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May 2, 2003

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

Prepared for the Federal Open Market Committee  
by the staff of the Board of Governors of the Federal Reserve System

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## Supplemental Notes

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### The Domestic Nonfinancial Economy

#### Labor Market Developments

The labor market weakened further in April. Private nonfarm payrolls declined 80,000, and the unemployment rate rose 0.2 percentage point to 6.0 percent. Moreover, the average workweek of production or nonsupervisory workers fell 0.3 hour in April, pushing the index of aggregate hours down 0.7 percent to its lowest level since November 1998. In addition, this week's report on claims for unemployment insurance indicated that initial UI claims were continuing to run close to 450,000 per week in the period subsequent to the week surveyed for the April labor market report, a level consistent with another sizable drop in payrolls in May.

In the payroll survey, job losses last month were concentrated in manufacturing, which shed 95,000 jobs—more than double the average monthly decline in the first quarter. Declines among manufacturers were widespread, and the one-month diffusion index of manufacturing payrolls slipped to 33.8, the lowest level since December 2001. Within manufacturing, employment in transportation equipment fell 27,000 in April, partly as a result of motor vehicle assembly plant shutdowns aimed at reducing high inventories. In addition, the fabricated metals and the electronic and other electrical equipment industries experienced sizable employment losses. Employment declines last month were also evident in industries closely related to manufacturing, including a cutback of 6,000 jobs in wholesale trade and a loss of 14,000 jobs in the help supply industry.

Outside of manufacturing and related industries, the largest reduction in employment occurred in transportation and public utilities, which lost 19,000 jobs in April. Air transportation and trucking and warehousing accounted for most of these losses, while communications posted a second small monthly gain following twenty two straight monthly losses. Retail trade employment declined 10,000 last month after larger declines in previous months.

Employment in services rose 21,000 in April, following two months of declines. The services figure was held down by continued losses in hotels and lodging and in amusement and recreation, both of which have experienced much smaller seasonal buildups than usual. The construction industry added 18,000 jobs in April, after a similar gain in the previous month. Employment in the finance, insurance, and real estate industry also increased last month. Finally, governments added 32,000 jobs, largely as a result of hiring by local governments for education.

**CHANGES IN EMPLOYMENT**  
(Thousands of employees; based on seasonally adjusted data)

	2002	2002		2003	2003		Apr.
		Q3	Q4	Q1	Feb.	Mar.	
-Average monthly change-							
Nonfarm payroll employment <sup>1</sup>	-18	31	-53	-91	-353	-124	-48
<i>Previous</i>	-18	31	-53	-87	-357	-108	...
Private	-38	4	-75	-88	-370	-88	-80
Mining	-1	-1	0	1	3	0	4
Manufacturing	-51	-39	-62	-36	-58	-43	-95
Construction	-8	2	-4	-2	-45	19	18
Transportation and utilities	-14	-22	-13	-13	-39	-9	-19
Retail trade	-14	-6	-46	-12	-121	-33	-10
Wholesale trade	-5	-6	-9	-0	-3	0	-6
Finance, insurance, real estate	6	13	14	7	12	7	7
Services	49	61	44	-32	-119	-29	21
Help supply services	7	-11	-1	-15	4	-54	-14
Total government	20	27	22	-4	17	-36	32
Total employment (household survey)	31	310	-291	303	-128	-60	339
<b>Memo:</b>							
Aggregate hours of private production							
workers (percent change) <sup>1,2</sup>	-0.2	-0.7	0.1	-0.4	-1.0	0.5	-0.7
Average workweek (hours) <sup>1</sup>	34.2	34.1	34.2	34.2	34.1	34.3	34.0
Manufacturing (hours)	40.8	40.8	40.7	40.8	40.8	40.8	40.5

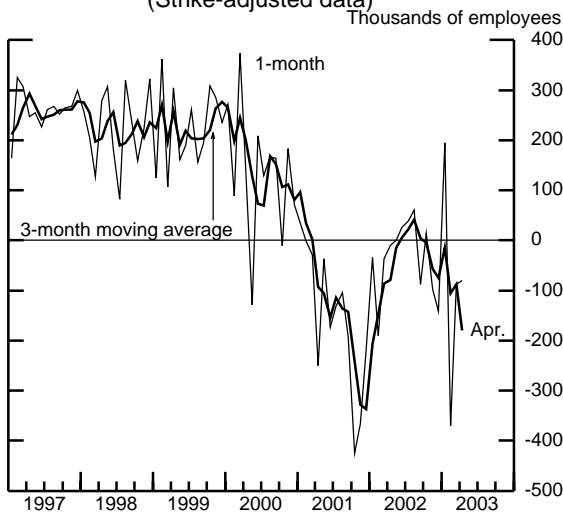
Note. Average change from final month of preceding period to final month of period indicated.

1. Survey of establishments.

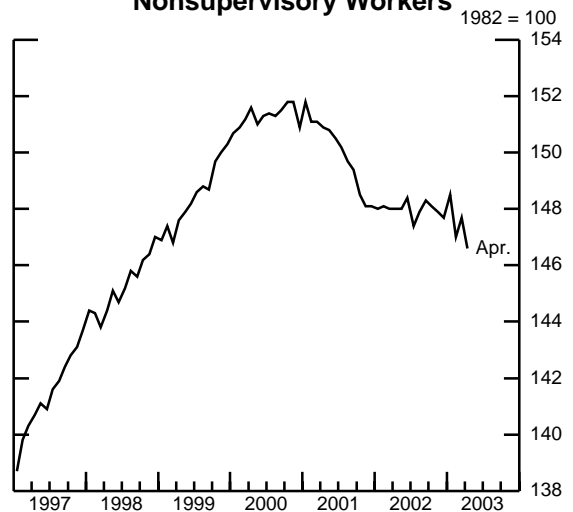
2. Annual data are percent changes from Q4 to Q4. Quarterly data are percent changes from preceding quarter at an annual rate. Monthly data are percent changes from preceding month.

... Not applicable.

**Private Payroll Employment Growth**  
(Strike-adjusted data)



**Aggregate Hours of Production or Nonsupervisory Workers**



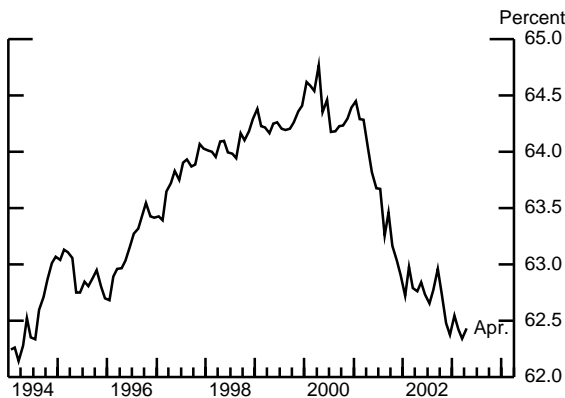
SELECTED UNEMPLOYMENT AND LABOR FORCE PARTICIPATION RATES  
(Percent; based on seasonally adjusted data)

	2002	2002		2003	2003		
		Q3	Q4	Q1	Feb.	Mar.	Apr.
Civilian unemployment rate (16 years and older)	5.8	5.8	5.9	5.8	5.8	5.8	6.0
Teenagers	16.5	16.7	16.1	17.2	17.1	17.7	18.0
20-24 years old	9.7	9.6	9.9	9.2	9.3	8.9	10.1
Men, 25 years and older	4.7	4.7	4.9	4.9	4.9	4.9	5.1
Women, 25 years and older	4.6	4.6	4.6	4.4	4.5	4.6	4.7
Labor force participation rate	66.6	66.6	66.5	66.3	66.3	66.2	66.4
Teenagers	47.4	47.6	46.8	45.2	45.5	44.1	45.0
20-24 years old	76.4	76.6	75.8	75.5	75.6	74.8	75.5
Men, 25 years and older	75.9	76.0	75.6	75.3	75.5	75.3	75.6
Women, 25 years and older	59.4	59.3	59.4	59.6	59.5	59.6	59.8

Labor Force Participation Rate and Unemployment Rate



Employment-to-Population Ratio



Persons Working Part-Time for Economic Reasons  
(Percentage of household employment)



The rise in the unemployment rate in April was widespread, as most major demographic groups experienced an increase. Meanwhile, the labor force participation rate moved up 0.2 percentage point to 66.4 percent, still a very low level.

