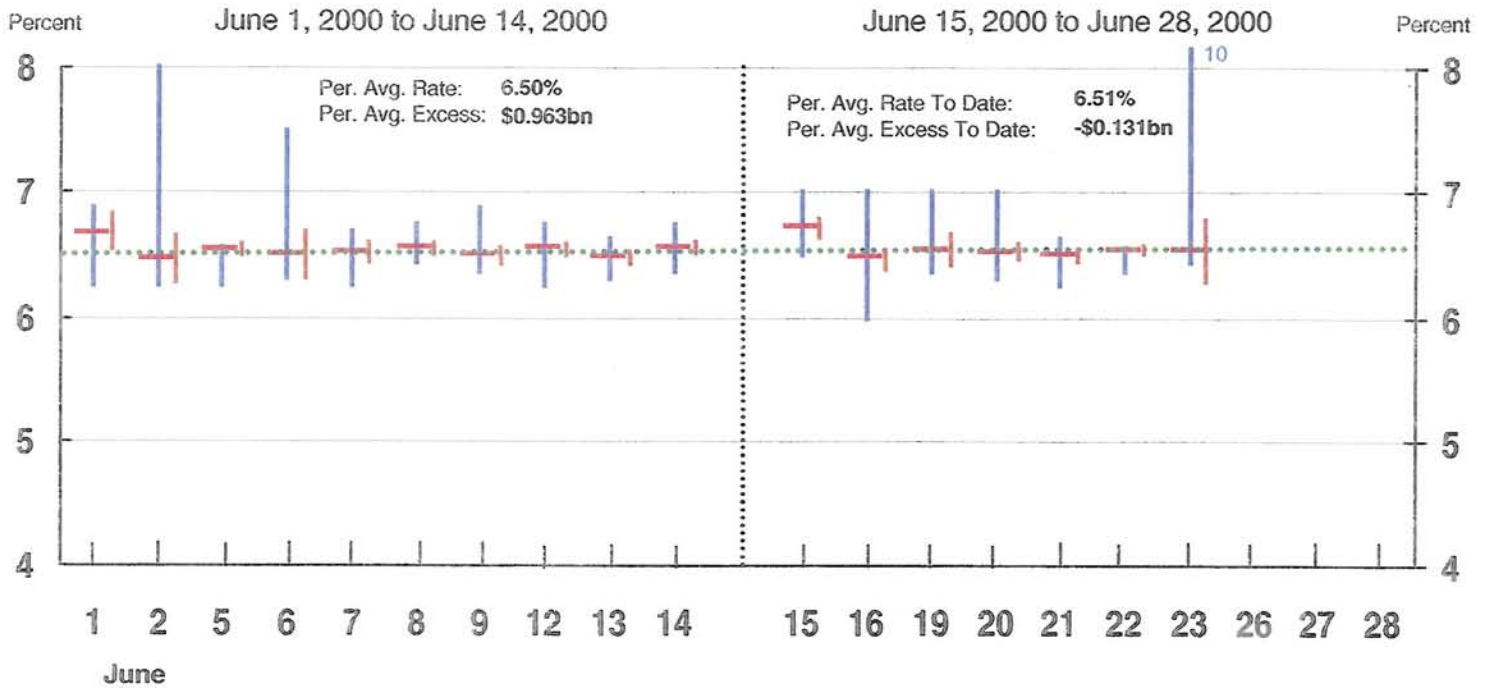
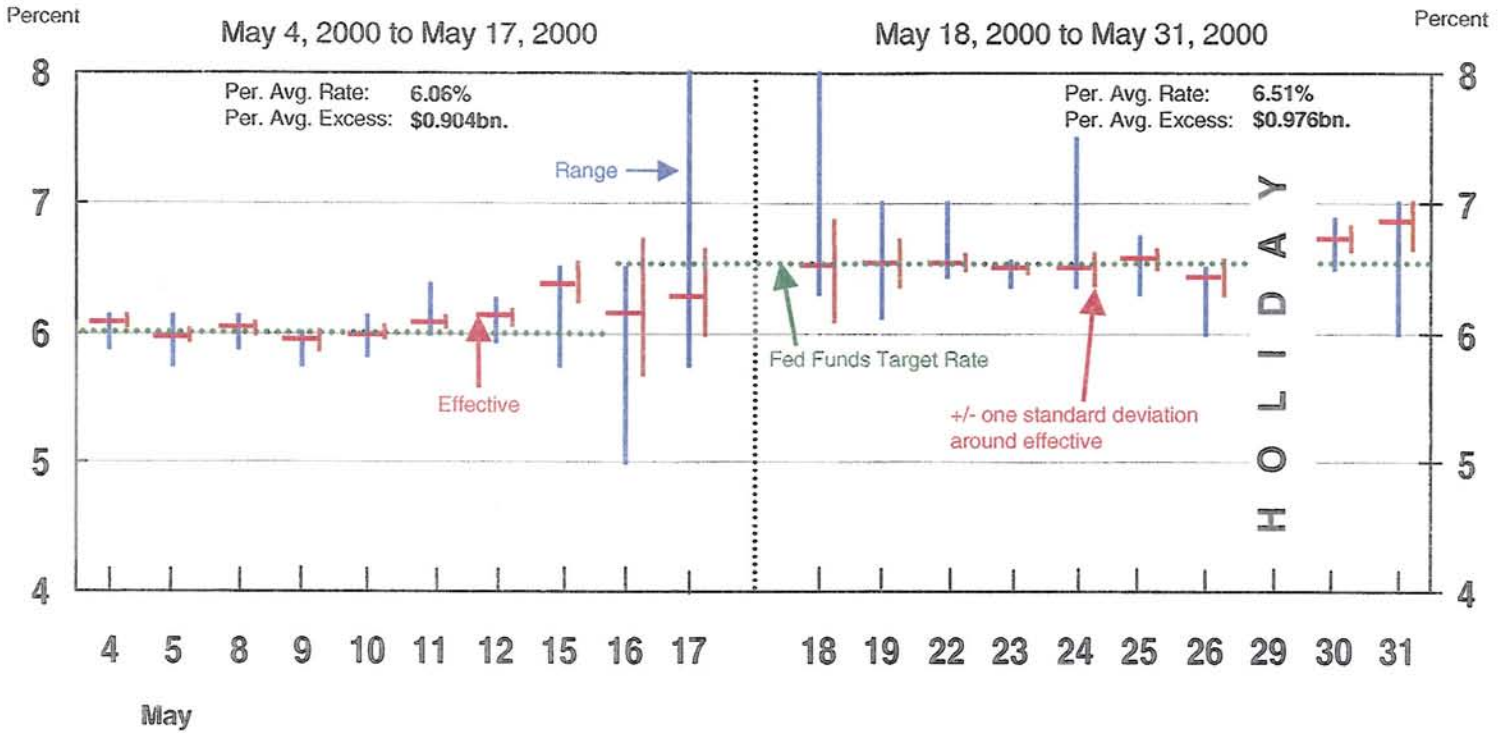
3-Month Deposit Rates

January 3, 2000 - June 23, 2000

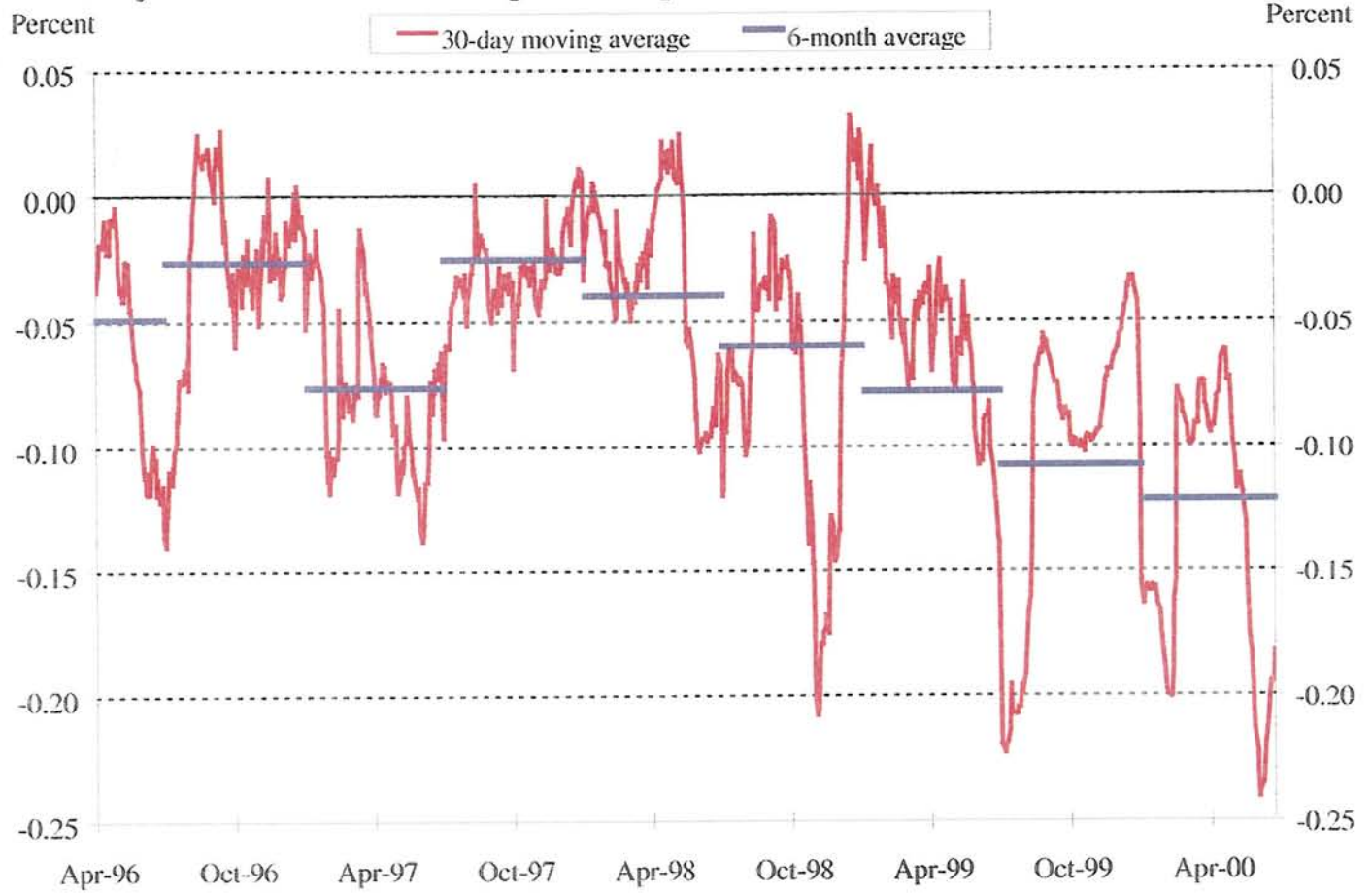
Current Deposit Rate and Rates Implied by Traded Forward Rate Agreements



DAILY FEDERAL FUNDS TRADING RANGE, EFFECTIVE RATE & +/- ONE STANDARD DEVIATION



Treasury General Collateral Repo Rate Spread To Fed Funds (morning rates)



Effects of Factor Behavior on Balances at the Fed

Maintenance period averages, billions of dollar

	<i>Changes from Feb. 9 to June 28 period</i>	<i>Projected changes from June 28 to Sep. 6 period</i>
Changes in Supply of Fed Balances from:		
Autonomous factors	-1.041	-8.197
SOMA redemptions	-4.897	-15.316
SOMA purchases plus changes in RPs	<u>+6.866</u>	<u>+22.840</u>
Changes in Nonborrowed Fed Balances, (used to meet reserve requirements net of applied vault cash and as-ofs, clearing balance requirements and excess demands)	+0.928	-0.673

Outright Activity and Temporary OMOs

Outright Purchases

Par values, billions of dollars

	<i>Purchases settling between Jan. 27 and June 28</i>
Bills	2.294
Coupons 0-2 years	3.742
2-5 years	2.350
5-10 years	1.419
10-30 years	<u>3.048</u>
Total	12.853

RPs outstanding:

Maintenance period averages, billions of dollars

	<i>Feb. 9 period level</i>	<i>Change</i>	<i>Current period level</i>
RPs under 15 days (less MSPs)	11.224	-8.636	2.588
RPs 15 days or longer	<u>8.558</u>	<u>+5.413</u>	<u>13.971</u>
Total	19.781	-3.223	16.559

Memo item:

<i>Collateral for 15 day or longer RPs:</i>	63%	--	<i>Treasuries</i>	--	42%
	17%	--	<i>Agency debt</i>	--	16%
	20%	--	<i>MBS</i>	--	42%

Note: Estimates for the June 28 period, and projections for the September 6 period, are as of June 26; projected excess demands for both periods are \$1 billion.

