

## **Prefatory Note**

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April 29, 2005

# 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

#### Real Gross Domestic Product

According to the BEA's advance release, real GDP rose at an annual rate of 3.1 percent in the first quarter following an increase at a rate of 3.8 percent in the fourth quarter of last year. On balance, the BEA's first-quarter estimate of real GDP was in line with our expectations: Weaker-than-expected estimates of real net exports and government spending offset stronger-than-anticipated real personal consumption expenditures and inventory investment.

Real private inventories are reported to have risen at an annual rate of \$80 billion in the first quarter, contributing 1.2 percentage points to the reported change in real GDP. In contrast, final sales increased at an annual rate of only 1.9 percent in the first quarter after a 3.4 percent advance in the preceding quarter. Among the components of final sales, the rise in real personal consumption expenditures (PCE) slowed to an annual rate of 3.5 percent, as a decline in spending for motor vehicles kept outlays for durable goods unchanged last quarter. Similarly, business fixed investment rose at an annual rate of 4.7 percent in the first quarter, well below the pace of 14.5 percent posted in the fourth quarter; spending on equipment and software decelerated, and spending on nonresidential structures declined. Elsewhere, residential investment rose at a 5.7 percent rate in the first quarter. The BEA estimated that net exports subtracted 1.5 percentage points from the first-quarter change in real GDP, reflecting a rise in imports at a 14.7 percent rate and a rise in exports at a 7 percent rate. Total government spending was little changed in the first quarter, with both federal and state and local spending posting small increases.

#### Consumer Spending and Income

Real PCE edged up 0.1 percent in March after having climbed 0.4 percent in the preceding month. Outlays for durable goods rose at a modest pace, as a solid gain in spending on motor vehicles was partly offset by net declines elsewhere. Purchases of nondurable goods declined last month while spending on services moderated a touch despite a jump in expenditures on energy services.

Total nominal personal income rose \$48 billion (annual rate) in March following an upward-revised increase of \$41 billion in February. Private wages and salaries gained \$17 billion in March, a pace slightly below the average over the past year. Factoring in contributions for social insurance and personal taxes, nominal disposable personal

**Real Gross Domestic Product and Related Items**  
(Percent change from previous period at a compound annual rate;  
based on seasonally adjusted data, chain-type quantity indexes)

Item	2004:Q3 Final	2004:Q4 Final	2005:Q1 Advance
Gross Domestic Product	4.0	3.8	3.1
Final sales	5.0	3.4	1.9
Consumer spending	5.1	4.2	3.5
Durables	17.2	3.9	.0
Nondurables	4.7	5.9	4.9
Services	3.0	3.4	3.6
Business fixed investment	13.0	14.5	4.7
Nonresidential structures	-1.1	2.1	-2.6
Equipment and software	17.5	18.4	6.9
Residential investment	1.6	3.4	5.7
Federal government	4.8	1.2	.6
State and local government	-1.7	.6	.5
Exports of goods and services	6.0	3.2	7.0
Imports of goods and services	4.6	11.4	14.7
<i>ADDENDA:</i>			
Inventory investment <sup>1</sup>	34.5	47.2	80.2
Net exports of goods and services <sup>1</sup>	-583.2	-621.1	-663.2
Nominal GDP	5.5	6.2	6.4
Nominal GDI	5.4	7.6	n.a.
Statistical discrepancy <sup>2</sup>	60.4	24.0	n.a.
Change in economic profits <sup>2</sup>	-55.9	150.8	n.a.
Profit share, excluding FR banks <sup>3</sup>	9.3	10.4	n.a.
Real disposable personal income	2.9	8.3	-.3
Personal saving rate (percent)	.7	1.6	.6