Average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls increased 0.1 percent in April. Over the twelve months ending in April, the change in average hourly earnings was 3.1 percent, just under the 3.2 percent rise recorded over the previous twelve months.

### **Productivity and Costs**

Output per hour of all persons in the nonfarm business sector rose at an annual rate of 1.6 percent in the first quarter, reflecting a 1.4 percent increase in output and a 0.1 percent decline in hours worked of all persons. Over the four quarters ending in 2003:Q1, productivity rose 2.3 percent, well below the preceding year's 4.4 percent advance and slightly below the average pace of productivity growth since the mid-1990s.

Hourly compensation of all persons in the nonfarm business sector rose at an annual rate of 3.5 percent in the first quarter. Over the past four quarters, compensation per hour increased 3.3 percent, more than double the pace of the preceding year. This acceleration likely owes in large part to the behavior of stock options, whose exercise value probably fell sharply over the four quarters ending in 2002:Q1 and contributed to that period's low growth in compensation per hour. Unit labor costs rose 1.9 percent in the first quarter and 0.9 percent over the four quarters ending in 2003:Q1, following a 2.9 percent decline over the four quarters ending a year earlier.

Productivity in the nonfinancial corporate sector rose at an annual rate of 5 percent in 2002:Q4 and 4.7 percent over the four quarters of last year, well above the average increase since the mid-1990s. Hourly compensation rose 4.9 percent in the fourth quarter and 3.9 percent over the past year. Strong productivity growth combined with moderate increases in hourly compensation caused unit labor costs to fall 0.8 percent over the four quarters of 2002 after falling 1.8 percent in 2001.

### **Sales of Light Motor Vehicles**

Light vehicle sales moved up to an annual rate of 16.4 million units in April, 400,000 units above the pace in March. The rise was concentrated in sales of domestically-produced light trucks, which increased by 0.6 million units. In contrast, sales of domestically-produced cars and of foreign-produced cars and light trucks fell in April.

Overall sales in April likely were boosted by the high level of incentives. Data from J.D. Power and Associates indicate that average incentives in April were



**Labor Productivity and Costs**  
(Based on seasonally adjusted data)

Item	2001 <sup>1</sup>	2002 <sup>1</sup>	2002			2003	2002:Q1 to 2003:Q1
			Q2	Q3	Q4	Q1	
<b>Output per hour</b>							
Total business	1.9	4.0	1.8	5.8	0.3	2.2	2.5
Nonfarm business	1.9	4.1	1.7	5.5	0.7	1.6	2.3
Manufacturing	1.2	4.2	4.2	5.5	-0.5	2.1	2.8
Nonfinancial corporations <sup>2</sup>	3.3	4.7	5.8	3.4	5.0	n.a.	n.a.
<b>Compensation per hour</b>							
Total business	1.5	3.3	4.3	2.2	3.6	3.9	3.5
Nonfarm business	1.4	3.2	4.0	1.8	3.9	3.5	3.3
Manufacturing	2.1	3.9	5.0	1.4	5.4	4.8	4.1
Nonfinancial corporations <sup>2</sup>	1.4	3.9	4.5	2.9	4.9	n.a.	n.a.
<b>Unit labor costs</b>							
Total business	-0.4	-0.7	2.4	-3.4	3.3	1.7	1.0
Nonfarm business	-0.5	-0.9	2.3	-3.4	3.2	1.9	0.9
Manufacturing	1.0	-0.3	0.7	-3.9	5.9	2.7	1.3
Nonfinancial corporations <sup>2</sup>	-1.8	-0.8	-1.3	-0.5	-0.1	n.a.	n.a.

NOTE: Percent change from preceding period at compound annual rate.

1. Changes are from fourth quarter of preceding year to fourth quarter of year shown.

2. The nonfinancial corporate sector includes all corporations doing business in the United States with the exception of banks, stock and commodity brokers, finance and insurance companies; the sector accounts for about two-thirds of business employment.

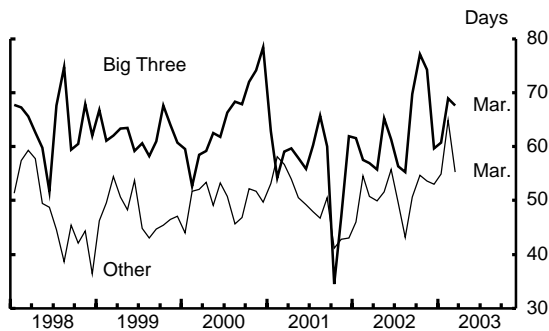
**Sales of Automobiles and Light Trucks**  
(Millions of units at an annual rate, FRB seasonals)

	2002	2002		2003	2003		
		Q3	Q4	Q1	Feb.	Mar.	Apr.
Total	16.7	17.6	16.5	15.8	15.3	16.0	16.4
Autos	8.1	8.5	7.9	7.7	7.3	7.7	7.5
Light trucks	8.6	9.1	8.6	8.1	8.0	8.3	8.8
North American <sup>1</sup>	13.5	14.3	13.3	12.5	12.1	12.5	13.0
Autos	5.9	6.2	5.7	5.5	5.2	5.5	5.4
Light trucks	7.6	8.1	7.6	6.9	6.9	7.0	7.6
Foreign-produced	3.3	3.4	3.2	3.4	3.2	3.5	3.4
Autos	2.2	2.3	2.2	2.2	2.1	2.2	2.1
Light trucks	1.1	1.1	1.1	1.2	1.1	1.3	1.3
Memo: Medium and heavy trucks	.40	.43	.41	.37	.38	.36	n.a.

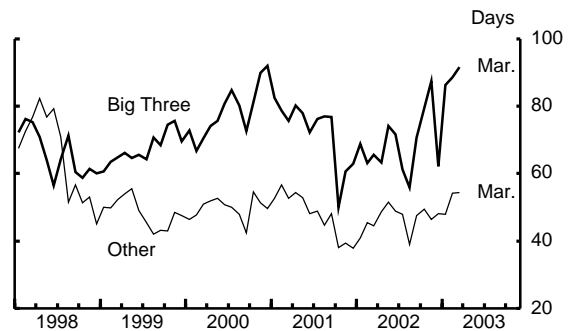
Note. Components may not sum to totals because of rounding. Data on sales of trucks and imported autos for the most recent month are preliminary and subject to revision.