APPENDIX 2

Material used by Mr. Stockton, Ms. Johnson, and Mr. Slifman.

STRICTLY CONFIDENTIAL (FR) CLASS II-FOMC

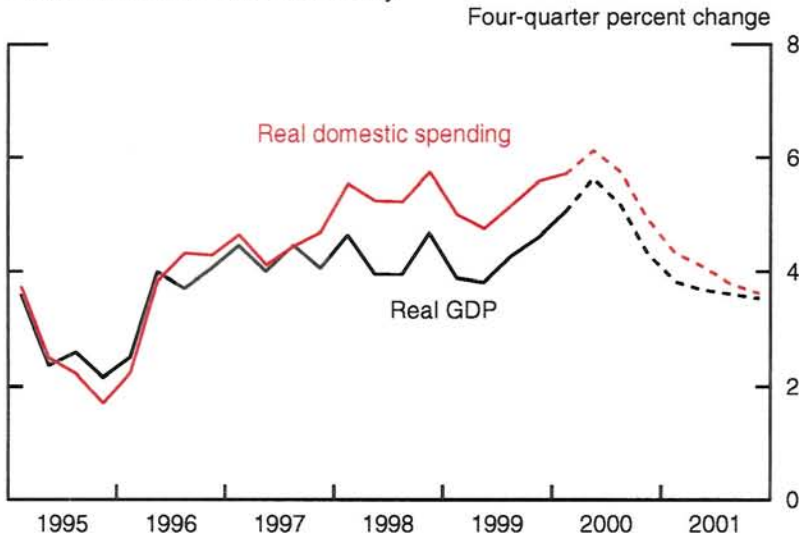
Material for

*Staff Presentation on the
Economic Outlook*

June 27, 2000

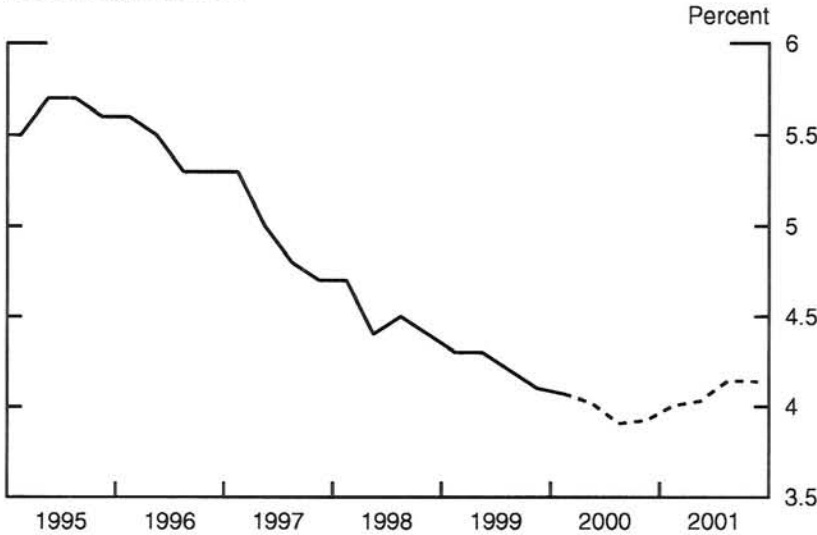
Forecast Summary

Growth in Real Economic Activity



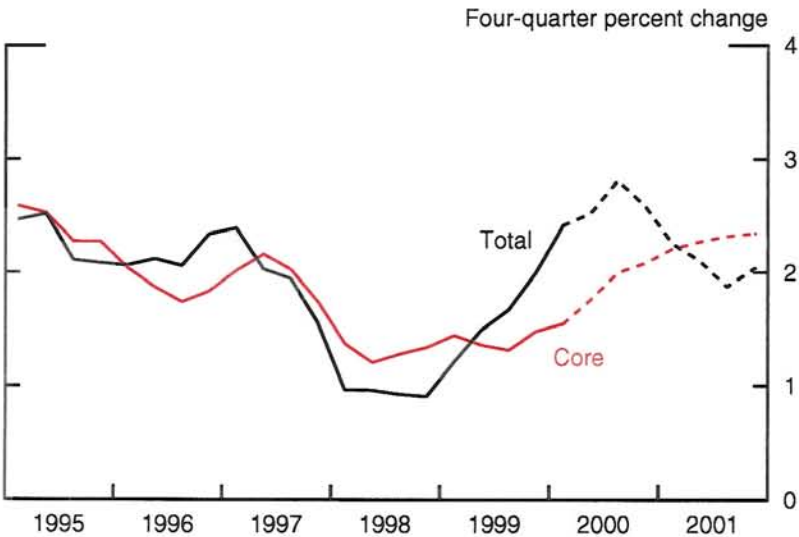
Percent change, Q4/Q4		
	GDP	Domestic spending
1995	2.2	1.7
1996	4.1	4.3
1997	4.1	4.7
1998	4.7	5.7
1999	4.6	5.6
2000	4.3	4.9
2001	3.5	3.6

Unemployment Rate



Q4 average	
1995	5.6
1996	5.3
1997	4.7
1998	4.4
1999	4.1
2000	3.9
2001	4.1

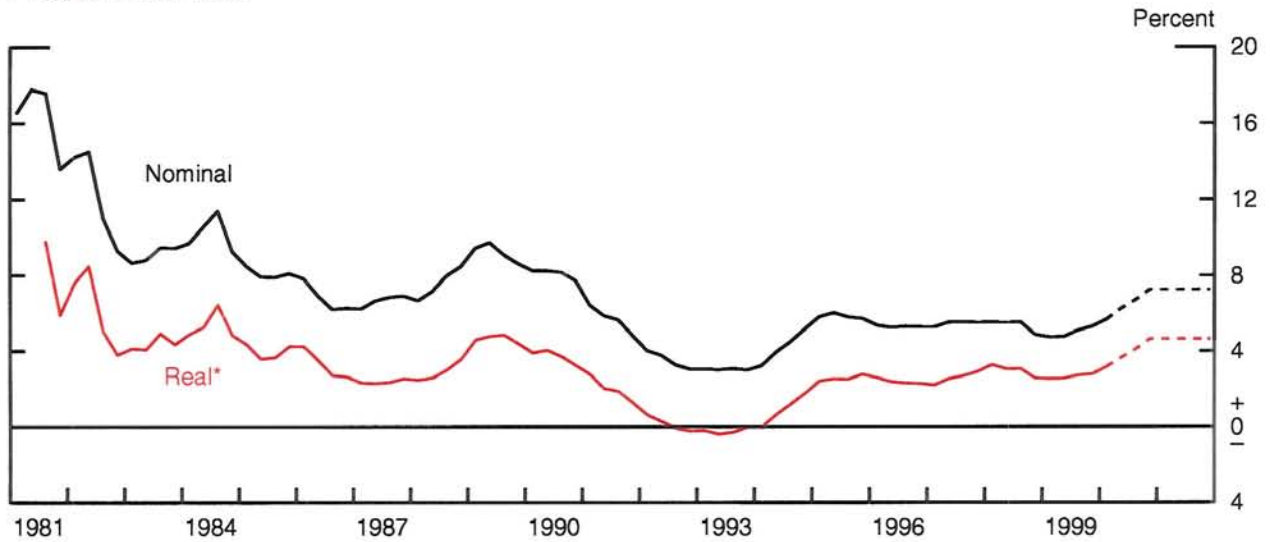
PCE Prices



Percent change, Q4/Q4		
	Total	Core
1995	2.1	2.3
1996	2.3	1.8
1997	1.6	1.7
1998	0.9	1.3
1999	2.0	1.5
2000	2.6	2.1
2001	2.0	2.3

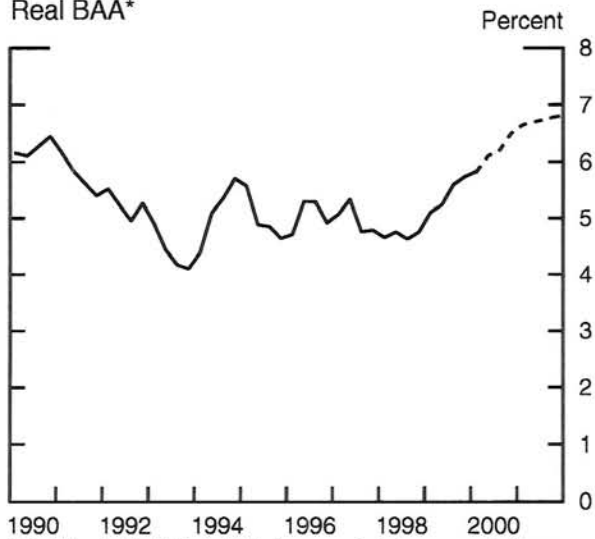
Financial Conditions

Federal Funds Rate



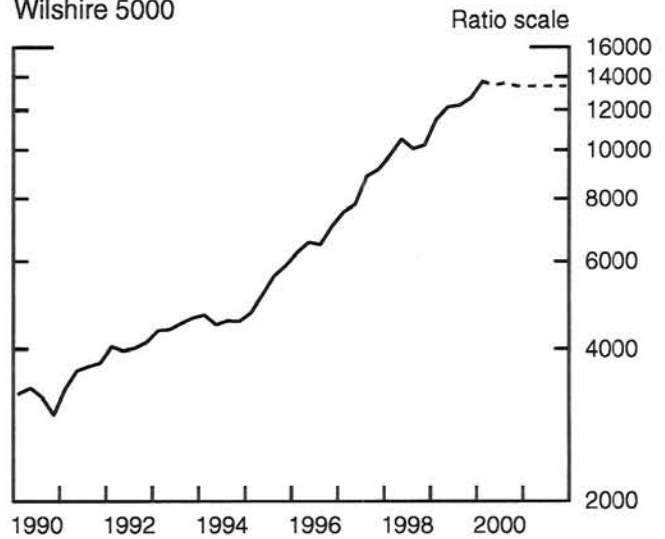
* Deflated with Philadelphia four-quarter inflation expectations.

Real BAA*

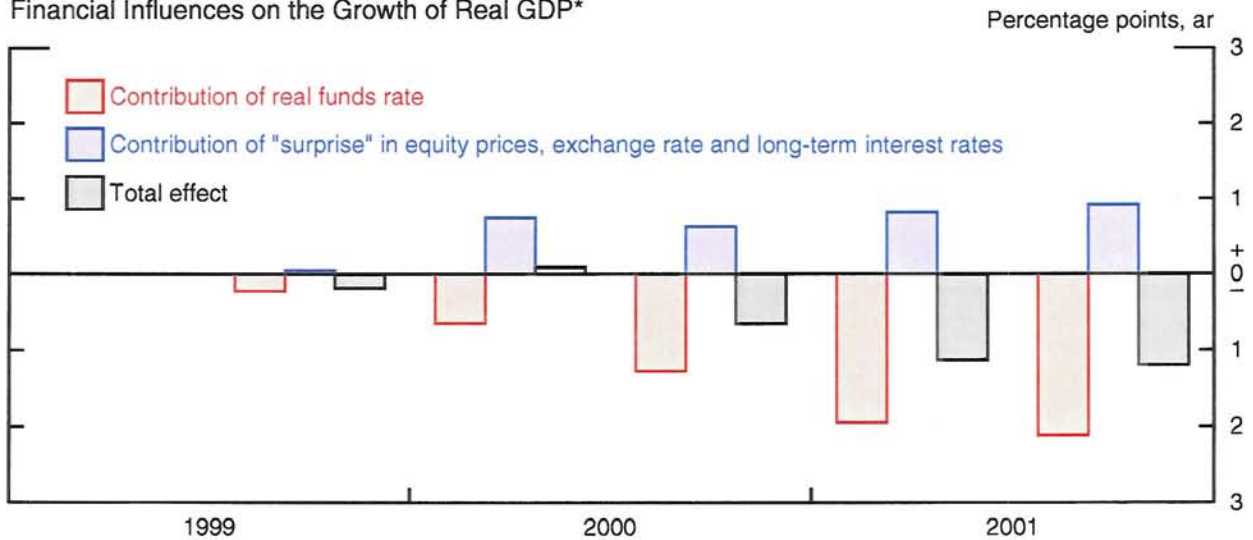


* Deflated with Philadelphia ten-year inflation expectations.