1. Level, billions of chained (2000) dollars.

2. Billions of dollars.

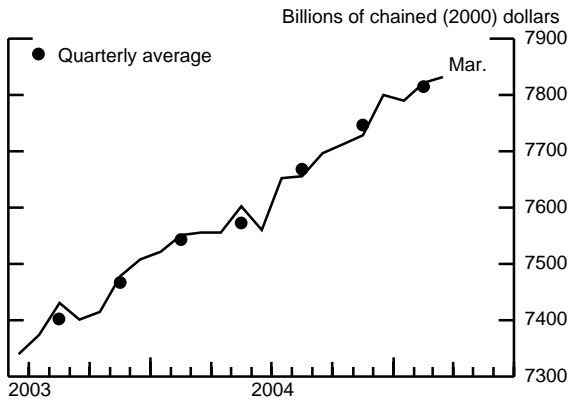
3. Economic profits as a share of GNP.

n.a. not available.

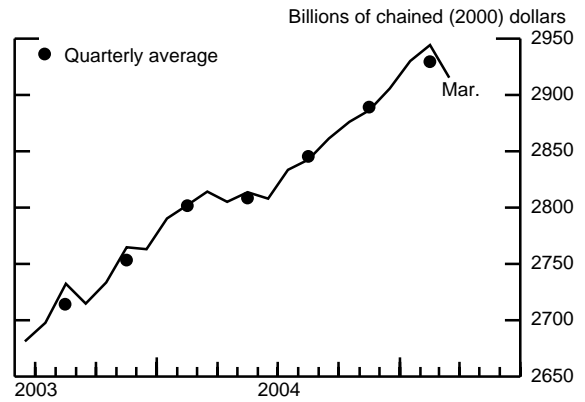
### Real Personal Consumption Expenditures (Percent change from the preceding period)

Expenditure	2004		2005			
	Q3	Q4	Q1	Jan.	Feb.	Mar.
	Annual rate			Monthly rate		
Total real PCE	5.1	4.2	3.5	-.1	.4	.1
Durable goods	17.2	3.9	.0	-4.0	.9	2.2
Motor vehicles	28.7	-.5	-10.4	-9.2	.2	6.3
Excluding motor vehicles	8.6	7.7	9.4	.5	1.4	-1.0
Nondurable goods	4.7	5.9	4.9	.9	.3	-1.0
Energy	2.6	-1.1	7.4	4.5	-2.4	-1.1
Other	4.9	6.8	4.6	.5	.6	-1.0
Services	3.0	3.4	3.6	.2	.4	.3
Energy	-.9	12.7	6.4	-1.5	.0	4.2
Other	3.2	3.1	3.5	.2	.4	.1