1. Excludes some vehicles produced in Canada that are classified as imports by the industry.

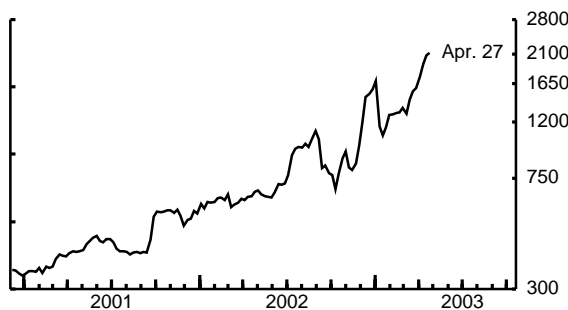
**Days' Supply of Autos**



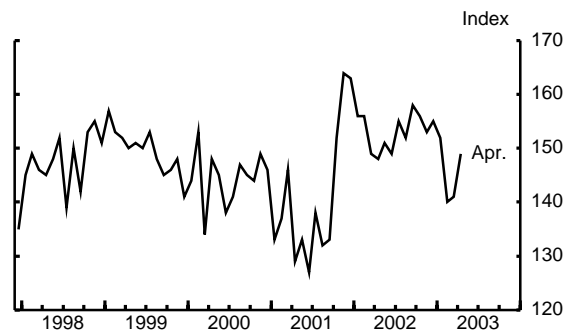
**Days' Supply of Light Trucks**



**Average Value of Incentives on Light Vehicles**



**Michigan Survey Index of Car-Buying Attitudes**



Note. Weighted average of customer cash rebate and interest rate reduction. Data are seasonally adjusted.  
Source: J.D. Power and Associates.

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roughly \$2,200, the highest level in the three-year history of the series. However, anecdotal reports from our industry contacts suggest that consumers' response to incentives were weaker than expected last month.

### **Manufacturers' Inventories**

The book value of manufacturers' inventories decreased at an annual rate of \$1.5 billion in March, following an upward-revised \$23 billion accumulation in February. Shipments moved up 1.9 percent in March, and the manufacturing inventory-shipments ratio edged down to 1.32 months, a very low level by historical standards. For the first quarter as a whole, manufacturers' inventories rose at an \$8.6 billion rate, slightly above the pace of accumulation in the fourth quarter.<sup>1</sup>

Stocks held by manufacturers of durable goods declined at an annual rate of \$6.7 billion in March, with a fourth consecutive month of large liquidations of computers and electronic products more than accounting for this drop. For the durable goods category as a whole, shipments rose 0.9 percent, and the stock-to-shipments ratio moved down to 1.53 months. In the nondurable sector, inventories increased at an annual rate of \$5.2 billion in March, with no noticeable movements in any particular category. Shipments of nondurable goods increased 3 percent, and the stock-to-shipments ratio dropped to 1.08 months.

Revised data on orders and shipments of nondefense capital goods in March, which were released with the report on manufacturers' inventories, are summarized in updated versions of the table and chart that appeared on pages II-22 and II-24 of *Greenbook, Part 2*. Excluding aircraft, the change in new orders was revised up from 3.2 percent to 4.4 percent in March, as a downward revision in bookings of computers and related equipment was more than offset by a large upward revision in orders of railroad rolling stock. Revisions to shipments were small.

### **Purchasing Managers Index**

The April reading from the Institute for Supply Management's (ISM) *Report on Business* suggests that manufacturing activity contracted further last month. The overall purchasing managers' index edged down 0.8 index point to 45.4, its second consecutive month below 50 and its fourth consecutive monthly decline. The new orders diffusion index, the component of the overall PMI that is most useful for forecasting near-term movements in industrial production, also was below 50 for a second month, consistent with a moderate decline in manufacturing IP last month. The diffusion index for new export orders was at

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1. The pace of manufacturing inventory investment in the first quarter was a little weaker than what the BEA had assumed for the advance GDP release.

**Change in Manufacturing Inventories**  
(book value, billions of dollars at annual rate)

Sector	2002			2003	2002	2003		
	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Total manufacturing	-12.8	4.6	6.3	8.6	32.8	4.3	23.0	-1.5
Excl. aircraft	-11.3	9.9	.5	9.3	6.4	5.3	24.8	-2.2
Durable goods	-14.5	-7.8	6.9	-4.5	33.1	-5.1	-1.7	-6.7
Lumber and wood prod.	-.8	-.3	-.5	.5	-1.2	.4	1.4	-.3
Nonmetallic minerals	.0	.1	.4	1.0	.6	.3	1.2	1.6
Primary metals	-.5	.5	1.3	1.3	1.3	2.3	1.9	-.2
Fabricated metals	-3.2	1.4	.1	-.4	-.1	-.8	-.1	-.2
Machinery	-5.0	-1.7	.4	-2.4	3.5	-5.1	-2.4	.3
Computer and electronic prod.	-6.1	-1.9	-1.0	-6.4	-3.4	-6.2	-5.5	-7.5
Electrical equip.	-.5	-1.4	-1.4	-.1	-1.3	.5	-.7	-.2
Transportation equip.	-.2	-5.7	7.2	1.6	31.7	2.2	3.6	-.9
Motor vehicles	1.9	1.6	.1	.2	2.1	3.4	1.7	-4.5
Aircraft	-1.6	-5.2	5.8	-.7	26.4	-1.0	-1.8	.7
Furniture	.2	.0	.0	.3	-.4	.5	-.6	1.1
Other durables	1.6	1.2	.4	.0	2.4	.8	-.4	-.4
Nondurable goods	1.6	12.5	-.6	13.1	-.3	9.4	24.7	5.2
Food	1.6	1.6	-.3	3.0	-2.4	1.6	3.8	3.6
Beverage and tobacco	.2	.3	-1.5	-.2	.6	-.4	.1	-.4
Textiles	-.9	-.3	-.3	.4	.6	.3	.4	.4
Textile products	.5	.4	-.2	.1	.4	.7	.1	-.4
Apparel	-.9	.4	-.1	.8	.7	1.2	.4	.7
Leather and allied prod.	.0	.3	.3	.1	.2	.2	-.1	.1
Paper products	-.6	-.2	.5	.6	.2	.0	.2	1.4
Printing	.6	-.4	.7	-.2	.0	-.3	.1	-.4
Chemicals	-.6	4.7	-.9	3.9	-6.9	-1.4	13.6	-.5
Petroleum and coal	1.4	2.2	1.0	1.9	6.9	4.9	2.7	-2.0
Rubber and plastics	.2	3.6	.1	2.8	-.5	2.5	3.3	2.7
<i>Stage of Processing</i>								
Materials and supplies	-10.9	-2.4	-7.0	1.3	-12.0	8.1	4.2	-8.4
Work in process	-2.5	-2.1	5.8	3.7	29.4	4.1	5.5	1.6
Finished goods	.6	9.1	7.4	3.5	15.4	-8.0	13.2	5.3