Wilshire 5000



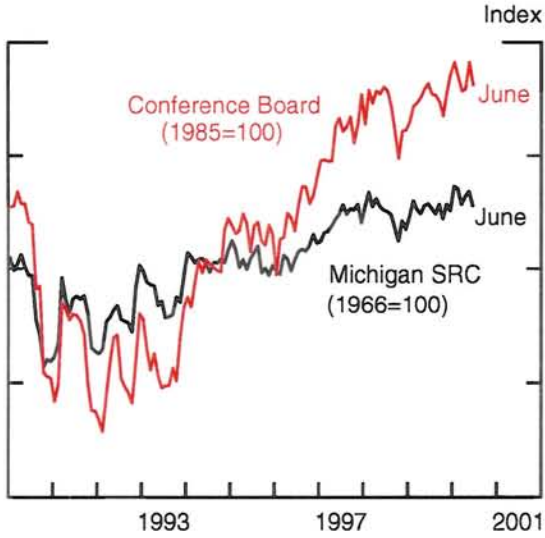
Financial Influences on the Growth of Real GDP*



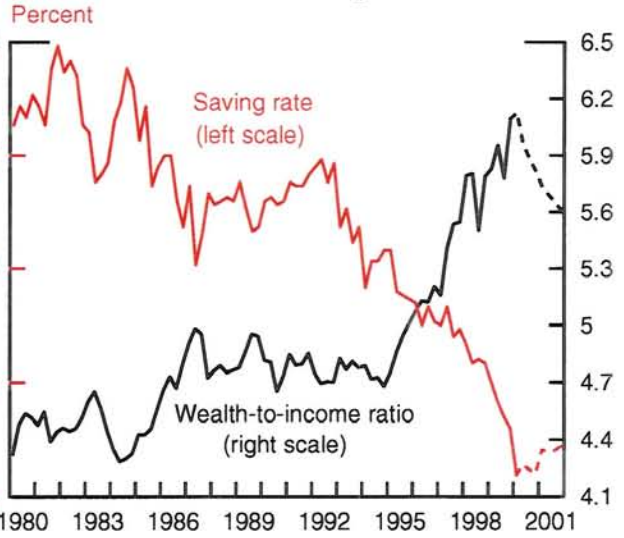
* Based on FRB/US simulation.

Household Spending

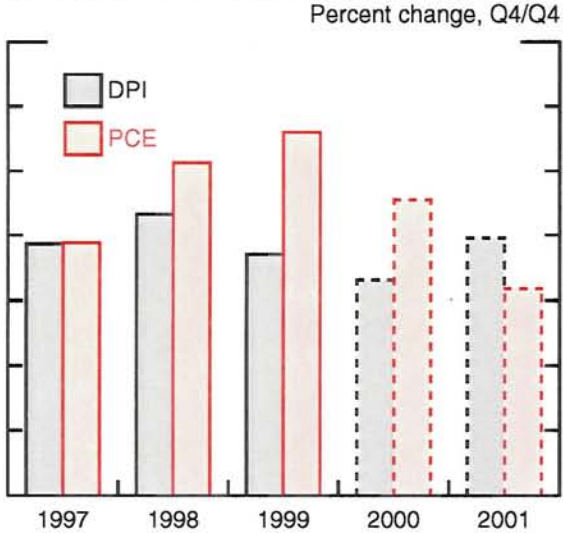
Consumer Sentiment



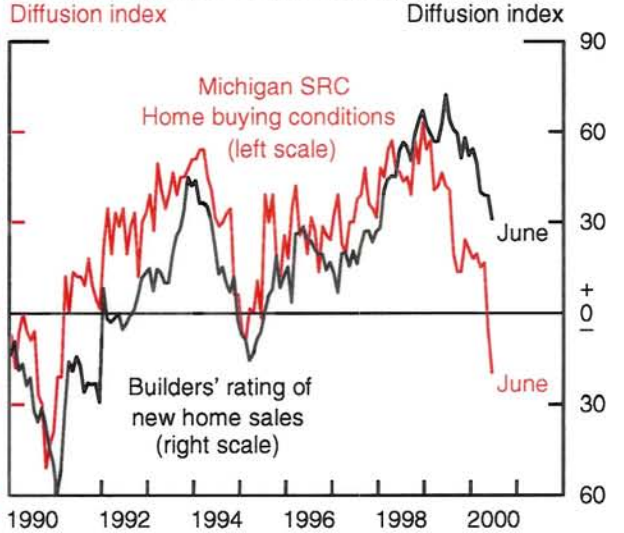
Household Wealth and Saving



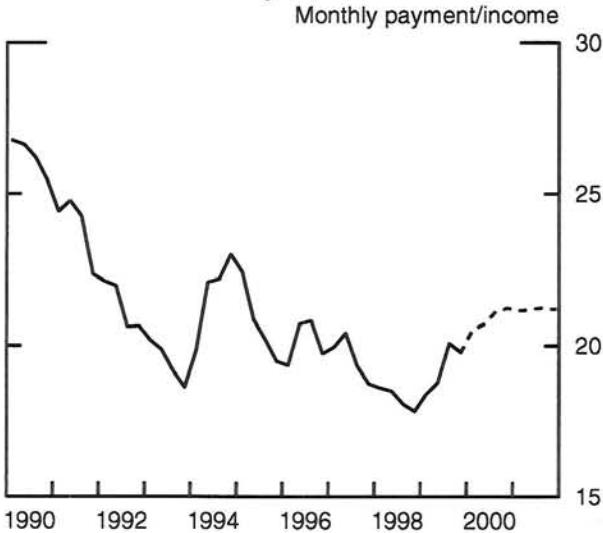
Growth of Real PCE and DPI



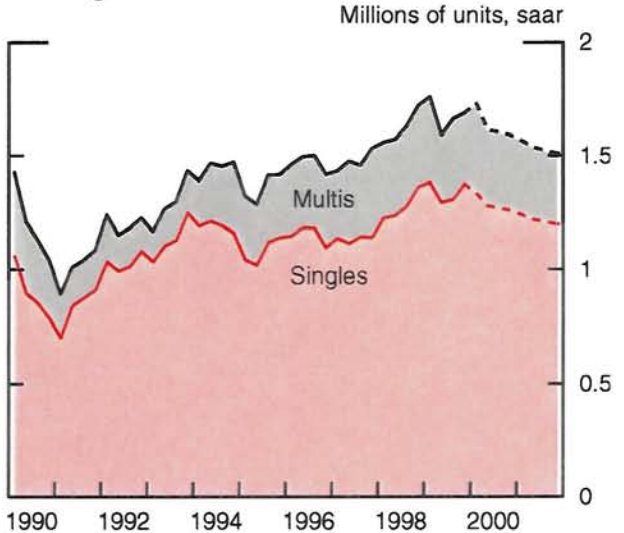
Builders' Ratings & Home Buying Conditions



Cash Flow Affordability of Home Purchase*



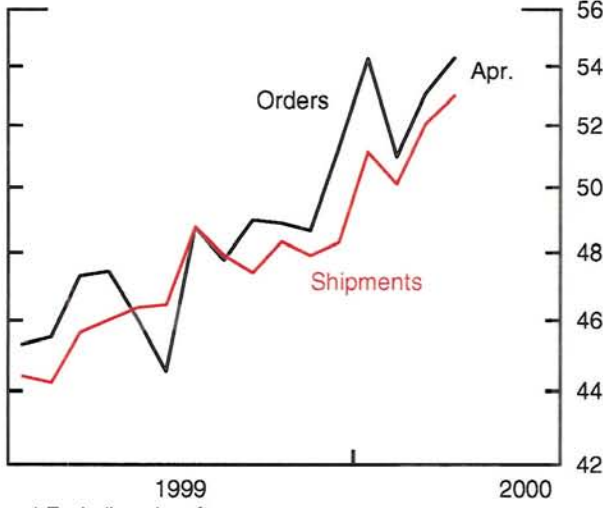
Housing Starts



* Based on new home, thirty-year FRM.

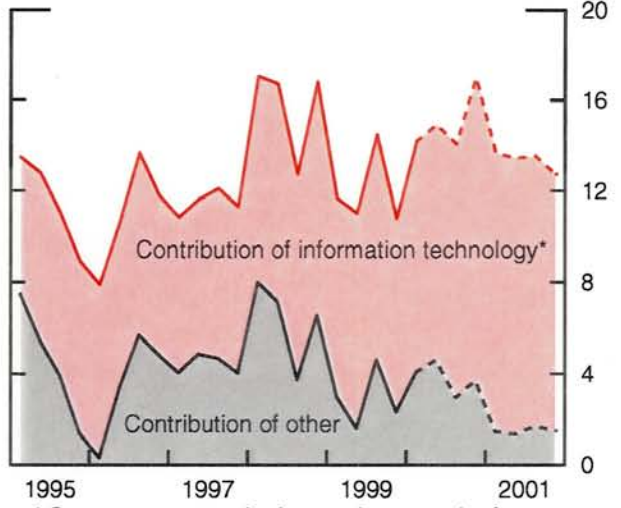
Business Spending

Orders and Shipments of Nondefense Capital Goods* Billions of dollars, ratio scale



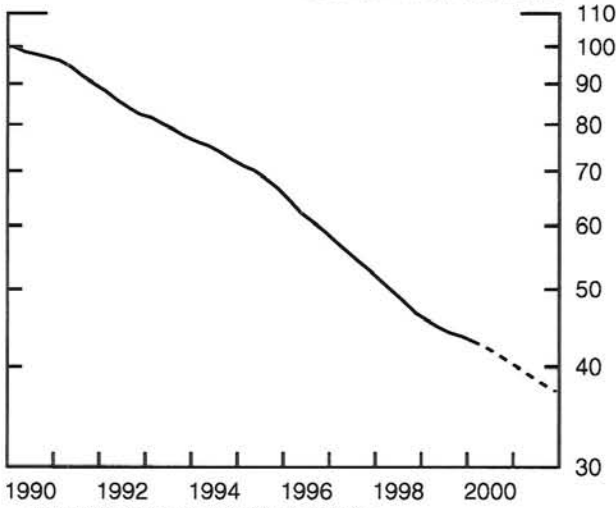
* Excluding aircraft.

Real E & S Four-quarter percent change



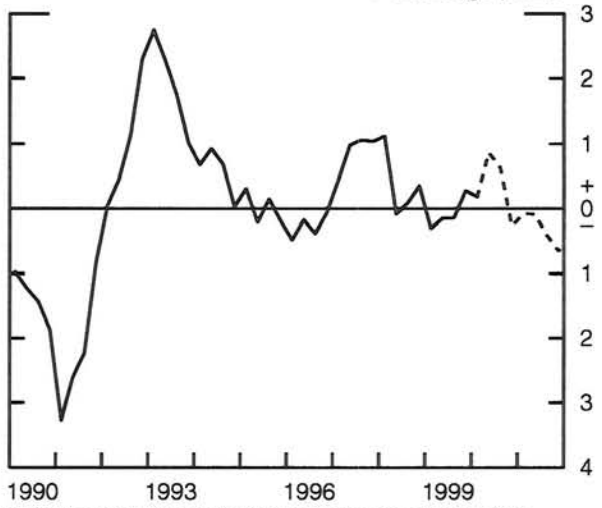
* Computers, communications equipment and software.

Relative Price of IT Equipment* 1990Q1=100, ratio scale



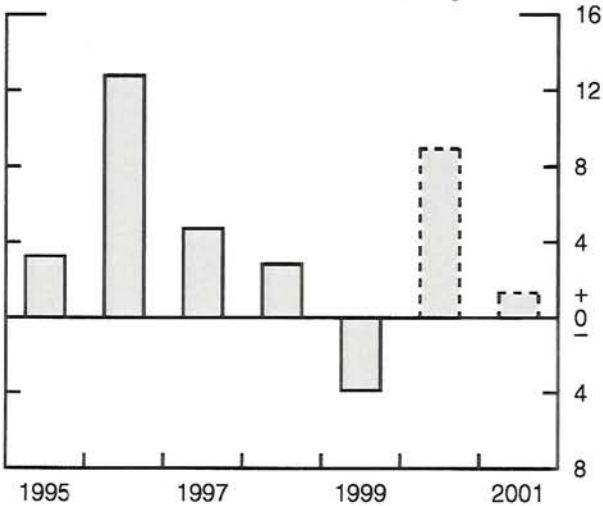
* Relative to business output deflator.