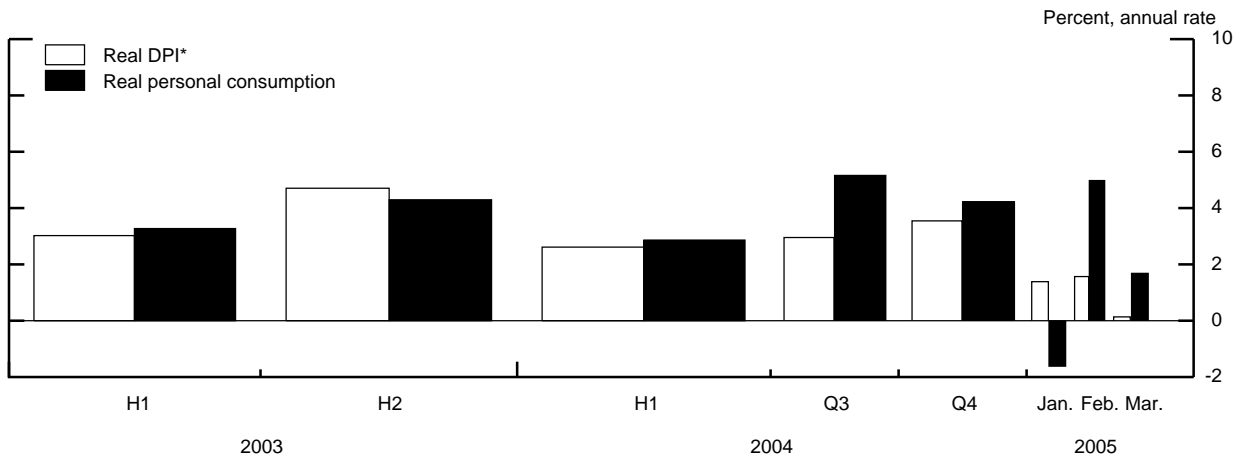
**Real PCE**



**Real PCE Goods Excl. Motor Vehicles**



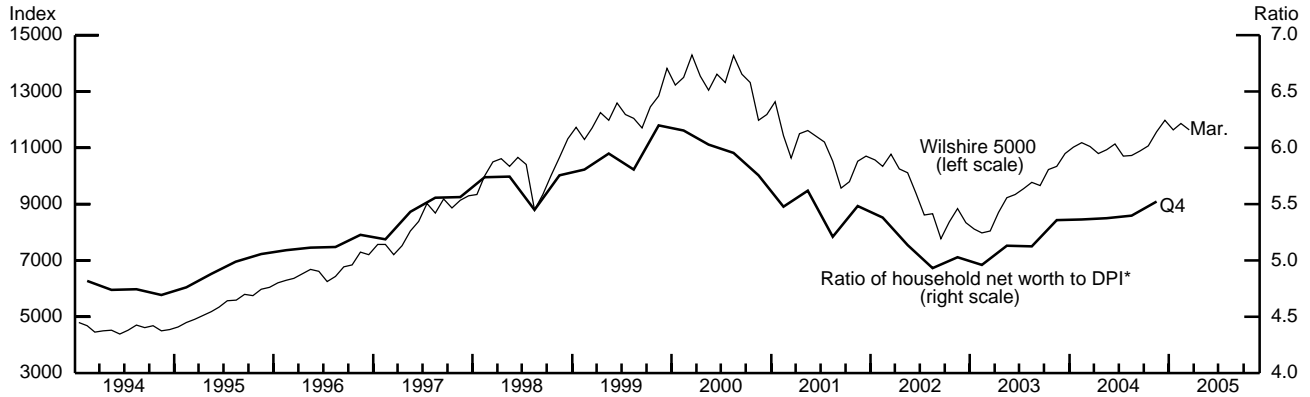
**Change in Real DPI and Real PCE**



\* 2004:Q4 and January values exclude the effect on income of the one-time Microsoft dividend payment in December. January to March 2005 values are staff estimates incorporating incoming tax information.