### Manufacturers' Inventory-Shipments Ratios

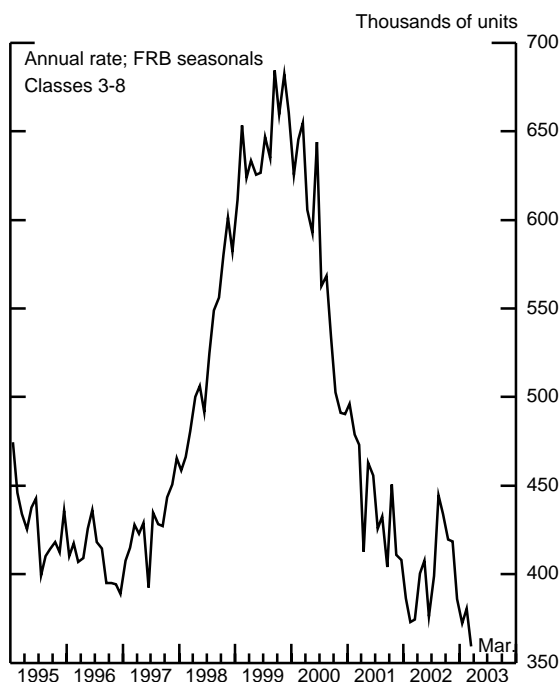
Sector	2002			2003	2002	2003		
	Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.
Total manufacturing	1.33	1.32	1.33	1.33	1.34	1.32	1.34	1.32
Excl. aircraft	1.24	1.24	1.24	1.24	1.25	1.22	1.25	1.23
Durable goods	1.52	1.50	1.53	1.53	1.56	1.52	1.55	1.53
Lumber and wood prod.	1.27	1.28	1.24	1.28	1.24	1.27	1.31	1.26
Nonmetallic minerals	1.05	1.05	1.06	1.10	1.05	1.04	1.11	1.11
Primary metals	1.62	1.62	1.67	1.71	1.68	1.67	1.74	1.73
Fabricated metals	1.45	1.44	1.46	1.48	1.47	1.48	1.49	1.48
Machinery	1.95	1.94	1.98	1.98	2.01	1.98	2.01	1.97
Computer and electronic prod.	1.62	1.60	1.62	1.56	1.65	1.56	1.62	1.56
Electrical equip.	1.43	1.42	1.37	1.42	1.38	1.39	1.44	1.43
Transportation equip.	1.38	1.33	1.42	1.42	1.51	1.41	1.41	1.42
Motor vehicles	.53	.53	.56	.56	.60	.55	.57	.56
Aircraft	4.38	4.28	4.56	4.61	4.85	5.14	4.38	4.38
Furniture	1.24	1.25	1.26	1.30	1.23	1.26	1.30	1.33
Other durables	1.78	1.79	1.73	1.73	1.71	1.76	1.76	1.70
Nondurable goods	1.10	1.12	1.10	1.10	1.10	1.09	1.11	1.08
Food	.85	.86	.85	.87	.84	.85	.87	.87
Beverage and tobacco	1.58	1.61	1.62	1.62	1.65	1.63	1.67	1.56
Textiles	1.38	1.39	1.41	1.45	1.47	1.40	1.46	1.48
Textile products	1.42	1.49	1.44	1.50	1.44	1.50	1.52	1.49
Apparel	1.56	1.58	1.57	1.64	1.56	1.58	1.66	1.64
Leather and allied prod.	2.03	2.03	2.30	2.17	2.52	2.24	2.10	2.16
Paper products	1.16	1.11	1.13	1.12	1.11	1.11	1.13	1.09
Printing	.74	.72	.74	.75	.74	.75	.76	.74
Chemicals	1.37	1.42	1.37	1.36	1.37	1.33	1.38	1.34
Petroleum and coal	.72	.72	.70	.63	.67	.66	.65	.60
Rubber and plastics	1.11	1.17	1.15	1.21	1.15	1.17	1.21	1.20
Memo: Manufacturing shipments (billions of dollars)	322.5	324.2	323.4	326.3	321.0	327.3	322.6	328.7

**EQUIPMENT AND SOFTWARE SPENDING INDICATORS**  
 (Percent change from preceding comparable period;  
 based on seasonally adjusted data, in current dollars)

	<u>2002</u>	<u>2003</u>	<u>2003</u>		
	Q4	Q1	Jan.	Feb.	Mar.
	-Annual rate-		- - Monthly rate - -		
Shipments of nondefense capital goods	-7.2	-3.9	1.1	-1.4	1.4
Excluding aircraft	-6.4	-0.4	3.1	-3.5	1.6
Computers and peripherals	-8.6	5.7	19.7	-14.0	-6.3
Communications equipment	-12.6	25.6	8.3	-1.7	2.2
All other categories	-5.3	-4.2	-0.1	-1.8	2.9
Shipments of complete aircraft	-33.7	n.a.	-8.5	37.5	n.a.
Medium & heavy truck sales (units)	-15.7	-32.0	-3.5	2.2	-5.6
Orders for nondefense capital goods	-7.9	2.6	1.9	-4.9	3.0
Excluding aircraft	-1.4	15.1	5.2	-2.4	4.4
Computers and peripherals	5.4	-16.2	0.9	-13.1	-0.7
Communications equipment	26.3	191.6	46.9	-0.0	0.6
All other categories	-5.0	7.8	1.8	-0.8	5.8

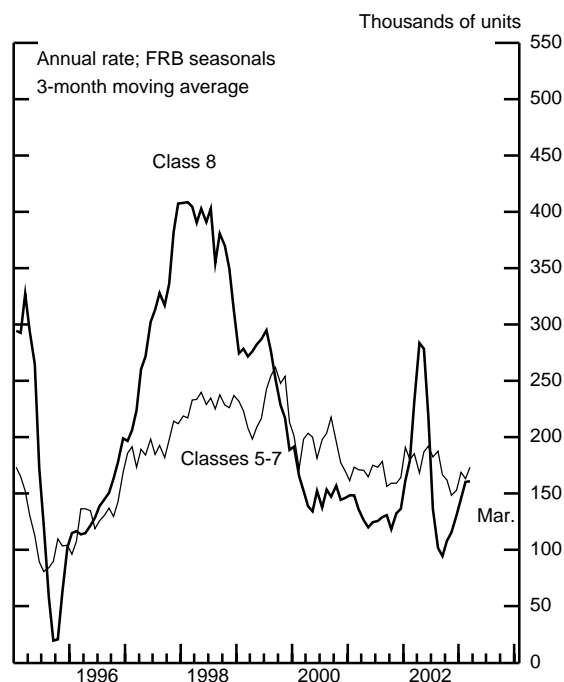
n.a. Not available.