Acceleration in Business Sector Output* Percentage points

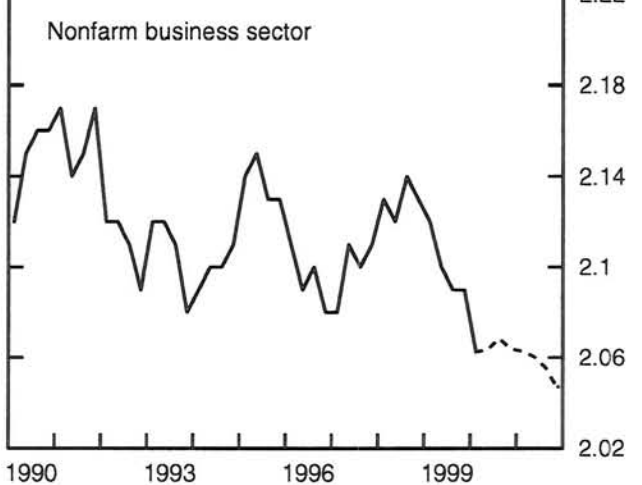


* Eight-quarter percent change less same measure four quarters previous.

Nonresidential Structures Percent change, Q4/Q4

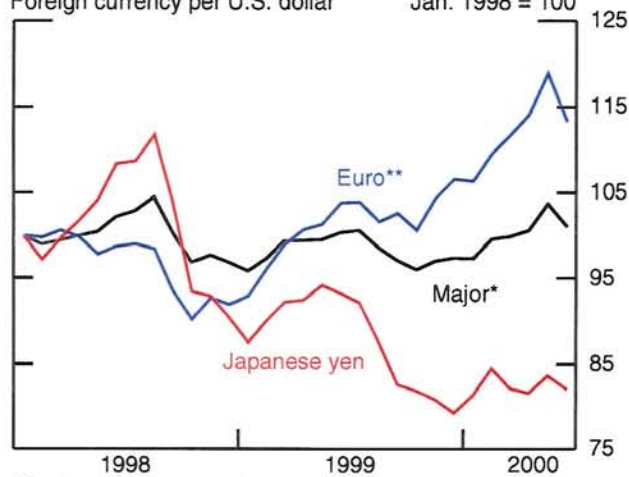


Inventory-Sales Ratio Nonfarm business sector Months



Exchange Rates and Interest Rates

Nominal Exchange Rates
Foreign currency per U.S. dollar

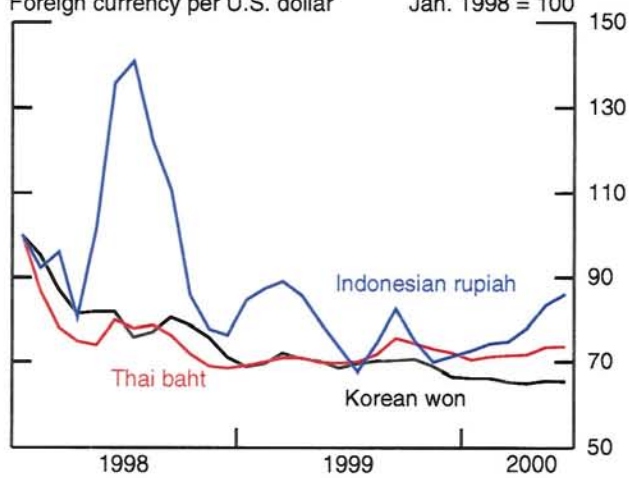


*Trade weighted-average dollar against major international currencies.
**Restated German mark through 1998.

Interest Rates

	Level 6/26/00	Change 1/31/00 to 6/26/00
Three-Month		
1. Euro	4.54	1.05
2. Japan	0.08	0.02
3. United States	6.73	0.73
Ten-Year		
1. Germany	5.24	-0.35
2. Japan	1.71	0.00
3. United States	6.11	-0.57

Nominal Exchange Rates
Foreign currency per U.S. dollar

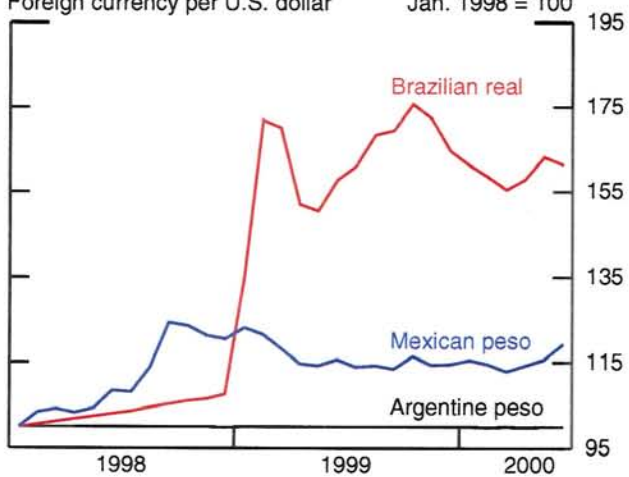


Interest Rates and Spreads

	Level 6/26/00	Change 1/31/00 to 6/26/00
One-Month Domestic		
1. Korea*	5.90	1.00
2. Thailand	3.50	0.00
3. Indonesia	11.79	-0.16
Offshore-Dollar Bond Spreads		
4. China	1.45	0.23
5. Korea	2.00	0.62
6. Indonesia	6.32	-0.60

* One-week maturity.

Nominal Exchange Rates
Foreign currency per U.S. dollar



Interest Rates and Spreads

	Level 6/26/00	Change 1/31/00 to 6/26/00
One-Month Domestic		
1. Argentina	7.75	-0.50
2. Brazil	18.20	-1.70
3. Mexico	16.58	-0.37
Brady Bond Yield Spreads		
4. Argentina	8.99	0.85
5. Brazil	8.88	-0.17
6. Mexico	5.07	-0.05

Trade Developments

Recent Developments: Exports

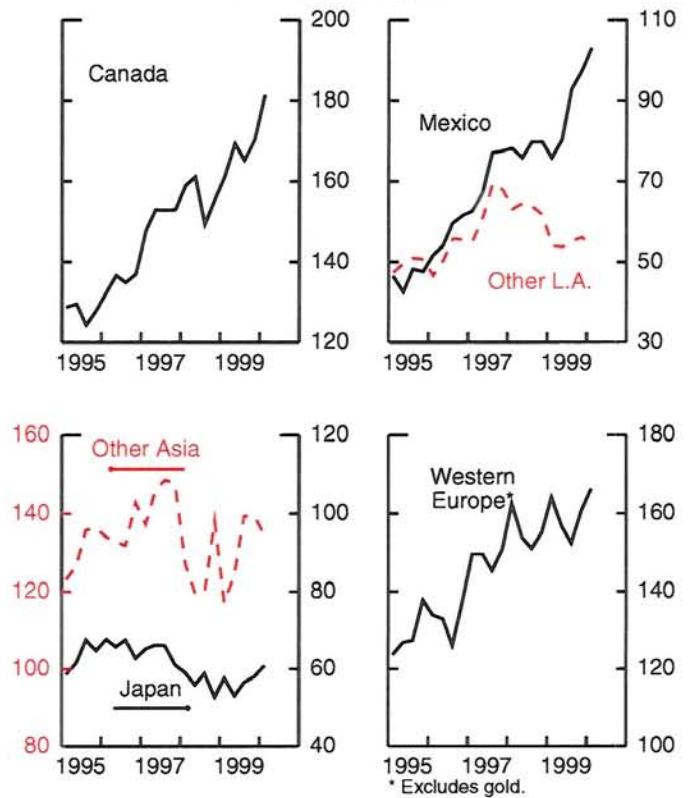
Billions of dollars, saar

	1999 Dec.	Change April - Dec.
1. Goods exports*	725	23
2. Aircraft	55	-8
3. Other cap. equip.	278	25
4. Ind. supplies	146	6
5. Automotive	79	-2
6. Consumer gds.	86	1
7. Ag. and other	81	1
8. Services	275	14
9. Total G & S	1000	37

* Excludes gold.

Goods Exports by Region

Billions of dollars, saar



Recent Developments: Imports

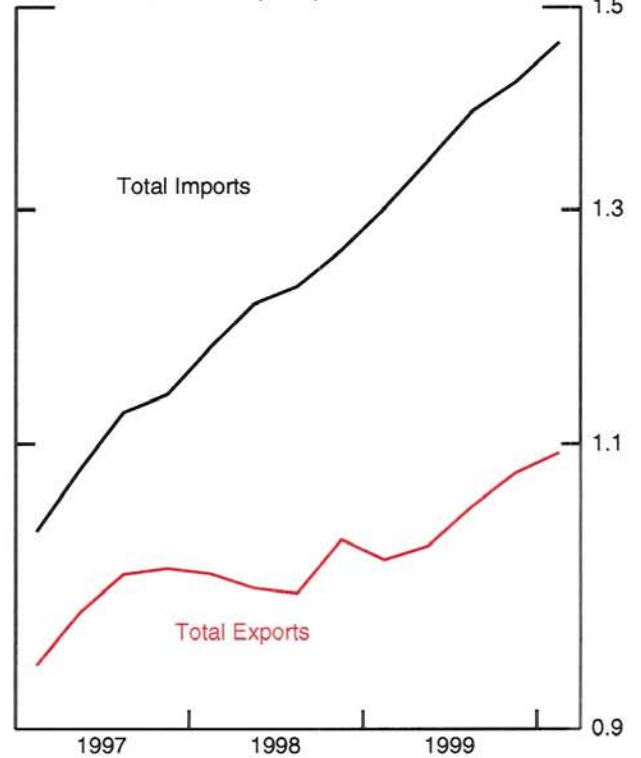
Billions of dollars, saar

	1999 Dec.	Change April - Dec.
1. Goods imports*	1112	80
2. Oil	86	22
3. Capital equip.	319	25
4. Ind supplies	166	4
5. Automotive	193	5
6. Consumer gds.	254	21
7. Other	94	3
8. Services	196	15
9. Total G & S	1308	95

* Excludes gold.