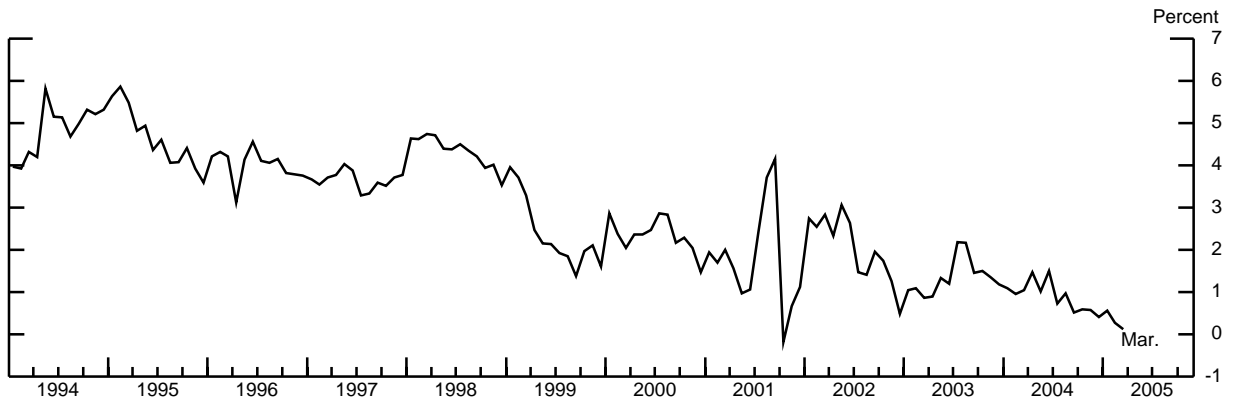
## Household Indicators

### Household Net Worth and Wilshire 5000



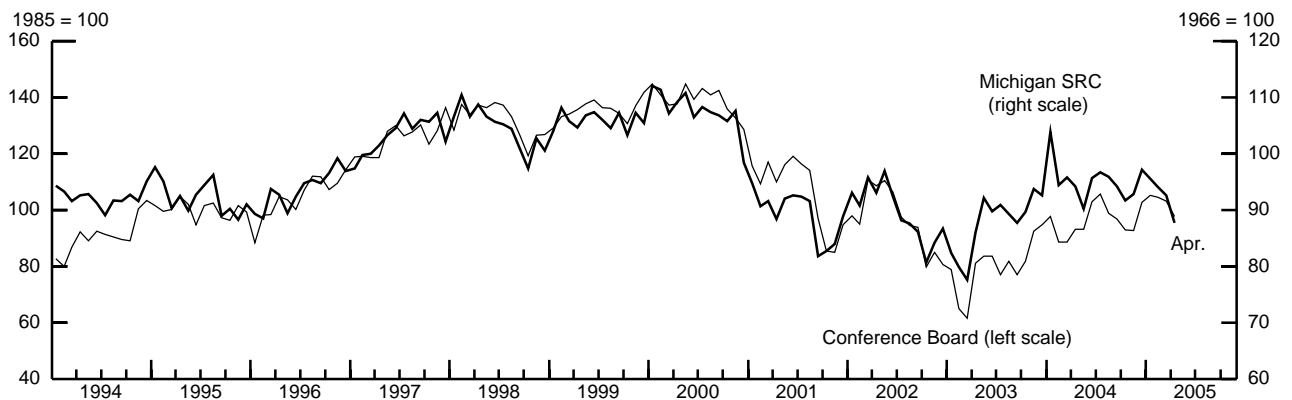
\* December 2004 value excludes the effect on income of the one-time Microsoft dividend payment in that month.

### Personal Saving Rate\*



\* December 2004 value excludes the effect on income of the one-time Microsoft dividend payment in that month. January to March 2005 values are staff estimates incorporating incoming tax information.

### Consumer Confidence



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income increased at a \$42 billion rate. However, because of a sharp rise in prices, real disposable income (DPI) was roughly flat in March. The attached chart on changes in real DPI reports figures that are adjusted for two factors: First, the changes shown exclude the effect on income of the large, one-time Microsoft dividend payment in December. In addition, because we anticipate that first-quarter nominal DPI will be revised down about \$24 billion (annual rate) in the preliminary GDP release next month, we have adjusted the advance BEA estimates accordingly.<sup>1</sup> Taking these factors into account, we estimate that real DPI increased at an annual rate of 3½ percent over the past two quarters.

With little change in real disposable income in March, the small increase in real outlays nudged the saving rate down 0.1 percentage point. The BEA reported that the personal saving rate stood at 0.4 percent in March and 0.6 percent for the quarter as a whole. However, because of the expected revision to nominal DPI noted above, we estimate that the published personal saving rate will be revised down about 0.3 percentage point for the quarter.

The Michigan Survey Research Center's index of consumer sentiment decreased further in April to 87.7. The index, which currently stands somewhat below its average over the preceding twelve months, has been declining since December. The implied level for the second half of April was 86.4, a bit lower than the reading of 88.7 in the first half of the month. The April decline reflected a weakening in both the "current conditions" and the "expected conditions" components of the index. Among the items not included in the overall index, consumers' expectations about the change in unemployment over the next twelve months deteriorated to a level last seen two years ago. Consumers' appraisals of buying conditions for cars and houses moved down, but by less than appeared to be the case in the preliminary index.