**Sales of Medium and Heavy Trucks**



Source. Ward's Communications

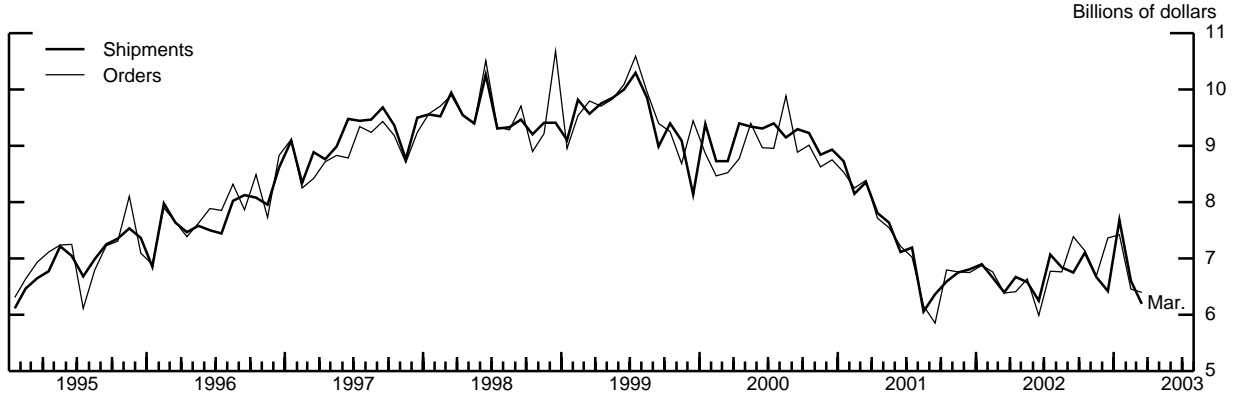
**Net New Orders of Trucks**



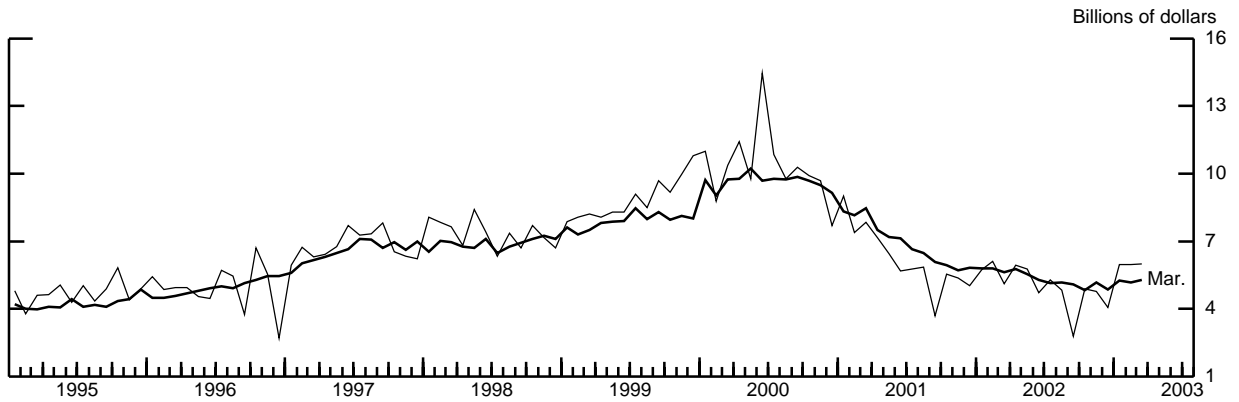
Note. Net orders are less cancellations.  
Source. ACT Research Co.

## Recent Data on Orders and Shipments

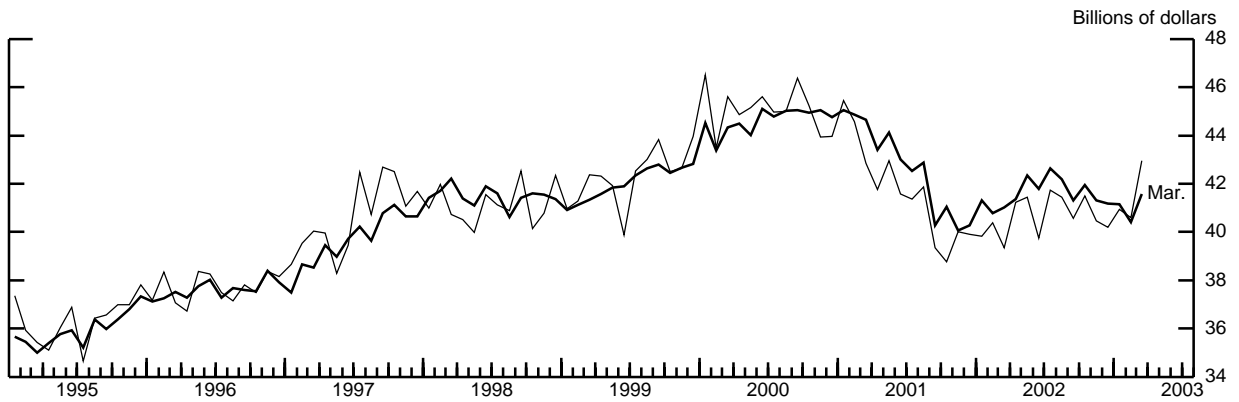
### Computers and Peripherals



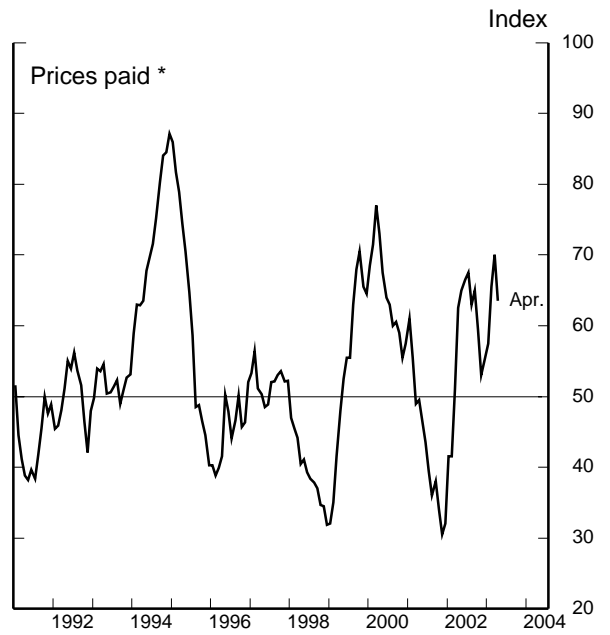
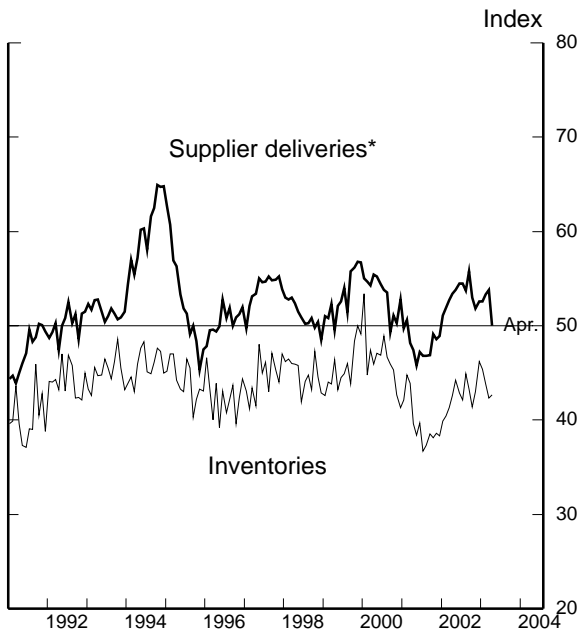
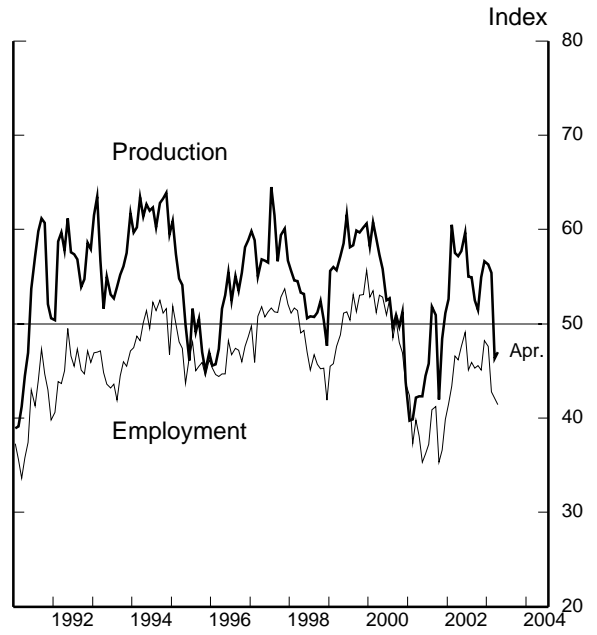
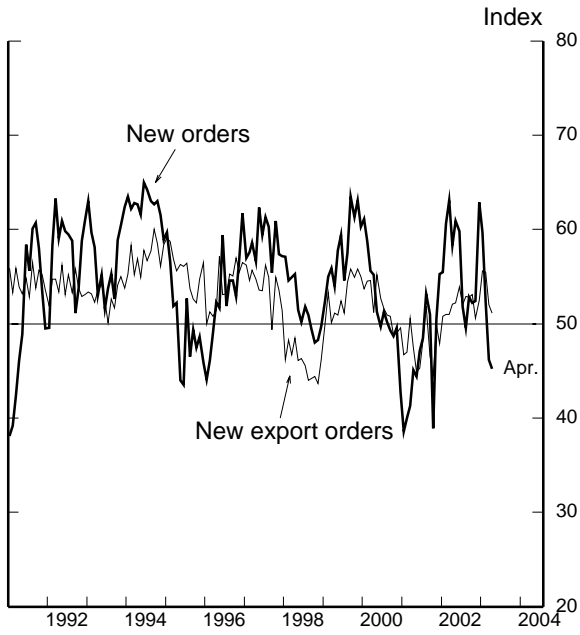
### Communications Equipment