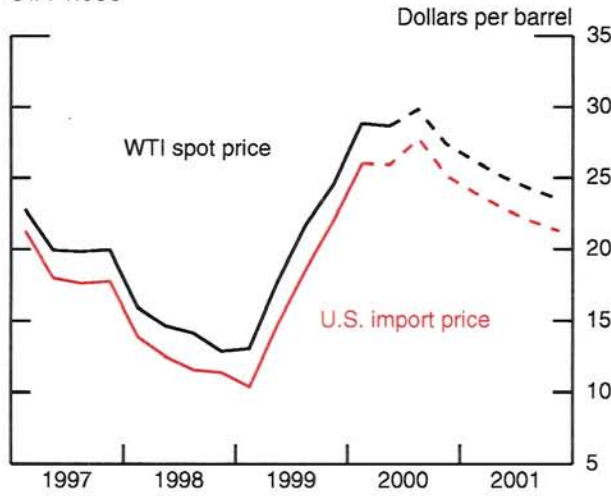
Real Goods & Services

Trillions of chained (1996) dollars, saar, ratio scale

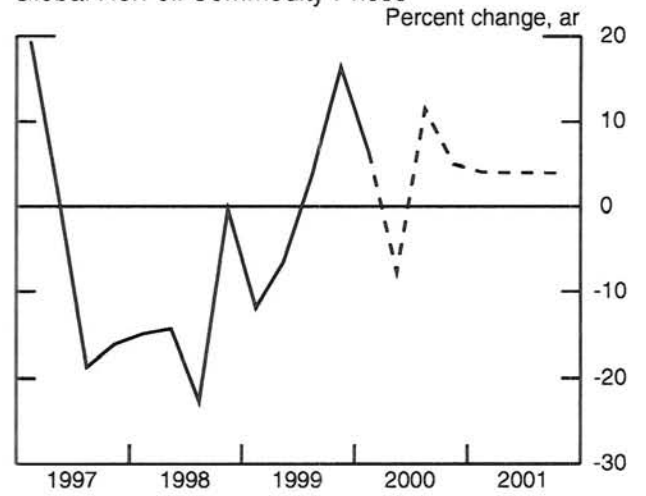


Trade Prices

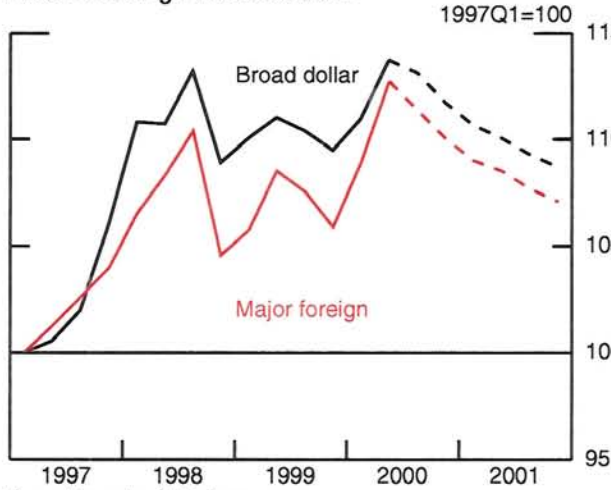
Oil Prices



Global Non-oil Commodity Prices

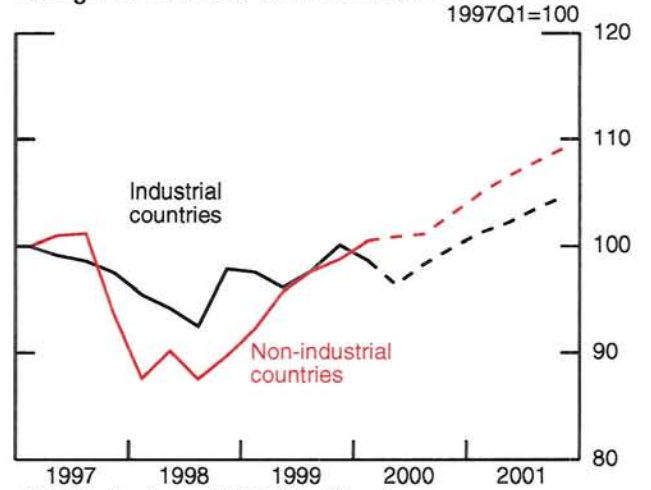


Real Exchange Rate Outlook*



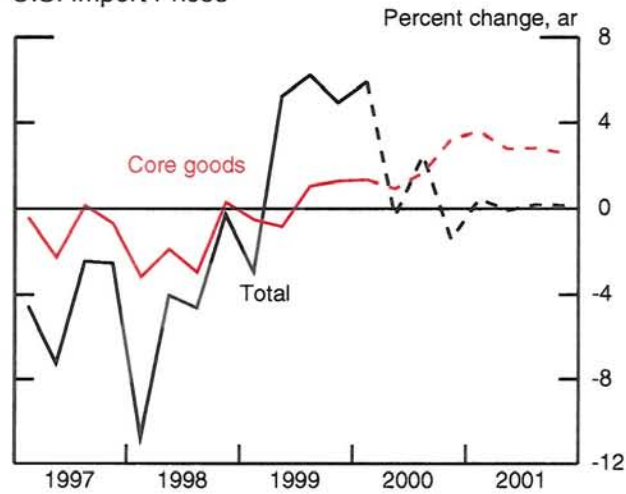
*Import/export weighted average.

Foreign Consumer Prices in Dollars*



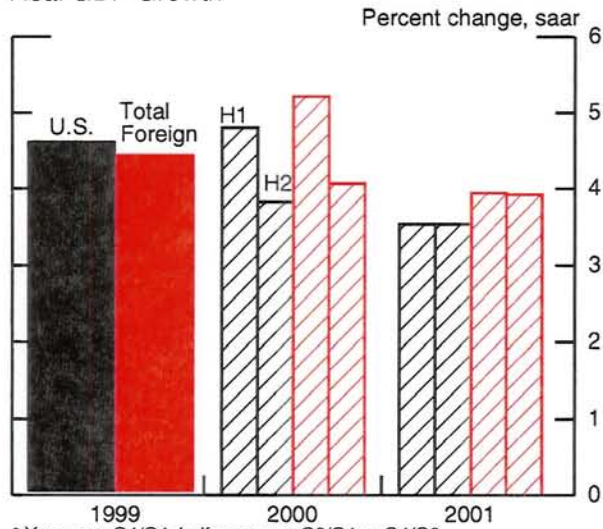
* Weighted by shares of U.S. bilateral imports.

U.S. Import Prices

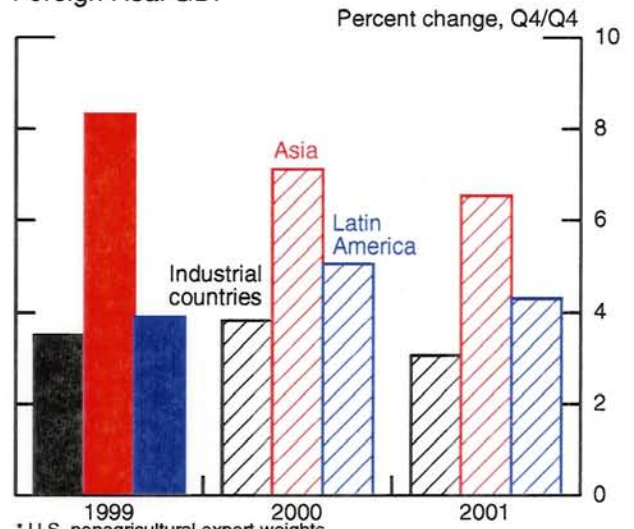


Foreign Outlook

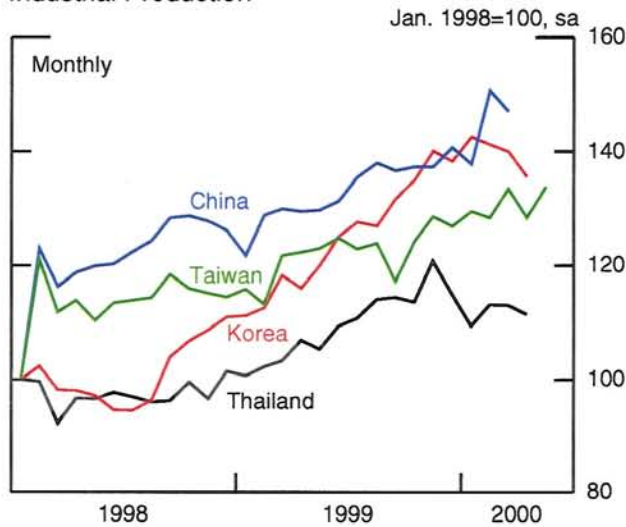
Real GDP Growth*



Foreign Real GDP*



Industrial Production

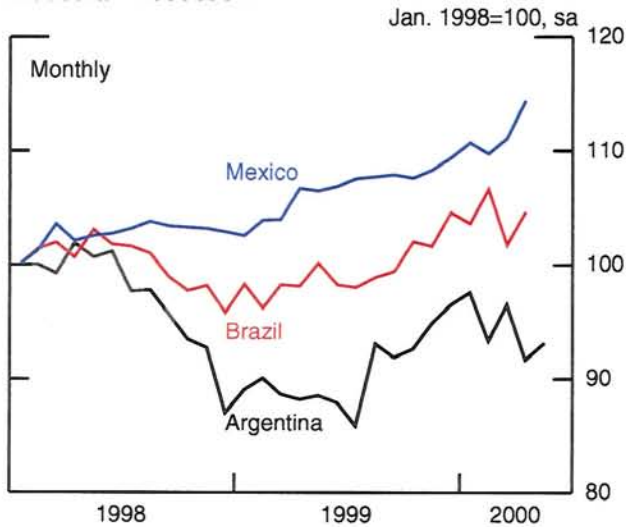


Real GDP Growth*
Percent, saar

	1999	2000		2001
		H1	H2	
Developing Asia**	8.3	7.7	6.5	6.5
of which:				
China	6.2	5.7	9.5	8.0
Korea	14.0	7.4	7.2	6.5
Malaysia	10.8	10.6	5.7	6.1
Thailand	6.8	5.7	5.7	6.7

* Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.
** U.S. nonagricultural export weights.

Industrial Production

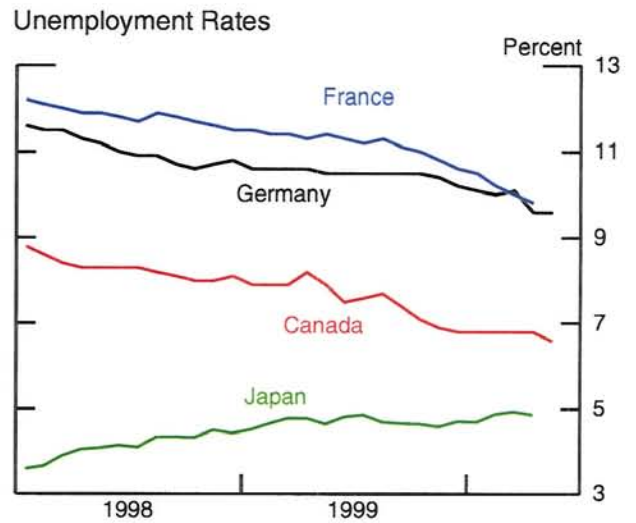
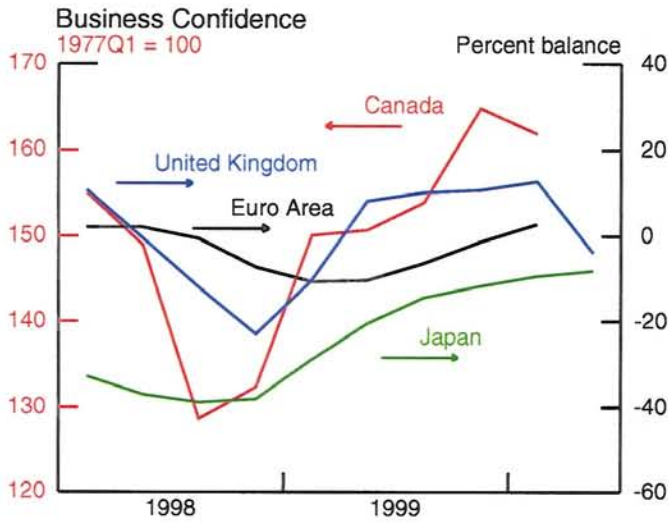


Real GDP Growth*
Percent, saar

	1999	2000		2001
		H1	H2	
Latin America**	3.9	6.1	4.0	4.3
of which:				
Argentina	0.1	-0.3	0.1	3.9
Brazil	3.8	4.1	3.0	3.2
Mexico	5.2	7.2	4.4	4.7

* Years are Q4/Q4; half years are Q2/Q4 or Q4/Q2.
** U.S. nonagricultural export weights.

Industrial Country Outlook



Real GDP Growth

Percent change, saar**

	1999		2000		2001	
	H1	H2	H1	H2	H1	H2
1. Indust. countries*	3.5	4.3	3.3	3.1		
2. Japan	-0.2	6.3	1.6	1.1		
3. Canada	4.9	4.7	3.7	3.4		
4. Euro Area	3.0	3.5	3.8	3.5		
5. United Kingdom	3.0	2.1	2.7	2.7		

Real Domestic Demand Growth

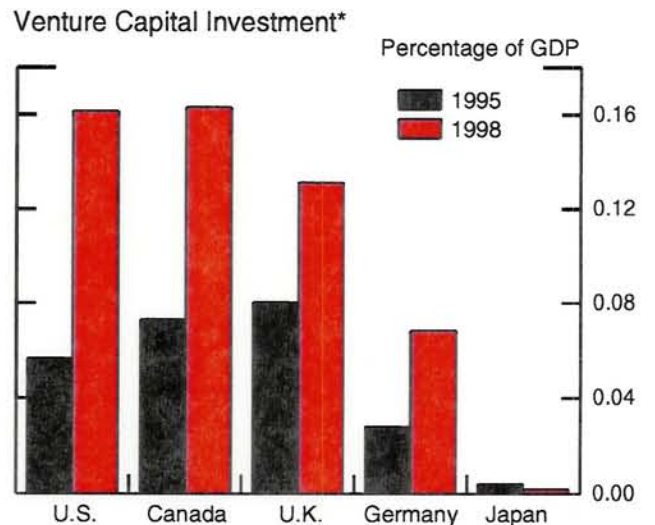
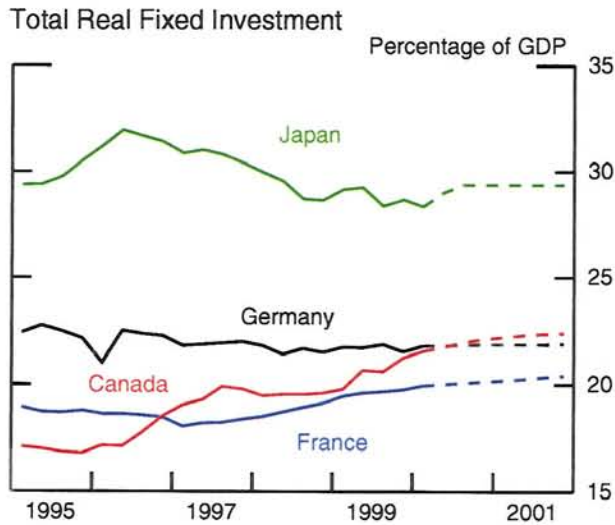
Percent change, saar*

	1999		2000		2001	
	H1	H2	H1	H2	H1	H2
1. Japan	0.3	4.8	1.6	1.1		
2. Germany	1.9	3.2	3.0	3.1		
3. France	2.7	3.0	3.1	3.0		
4. United Kingdom	4.1	1.9	2.6	2.5		
5. Canada	6.3	3.7	3.7	3.1		

*U.S. nonagricultural export weights.