### **Prices and Labor Costs**

The GDP price index increased at an annual rate of 3.3 percent in the first quarter, bringing the four-quarter change to 2.5 percent—¾ percentage point above the year-earlier reading. In the first quarter, prices of government consumption and investment posted a large increase reflecting the annual pay increases effective at the beginning of the year; even though such increases occur each year, the BEA chooses not to adjust them

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<sup>1</sup> We believe that the BEA did not fully incorporate incoming information on net tax receipts and underestimated personal taxes in the advance GDP release. In the preliminary release, we expect the BEA to take on board the incoming information, which we had already incorporated in our estimates.



April 29, 2005

**University of Michigan Survey Research Center: Survey of Consumer Attitudes**  
**Indexes of consumer sentiment**  
 (Not seasonally adjusted)

Category	2004				2005			
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. <sup>F</sup>
Composite of current and expected conditions <sup>1</sup>	94.2	91.7	92.8	97.1	95.5	94.1	92.6	87.7
Current conditions <sup>1</sup>	103.7	104.0	104.7	106.7	110.9	109.2	108.0	104.4
Expected conditions <sup>1</sup>	88.0	83.8	85.2	90.9	85.7	84.4	82.8	77.0
Personal financial situation								
Now compared with 12 months ago <sup>2</sup>	113	112	113	112	123	121	117	113
Expected in 12 months <sup>2</sup>	128	127	124	130	133	127	130	121
Expected business conditions								
Next 12 months <sup>2</sup>	116	113	115	122	114	114	104	96
Next 5 years <sup>2</sup>	110	97	104	114	97	98	98	91
Appraisal of buying conditions								
Cars	148	152	138	154	147	144	130	128
Large household appliances <sup>2</sup>	155	158	158	165	165	162	163	158
Houses	162	155	155	160	158	151	150	149
Expected unemployment change - next 12 months	105	105	106	103	111	111	112	118
Prob. household will lose a job - next 5 years	22	28	23	22	23	23	23	27
Expected inflation - next 12 months								
Mean	3.2	3.6	3.3	3.4	3.5	3.3	4.0	4.0
Median	2.8	3.1	2.8	3.0	2.9	2.9	3.2	3.3
Expected inflation - next 5 to 10 years								
Mean	3.1	3.2	3.1	3.1	3.2	3.1	3.3	3.4
Median	2.8	2.8	2.7	2.8	2.7	2.8	2.9	3.0

Note. Figures on financial, business, and buying conditions are the percent reporting 'good times' (or 'better') minus the percent reporting 'bad times' (or 'worse'), plus 100. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall, plus 100.

F Final.

1. Feb. 1966 = 100.

2. Indicates the question is one of the five equally-weighted components of the index of sentiment.

for seasonal variation. In addition, the increases in prices of some investment goods, including construction prices for oil and gas drilling and prices of some types of capital equipment, were surprisingly sharp.

The PCE price index rose at an annual rate of 2.1 percent last quarter, and core PCE prices increased at a 2.2 percent rate. In March, PCE prices rose 0.5 percent, reflecting, in part, a jump of 4.2 percent in energy prices. Excluding food and energy, PCE prices rose 0.3 percent last month. Over the twelve months ending in March, core PCE prices were up 1.7 percent,  $\frac{1}{4}$  percentage point more than the increase over the preceding twelve-month period. The market-based component of core PCE prices also showed an acceleration of about  $\frac{1}{4}$  percentage point over the past year, less than the pickup in core CPI inflation. The smaller acceleration in market-based core PCE prices relative to the core CPI stems in part from the PCE index's smaller weight on housing and its use of PPIs rather than CPIs to measure the price of many medical services.

In the final Michigan survey for April, households' median expectation for inflation over the next twelve months ticked up to 3.3 percent. The median of expected inflation over the next five to ten years inched up to 3 percent.