### Other Equipment (Total Ex. Transportation, Computers, Communications)



### Purchasing Managers - Manufacturing (Seasonally adjusted)

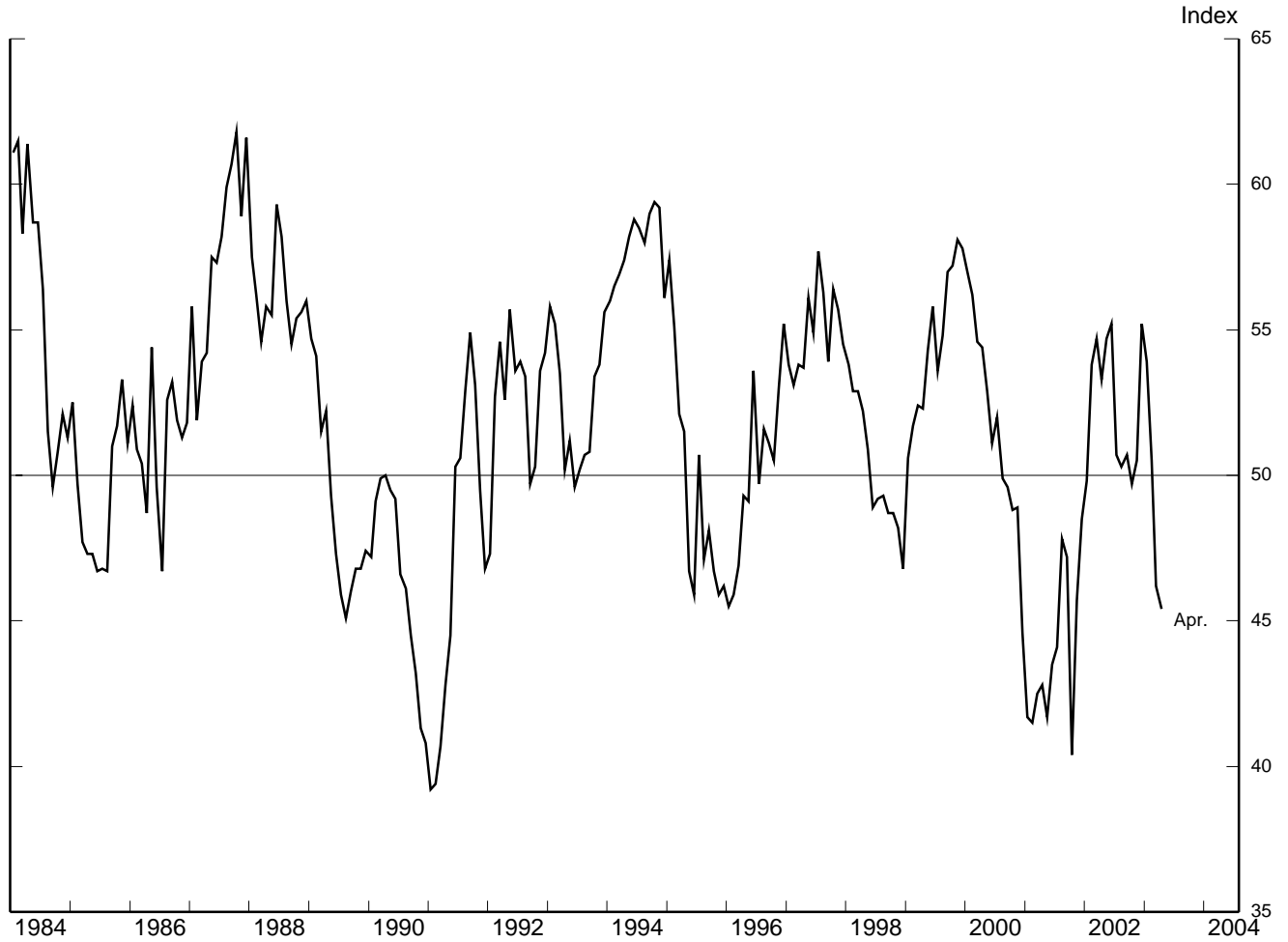


\* Positive entries represent slower deliveries.

\* Not seasonally adjusted.

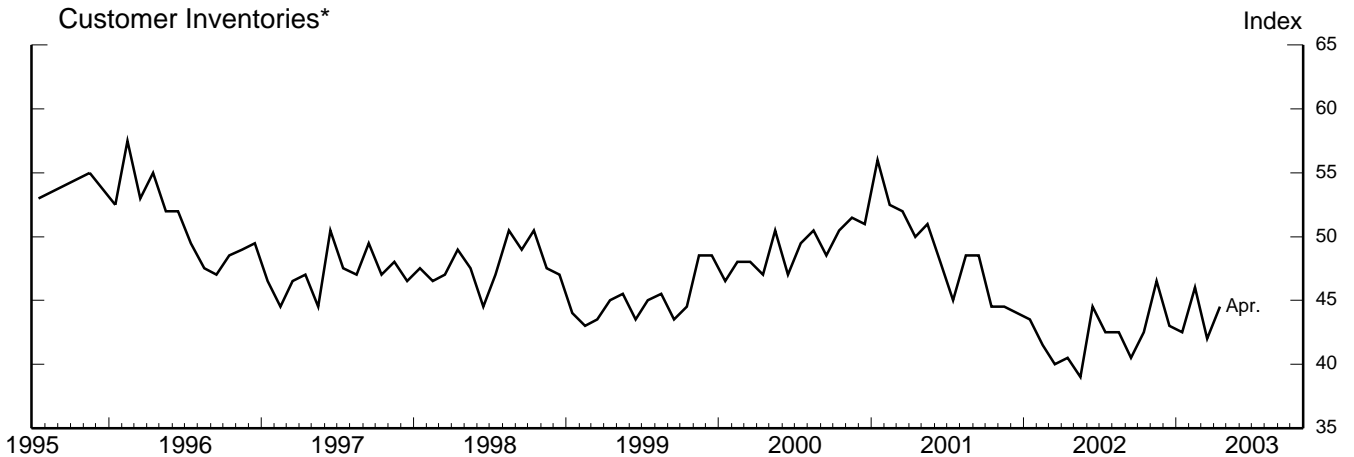


### Purchasing Managers' Index (Seasonally adjusted)



Note. The Purchasing Managers' Index (PMI) is a composite index based on the seasonally adjusted diffusion indexes for five of the indicators (New orders, Production, Vendor deliveries, Inventories, and Employment) with different weights applied. Seasonal adjustment is done by the U.S. Department of Commerce.