**Years are Q4/Q4; half years are either Q2/Q4 or Q4/Q2.

*Years are Q4/Q4; half years are either Q2/Q4 or Q4/Q2.

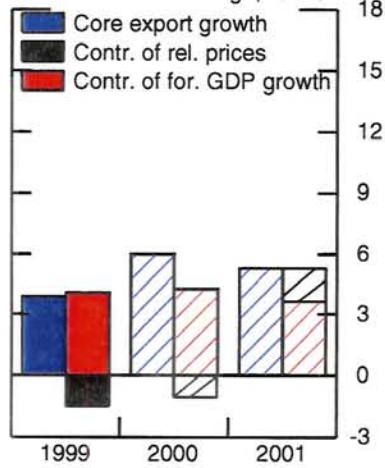


*Data from the European Venture Capital Association, the National Venture Capital Association, and the Japanese Ministry of Trade and Industry.

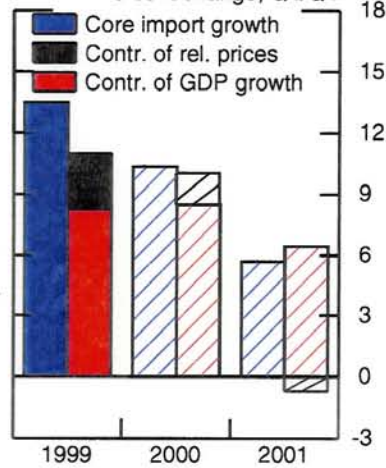
Chart 10

External Sector

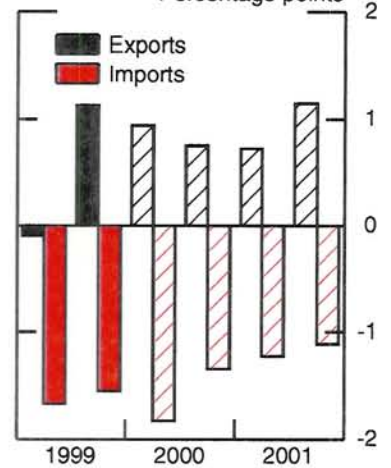
Determinants of Core Exports
Percent change, Q4/Q4



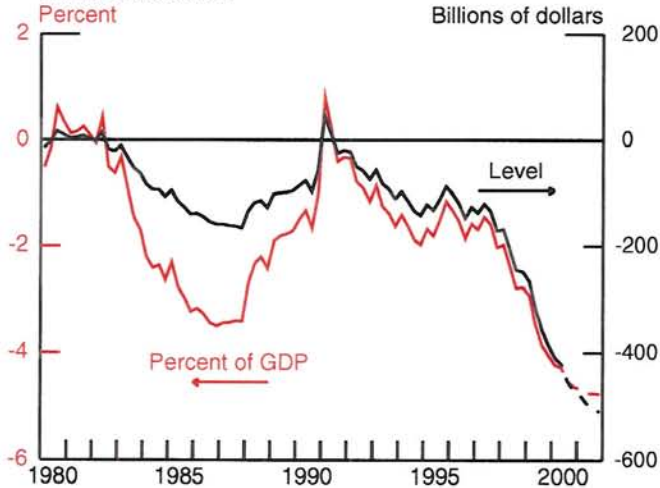
Determinants of Core Imports
Percent change, Q4/Q4



Contribution to U.S. GDP Growth
Percentage points



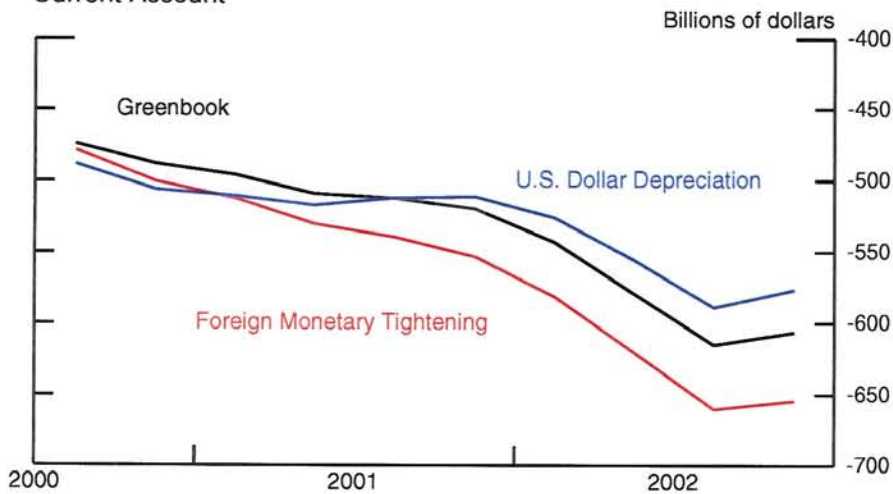
Current Account



Capital Flows

	1999	2000Q1
Official capital, net	54	79
of which Japan	45	40
Private capital, net	269	208
of which		
For. purch. of U.S. sec.	311	495
of which Treasuries	-21	-37
U.S. purch. of for. sec.	-129	-110
For. D.I. in U.S.	276	169
U.S. D.I. abroad	-151	139

Current Account

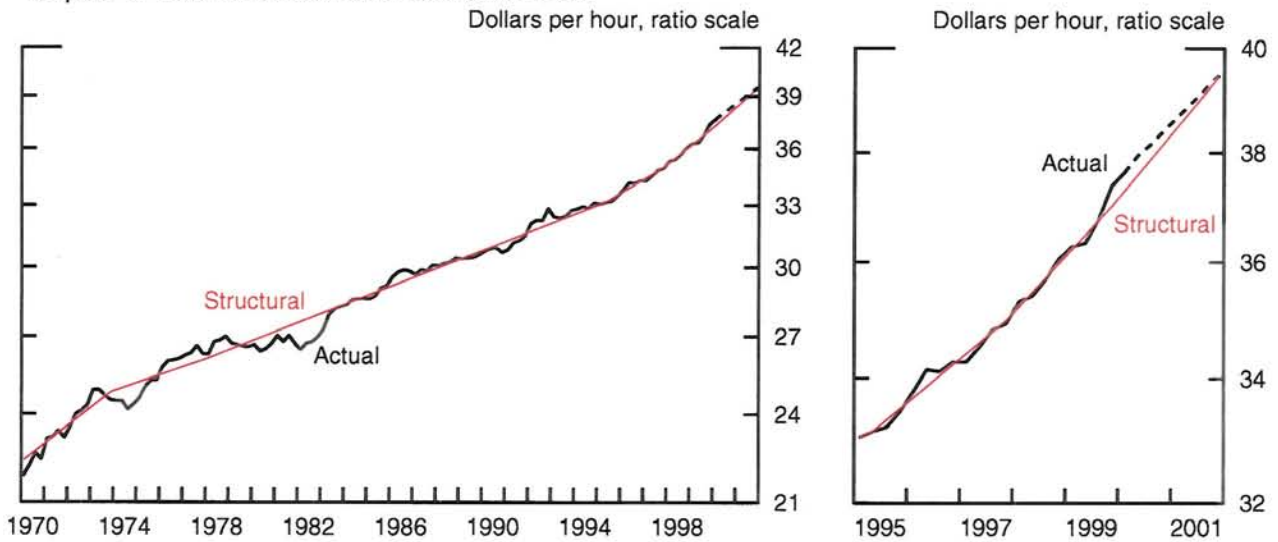


Dollar depreciation:
5 percent decline
in 2000Q3

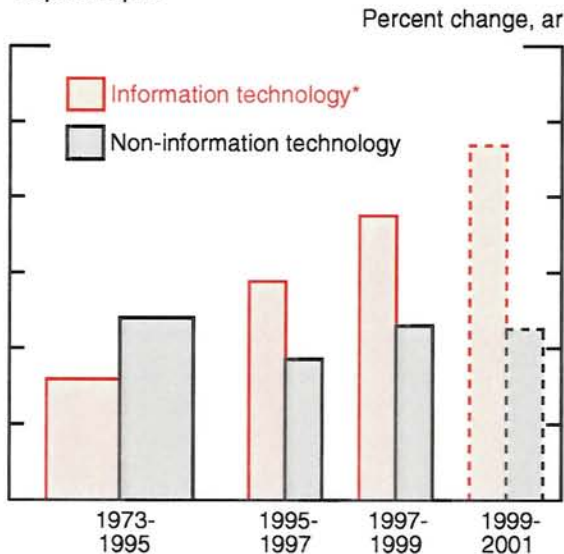
Foreign monetary
tightening:
2 percent weaker
dollar by end 2001

Productivity

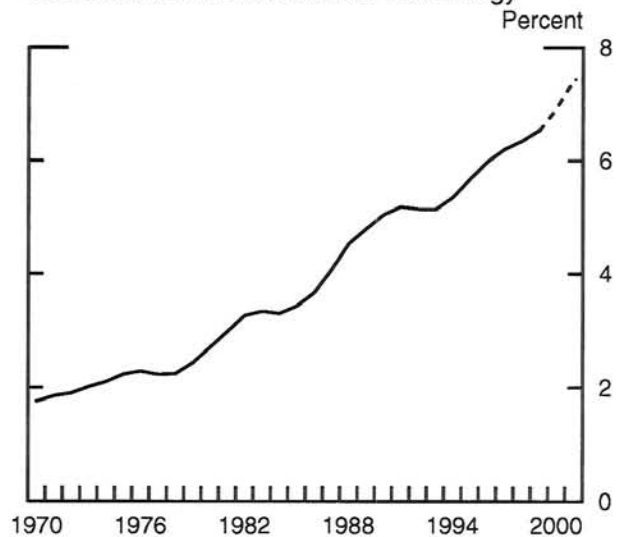
Output Per Hour in the Nonfarm Business Sector



Capital Input



Income Share for Information Technology



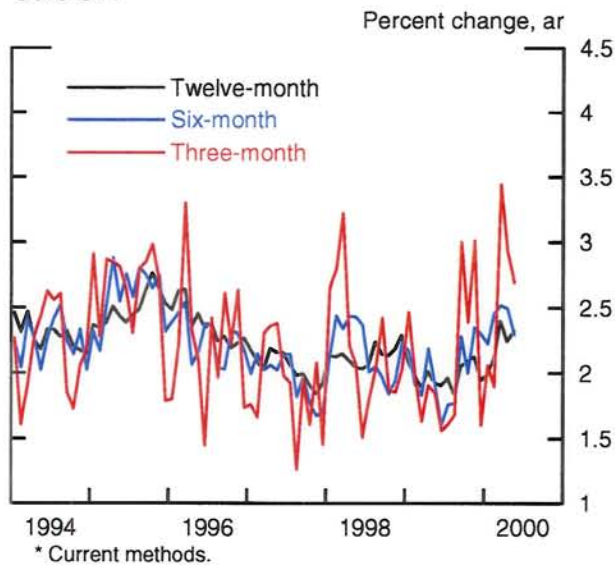
* Computers, communication equipment, and software.
Based on Oliner and Sichel.