First-quarter estimates for productivity and costs in the nonfarm business sector will be released on May 5<sup>th</sup>. Based on data from the advance GDP release and our estimate of the first-quarter increase in hours, the staff estimates that productivity in the nonfarm business sector increased at an annual rate of 1.8 percent in the first quarter following a 2.3 percent advance in the fourth quarter. Over the four quarters ending last quarter, we estimate that productivity advanced about 2.3 percent, a considerable step-down from its elevated 5.5 percent pace during 2003. We currently estimate that compensation per hour increased at an annual rate of 4.1 percent in the first quarter.

The employment cost index for hourly compensation of private industry workers rose at an annual rate of only 2.5 percent over the three months ending in March—down from a 3.2 percent rate during the preceding three months. For the twelve months ending in March, hourly compensation in private industry increased 3.4 percent,  $\frac{1}{2}$  percentage point less than in the preceding year.

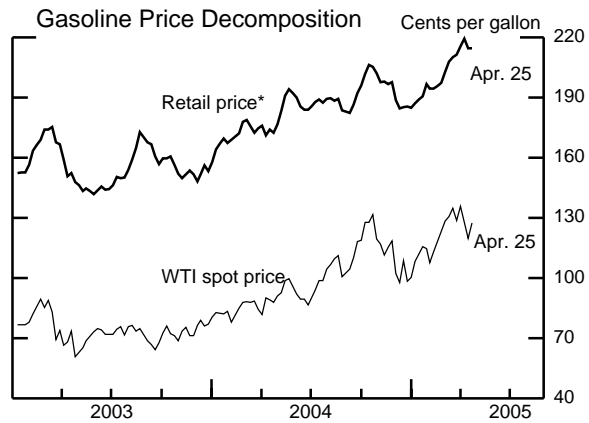
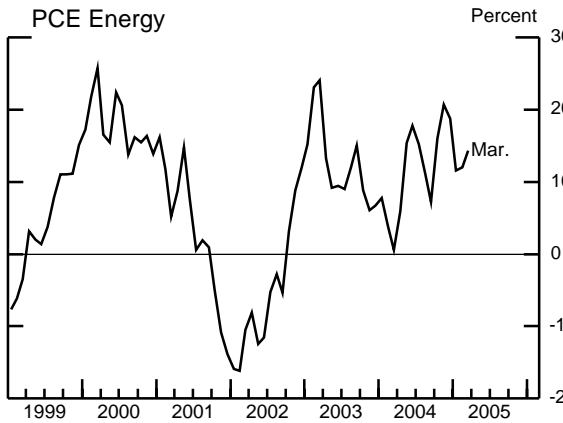
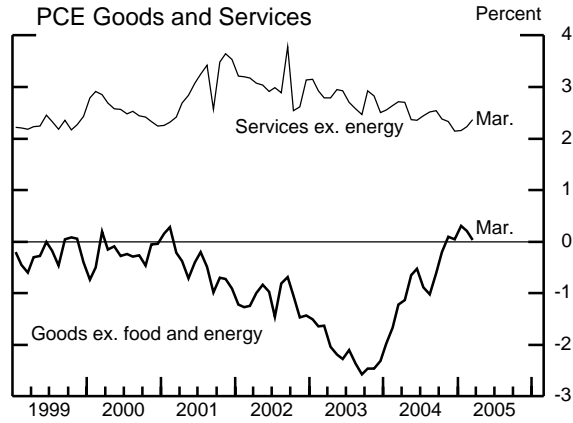
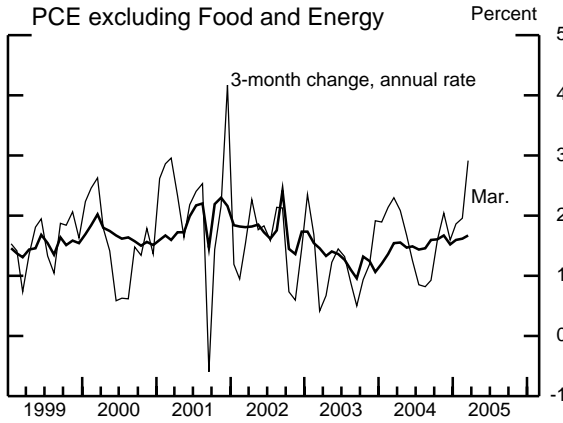
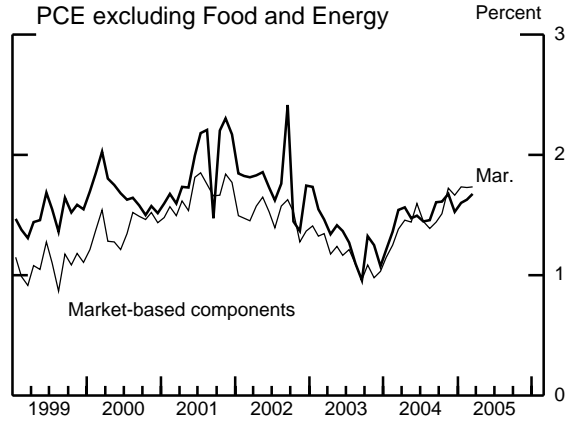
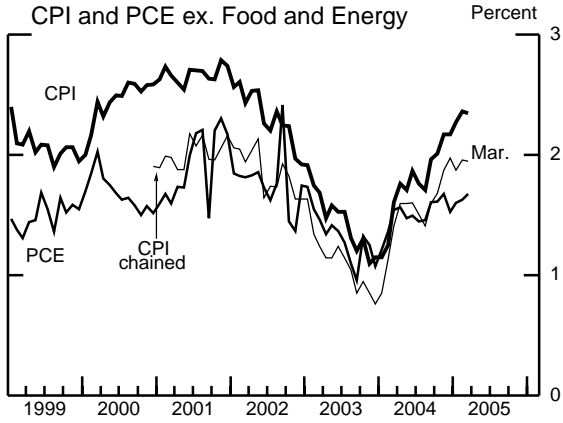
The ECI for wages and salaries advanced at an annual rate of 2.4 percent in the three months ending in March; this component of compensation also rose 2.4 percent over the