### Customer Inventories\*



\* Percent too high plus 1/2 (percent about right).

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51.1 in April, a level indicative of expanding export orders but down 0.9 index point from its reading in March.

The production index was about unchanged at 47 in April after dropping sharply in March. The employment index, which has not exceeded 50 since September 2000, edged down further in April to its lowest level since December 2001. In addition, purchasing managers continued to regard their customers' inventories as too low.

The diffusion index for prices dropped to 63.5 in April, with 37 percent of respondents reporting higher prices paid for purchased commodities, a decline of 10 percentage points from March. Nevertheless, prices were reported to have risen for a broad range of energy products—such as diesel fuel, gasoline, methanol, natural gas (also reported down in price), and fuel oil (also reported down in price)—and energy-intensive commodities, including chemicals, plastics, and resins. Corrugated containers, fuel oil, natural gas, steel, and wheat were reported as down in price. Acetone was the only commodity listed in short supply. The report indicated that the war in Iraq resulted in “few, if any, consequences to supply chains.” Going forward, purchasing and supply executives are primarily concerned with weak demand.

### **Construction Put in Place**

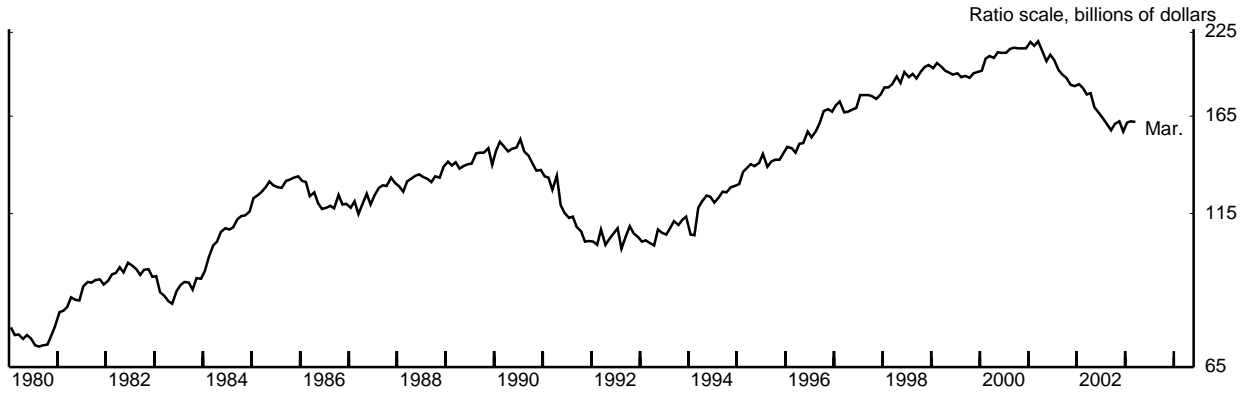
The total nominal value of new construction put in place declined 1 percent in March, after rising 2.2 percent in January and 0.2 percent in February. In addition, estimates of the change in total construction spending in January and February were revised up 0.2 percentage point and 0.4 percentage point, respectively, as higher estimates for nonresidential and public construction more than offset reductions in residential expenditures. For the first quarter as a whole, nominal expenditures rose at a quarterly rate of 2.9 percent and real expenditures increased at a quarterly rate of 1.2 percent. These data were a little stronger than had been assumed by the BEA in its advance estimate of first-quarter GDP.

In the private sector in March, nominal residential construction outlays edged up 0.1 percent, after much stronger increases in the first two months of the year. For the first quarter, spending on residential structures rose at a quarterly pace of 5.6 percent, with substantial increases in both single-family and multifamily construction and a small rise in improvements.

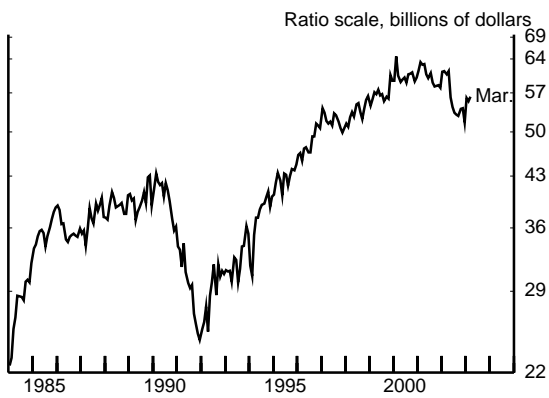
Nominal nonresidential construction spending edged down 0.1 percent in March. Nevertheless, for the first quarter as a whole, nominal expenditures on nonresidential construction rose 1.4 percent, the first quarterly increase since early 2001. The first-quarter rise reflected small upturns in outlays for industrial structures and lodging and miscellaneous structures, as well as a healthy increase in non-office commercial construction. Expenditures for office

### Nonresidential Construction (Seasonally adjusted, annual rate)

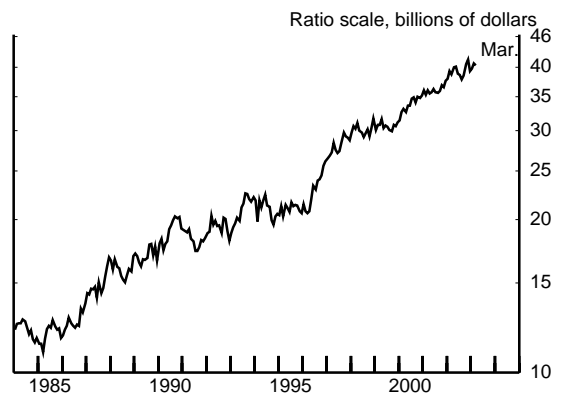
Total Building



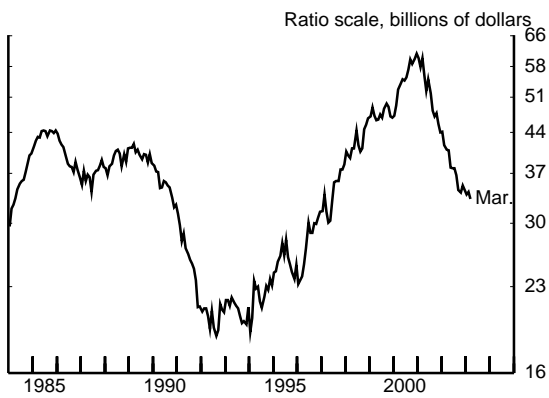
Other Commercial



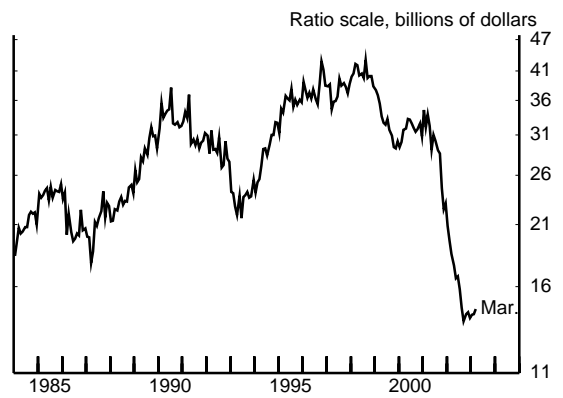
Institutional



Office



Industrial



construction fell 2.9 percent in March and were down 2.3 percent in the first quarter, after a decline of 4.7 percent in the fourth quarter.