Contributions to Nonfarm Business Sector Structural Productivity Growth
(Percent change, ar)

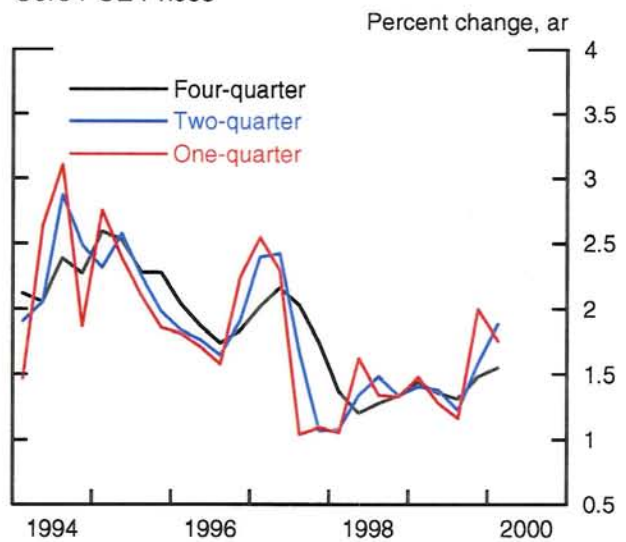
	1973Q4 – 1995Q2	1995Q2 – 1997Q4	1997Q4 – 1999Q4	1999Q4 – 2001Q4
1. Productivity	1.5	2.3	2.9	3.2
2. Capital deepening	0.7	1.1	1.6	1.8
3. Labor quality	0.2	0.3	0.3	0.3
4. Multifactor productivity	0.5	0.9	0.9	1.1

Inflation Indicators

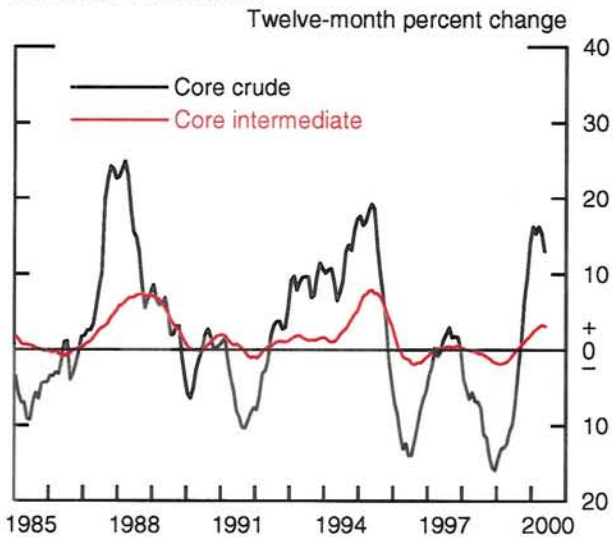
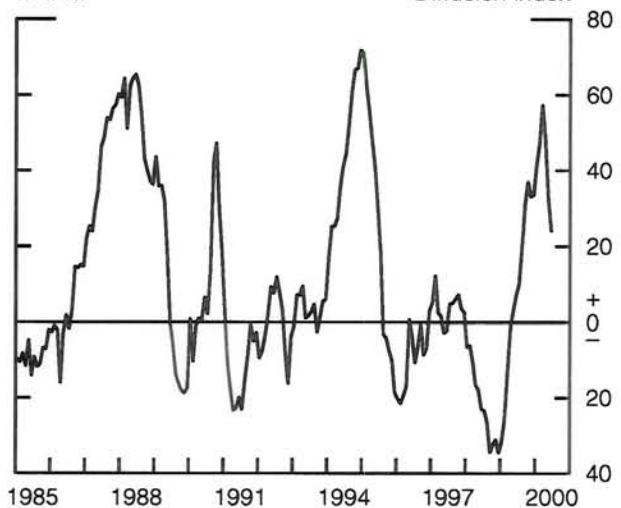
Core CPI*



Core PCE Prices



Producer Price Index

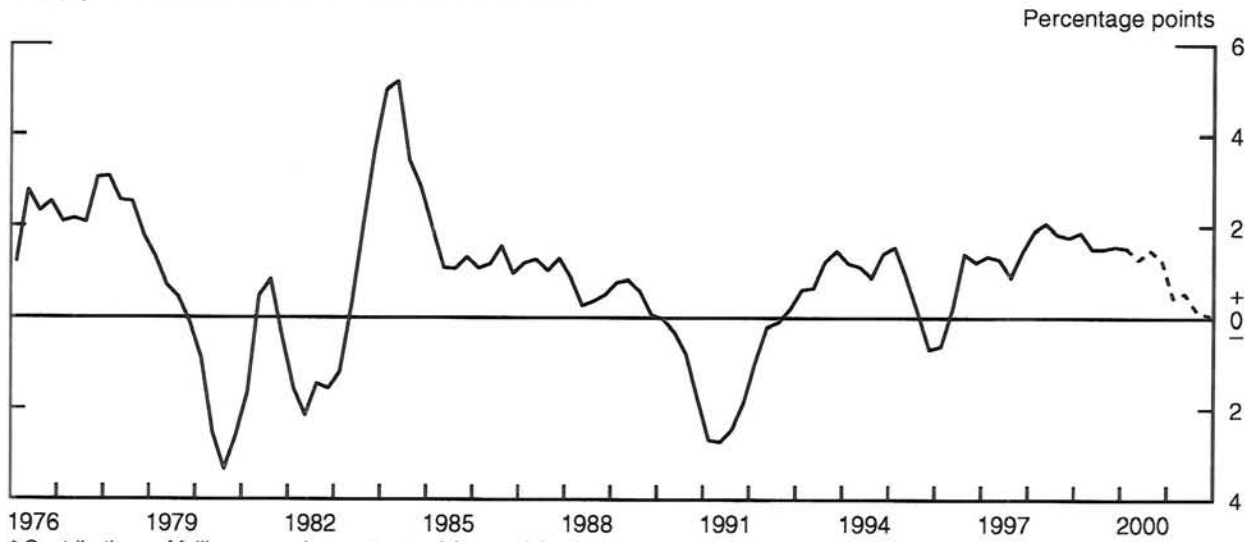
Prices Paid
NAPM

Items in Short Supply

- 1988–89:** Aluminum, nickel, hot and cold rolled steel sheet, stainless steel, steel plate, magnesium, printing paper, bleached paperboard, nylon fabric, caustic soda and soda ash, polyethylene, plastic resins, acrylic acid, ethylene oxide, ethylene glycol, ethylene, ethylene derivatives, phenol, methanol, methyl ethyl ketone, methylene diisocyanate, titanium dioxide, bearings, castings, DRAMS.
- 1995:** Timber, wood pulp, paper and paper products, plastic films, carbon black, industrial chemicals, titanium dioxide, plastic products, tires, fiberglass, glass, iron castings, stainless steel, molybdenum, bearings, hydraulic equipment, crystals, DRAMS, SRAMS, electric motors, magnets, silicon wafers, integrated circuits.
- May 2000:** Capacitors, capacitors – tantalum, electronics, memory, wood pulp.

Aggregate Supply-Demand Influences and Inflation

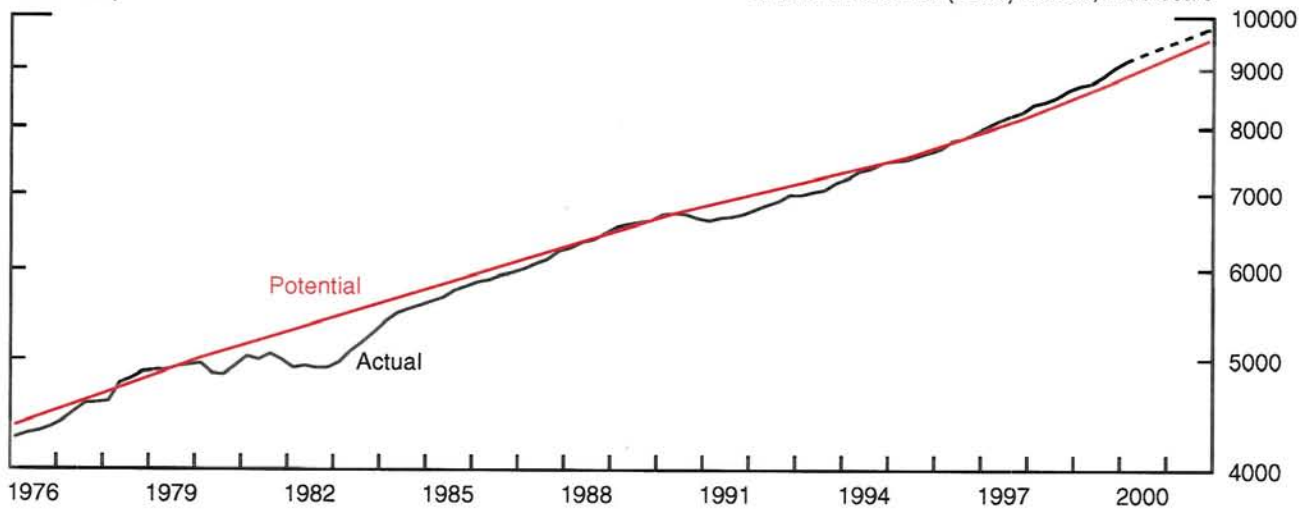
Supply-Side Sources of Domestic Demand Growth*



* Contributions of falling unemployment rate, rising participation rate, and widening trade deficit to four-quarter growth of domestic demand.