**Measures of Inflation**  
(Percent)

Measures	12-month change		3-month change		1-month change	
	Mar. 2004	Mar. 2005	Annual rate		Monthly rate	
			Dec. 2004	Mar. 2005	Feb. 2005	Mar. 2005
<i>CPI</i>						
<b>Total</b>	<b>1.7</b>	<b>3.1</b>	<b>3.4</b>	<b>4.3</b>	<b>.4</b>	<b>.6</b>
Food	3.2	2.5	3.5	1.3	.1	.2
Energy	.4	12.4	15.3	21.1	2.0	4.0
<b>Ex. food and energy</b>	<b>1.6</b>	<b>2.3</b>	<b>2.0</b>	<b>3.3</b>	<b>.3</b>	<b>.4</b>
Core goods	-1.6	.6	1.4	1.1	.0	.0
Core services	2.9	3.0	2.3	4.0	.3	.5
Chained CPI (n.s.a.) <sup>1</sup>	1.6	2.6	...	...	...	...
Ex. food and energy <sup>1</sup>	1.4	1.9	...	...	...	...
<i>PCE prices</i>						
<b>Total</b>	<b>1.7</b>	<b>2.4</b>	<b>2.5</b>	<b>3.6</b>	<b>.3</b>	<b>.5</b>
Food	2.8	2.4	2.8	1.1	.0	.2
Energy	.6	14.3	16.2	22.0	2.1	4.2
<b>Ex. food and energy</b>	<b>1.5</b>	<b>1.7</b>	<b>1.6</b>	<b>2.9</b>	<b>.2</b>	<b>.3</b>
Core goods	-1.2	.0	.4	1.8	.0	.1
Core services	2.7	2.4	2.1	3.4	.3	.3
Core market-based	1.4	1.7	1.7	2.7	.2	.2
Core non-market-based	2.3	1.4	1.0	3.8	.3	.4
<i>PPI</i>						
<b>Total finished goods</b>	<b>1.5</b>	<b>4.9</b>	<b>7.2</b>	<b>5.7</b>	<b>.4</b>	<b>.7</b>
Food	5.5	3.6	7.0	3.7	.8	.3
Energy	-.4	15.3	25.4	15.9	1.4	3.3
<b>Ex. food and energy</b>	<b>.7</b>	<b>2.6</b>	<b>2.6</b>	<b>3.7</b>	<b>.1</b>	<b>.1</b>
Core consumer goods	.8	2.6	2.5	4.5	.2	.1
Capital equipment	.4	2.7	3.1	2.8	-.2	.3
Intermediate materials	1.5	8.7	6.8	8.7	.7	1.0
Ex. food and energy	3.0	7.6	4.6	6.8	.5	.3
Crude materials	.5	10.8	41.9	2.4	-1.6	4.3
Ex. food and energy	31.8	3.3	25.2	-17.0	-3.0	1.0