In the public sector, construction spending dropped 3.5 percent in March. For the first quarter as a whole, public construction was unchanged in nominal terms.

### **Annual Benchmark Revision to Retail Sales and Inventories**

The Census Bureau released revised data on retail sales and inventories that incorporate new data on sales and inventories from the 2001 Annual Retail Trade Survey (including revised information back to 1999) and use updated seasonal adjustment factors. The Census also presented consistent monthly estimates on a NAICS basis developed for the period since December 1997 for sales and since January 1992 for inventories.

This revision pushed down the twelve-month change in nominal retail sales by 1.1 percentage points in 2001 and pushed up the twelve-month change by 0.1 percentage point in 2002. The percentage change in retail control, which excludes sales at motor vehicle dealers and at building material and supply stores, was revised down 0.3 percentage point in 2001 and 0.4 percentage point in 2002. However, the increase in retail control in the first quarter of this year was revised up, pointing to a 1/2 percentage point upward adjustment to the BEA's estimate of the annual rate of growth in real personal consumption expenditures in the first quarter.

The book-value of retail inventories excluding motor vehicles was revised up 0.7 percent in 2001, 0.8 percent in 2002, and 0.7 percent in January and February of this year. As a consequence of the revisions to sales and inventories, the inventory-sales ratio was revised up slightly over the past two years, although its general pattern is unchanged.

### Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2002	Q4 2002	Q1 2003	Feb. 2003	Mar. 2003	Apr. <sup>p</sup> 2003	Level, Apr. 2003 <sup>p</sup> (\$ billions)
<b>Total</b>							
<b>1. Adjusted<sup>1</sup></b>	<b>7.1</b>	<b>12.4</b>	<b>7.4</b>	<b>13.9</b>	<b>7.0</b>	<b>8.0</b>	<b>5,834</b>
2. Reported	7.1	11.8	8.1	15.3	6.0	4.4	6,017
<i>Securities</i>							
3. Adjusted <sup>1</sup>	13.3	16.1	11.9	26.3	11.1	14.3	1,575
4. Reported	12.7	13.5	14.0	29.8	7.3	1.5	1,757
5. Treasury and agency	19.2	25.2	17.1	30.3	11.2	26.7	1,081
6. Other <sup>2</sup>	4.4	-2.6	9.5	29.1	1.4	-36.6	677
<i>Loans<sup>3</sup></i>							
7. Total	5.0	11.1	5.8	9.4	5.5	5.7	4,259
8. Business	-6.9	-4.0	-5.9	-9.7	-8.7	-2.5	944
9. Real estate	13.1	20.4	13.4	17.9	7.3	7.9	2,103
10. Home equity	36.7	24.7	26.2	25.4	38.3	19.9	233
11. Other	10.8	19.9	11.9	17.1	3.6	6.4	1,870
12. Consumer	5.5	8.6	4.2	2.2	-6.1	-3.7	589
13. Adjusted <sup>4</sup>	4.1	4.9	7.7	7.4	.5	-.3	950
14. Other <sup>5</sup>	1.4	8.5	.3	17.8	33.4	20.2	623

Note. All data are adjusted for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded. The conversion from a thrift to a commercial bank charter added approximately \$37 billion to the assets and liabilities of domestically chartered commercial banks in the week ending May 8, 2002.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FIN 115).

2. Includes private mortgage-backed securities, securities of corporations, state and local governments, and foreign governments and any trading account assets that are not Treasury or agency securities, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

p Preliminary.

III-T-1  
**Selected Financial Market Quotations**  
 (One-day quotes in percent except as noted)

Instrument	2000	2001	2003	2003	Change to May 1 from selected dates (percentage points)		
	June 26	Sept. 10	Mar. 17	May 1	2000 June 26	2001 Sept. 10	2003 Mar. 17
<i>Short-term</i>							
FOMC intended federal funds rate	6.50	3.50	1.25	1.25	-5.25	-2.25	.00
Treasury bills <sup>1</sup>							
3-month	5.66	3.19	1.13	1.08	-4.58	-2.11	-.05
6-month	5.94	3.13	1.12	1.10	-4.84	-2.03	-.02
Commercial paper (A1/P1 rates)							
1-month	6.56	3.42	1.19	1.22	-5.34	-2.20	.03
3-month	6.56	3.24	1.17	1.20	-5.36	-2.04	.03
Large negotiable CDs <sup>1</sup>							
1-month	6.64	3.46	1.24	1.26	-5.38	-2.20	.02
3-month	6.73	3.26	1.20	1.24	-5.49	-2.02	.04
6-month	6.89	3.24	1.17	1.20	-5.69	-2.04	.03
Eurodollar deposits <sup>2</sup>							
1-month	6.63	3.41	1.22	1.26	-5.37	-2.15	.04
3-month	6.69	3.26	1.17	1.22	-5.47	-2.04	.05
Bank prime rate	9.50	6.50	4.25	4.25	-5.25	-2.25	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury <sup>3</sup>							
2-year	6.54	3.59	1.66	1.51	-5.03	-2.08	-.15
10-year	6.35	5.14	4.05	4.06	-2.29	-1.08	.01
30-year	6.22	5.55	4.98	4.97	-1.25	-.58	-.01
U.S. Treasury 10-year indexed note	4.09	3.26	1.91	2.08	-2.01	-1.18	.17
Municipal revenue (Bond Buyer) <sup>4</sup>	5.99	5.25	5.06	5.09	-.90	-.16	.03
Private instruments							
10-year swap	7.38	5.62	4.24	4.16	-3.22	-1.46	-.08
10-year FNMA <sup>5</sup>	7.19	5.68	4.40	4.37	-2.82	-1.31	-.03
10-year AA <sup>6</sup>	7.64	6.30	4.92	4.80	-2.84	-1.50	-.12
10-year BBB <sup>6</sup>	8.40	7.11	6.27	5.85	-2.55	-1.26	-.42
High-yield <sup>7</sup>	12.30	12.72	11.20	9.63	-2.67	-3.09	-1.57
Home mortgages (FHLMC survey rate) <sup>8</sup>							
30-year fixed	8.14	6.89	5.61	5.79	-2.35	-1.10	.18
1-year adjustable	7.22	5.64	3.68	3.79	-3.43	-1.85	.11

Stock exchange index	Record high		2001	2003		Change to May 1 from selected dates (percent)		
	Level	Date	Sept. 10	Mar. 17	May 1	Record high	2001 Sept. 10	2003 Mar. 17
Dow-Jones Industrial	11,723	1-14-00	9,606	8,142	8,454	-27.88	-11.99	3.84
S&P 500 Composite	1,527	3-24-00	1,093	863	916	-40.01	-16.13	6.20
Nasdaq (OTC)	5,049	3-10-00	1,695	1,392	1,473	-70.83	-13.14	5.77
Russell 2000	606	3-9-00	441	365	399	-34.20	-9.51	9.15
Wilshire 5000	14,752	3-24-00	10,104	8,163	8,698	-41.03	-13.92	6.56

1. Secondary market.
2. Bid rates for eurodollar deposits collected around 9:30 a.m. Eastern time.
3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
4. Most recent Thursday quote.
5. Constant maturity yields estimated from Fannie Mae domestic non-callable coupon securities.
6. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.
7. Merrill Lynch Master II high-yield bond.
8. For week ending Friday previous to date shown.

NOTES:

June 26, 2000, is the day before the FOMC meeting that ended the most recent period of policy tightening.  
 September 10, 2001, is the day before the terrorist attacks.  
 March 17, 2003, is the day before the most recent FOMC meeting.