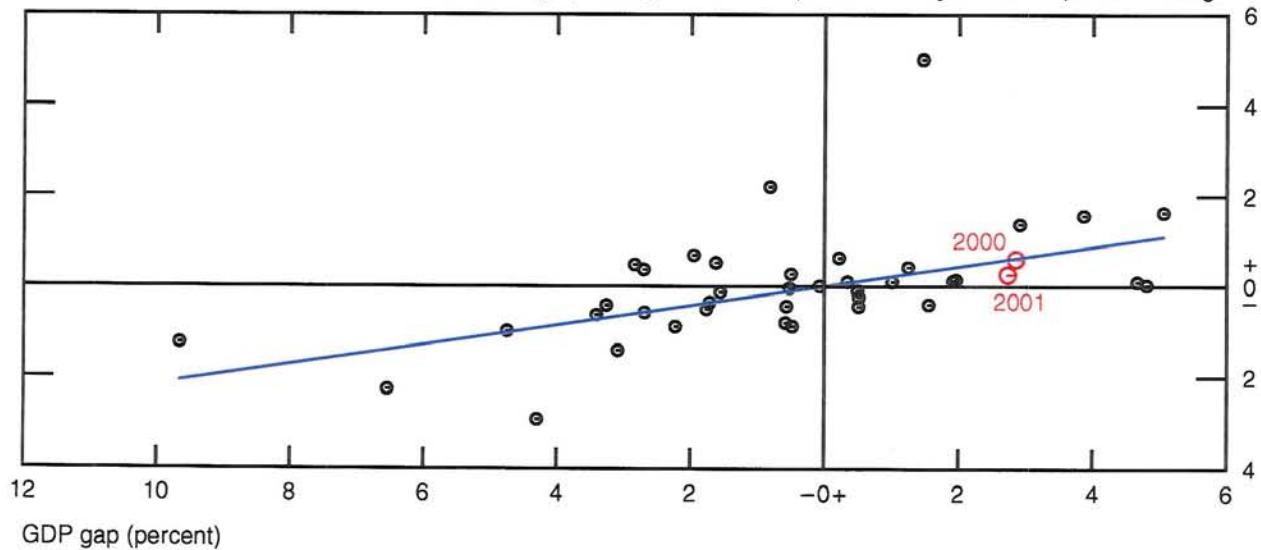
GDP Gap

Billions of chained (1996) dollars, ratio scale



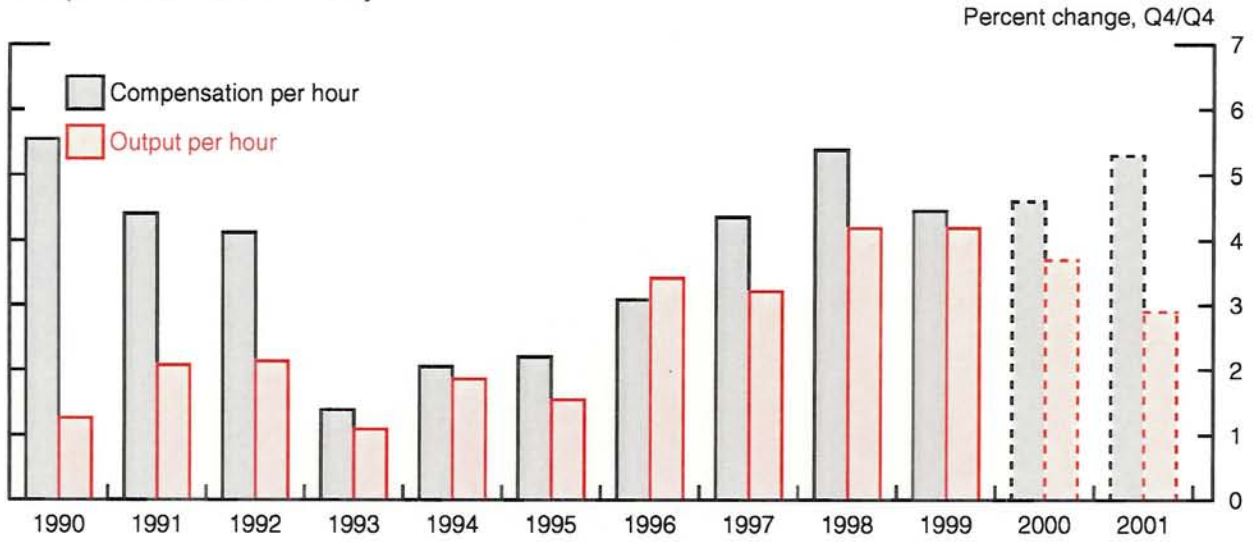
Price Acceleration vs GDP Gap

Percent change (Q4/Q4) in core PCE prices minus year earlier percent change

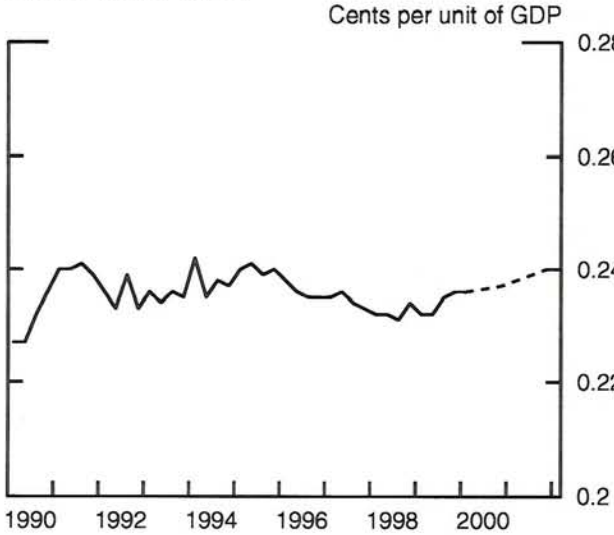


Unit Cost Approach Nonfinancial Corporations

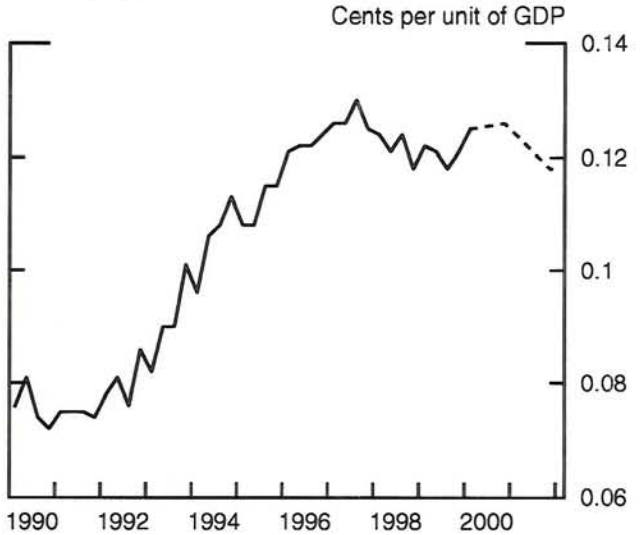
Compensation and Productivity



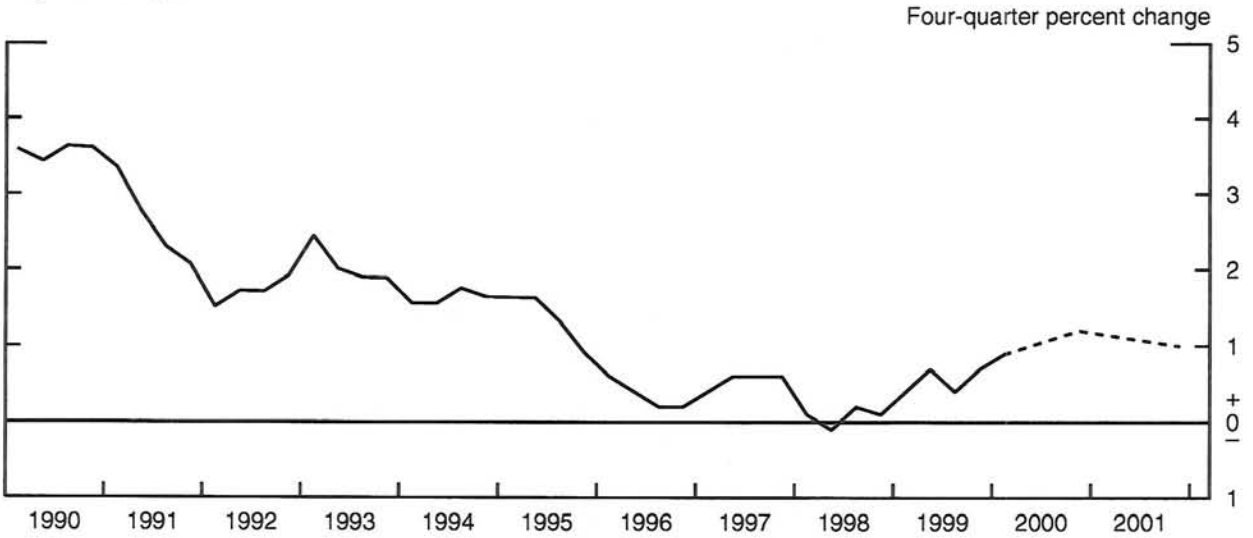
Unit Nonlabor Costs



Unit Profits

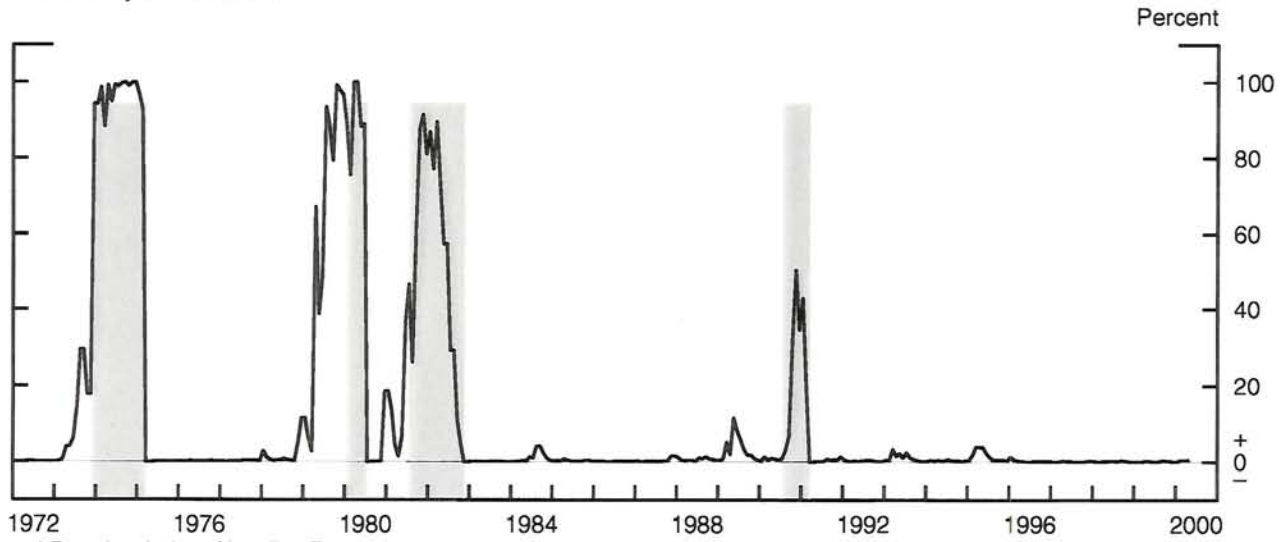


Implicit Deflator

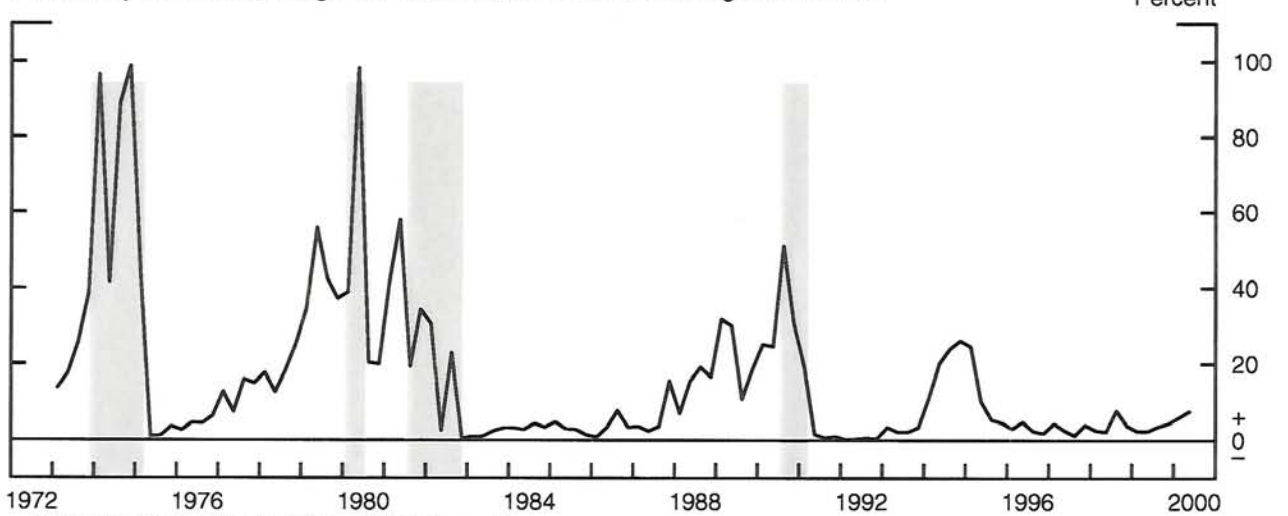


A Hard Landing?

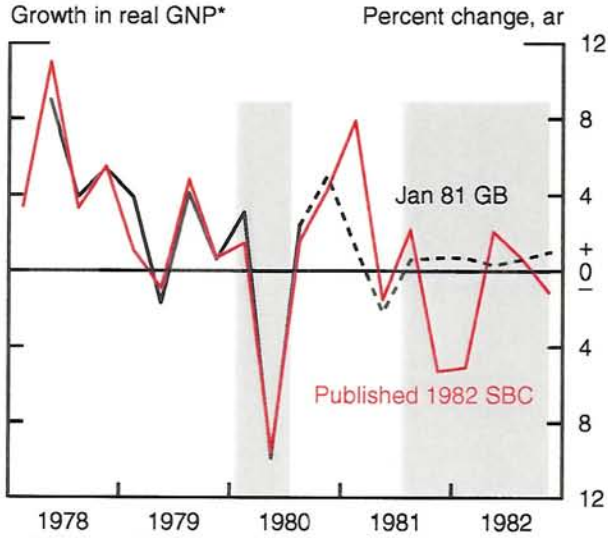
Probability of Recession*



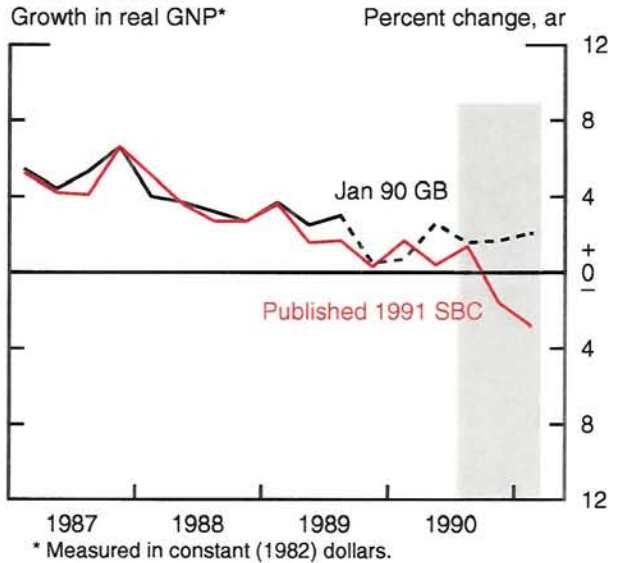
Probability of Encountering Two Consecutive Quarters of Negative Growth*



1981-82 Recession
Growth in real GNP*



1990 Recession
Growth in real GNP*



ECONOMIC PROJECTIONS FOR 2000

	FOMC		
	Range	Central Tendency	Staff
-----Percentage change, Q4 to Q4-----			
Nominal GDP February 2000 H-H	6 to 7¼ (5 to 6)	6¼ to 6¾ (5¼ to 5½)	6.7
Real GDP February 2000 H-H	3¾ to 5 (3¼ to 4¼)	4 to 4½ (3½ to 3¾)	4.3
PCE Prices February 2000 H-H	2 to 2¾ (1½ to 2½)	2½ to 2¾ (1¾ to 2)	2.6
-----Average level, Q4, percent-----			
Unemployment rate February 2000 H-H	4 to 4¼ (4 to 4¼)	About 4 (4 to 4¼)	3.9

ECONOMIC PROJECTIONS FOR 2001

	FOMC		
	Range	Central Tendency	Staff
-----Percentage change, Q4 to Q4-----			
Nominal GDP	5 to 6¼	5½ to 6	5.5
Real GDP	2½ to 4	3¼ to 3¾	3.5
PCE Prices	1¾ to 3	2 to 2½	2.0
-----Average level, Q4, percent-----			
Unemployment rate	4 to 4½	4 to 4¼	4.1

Central tendencies calculated by dropping high and low three from ranges.