1. Higher-frequency figures are not applicable for data that are not seasonally adjusted.  
... Not applicable.

### Consumer Price Inflation (12-month change except as noted)



\* Average of all grades reported by the Department of Energy, seasonally adjusted by FRB staff.

**Broad Measures of Inflation**  
(Percent change, Q1 to Q1)

Measure	2002	2003	2004	2005
<i>Product prices</i>				
GDP price index	1.9	2.0	1.7	2.5
Less food and energy	2.2	1.9	1.4	2.4
Nonfarm business chain price index	1.2	1.5	.8	2.5
<i>Expenditure prices</i>				
Gross domestic purchases price index	1.3	2.5	1.7	2.8
Less food and energy	1.9	1.8	1.5	2.3
PCE price index	1.1	2.4	1.7	2.3
Less food and energy	1.8	1.6	1.4	1.6
PCE price index, market-based components	.8	2.3	1.7	2.5
Less food and energy	1.5	1.4	1.3	1.7
CPI	1.2	2.9	1.8	3.0
Less food and energy	2.5	1.8	1.3	2.3
Chained CPI	.9	2.5	1.6	2.6
Less food and energy	2.0	1.4	1.1	1.9
Median CPI	3.8	2.7	1.9	2.5
Trimmed mean CPI	2.3	2.1	1.7	2.3

**Surveys of Inflation Expectations**  
(Percent)

Period	Actual CPI inflation <sup>1</sup>	University of Michigan				Professional forecasters (10-year) <sup>4</sup>
		1 year <sup>2</sup>		5 to 10 years <sup>3</sup>		
		Mean	Median	Mean	Median	
2003:Q2	2.1	2.6	2.2	3.1	2.7	2.5
Q3	2.2	2.8	2.3	3.1	2.7	2.5
Q4	1.9	3.0	2.6	3.1	2.8	2.5
2004:Q1	1.8	3.1	2.7	3.4	2.9	2.5
Q2	2.9	4.0	3.3	3.3	2.8	2.5
Q3	2.7	3.3	2.9	3.1	2.8	2.5
Q4	3.3	3.4	3.0	3.1	2.8	2.5
2005:Q1	3.0	3.6	3.0	3.2	2.8	2.5
2004:Oct.	3.2	3.6	3.1	3.2	2.8	...
Nov.	3.5	3.3	2.8	3.1	2.7	...
Dec.	3.3	3.4	3.0	3.1	2.8	2.5
2005:Jan.	3.0	3.5	2.9	3.2	2.7	...
Feb.	3.0	3.3	2.9	3.1	2.8	...
Mar.	3.1	4.0	3.2	3.3	2.9	2.5
Apr.	n.a.	4.0	3.3	3.4	3.0	...

1. Percent change from the same period in the preceding year.
  2. Responses to the question: By about what percent do you expect prices to go up, on average, during the next 12 months?
  3. Responses to the question: By about what percent per year do you expect prices to go up, on average, during the next 5 to 10 years?
  4. Quarterly CPI projections compiled by the Federal Reserve Bank of Philadelphia.
- ... Not applicable.  
n.a. Not available.

### Labor Output per Hour

(Percent change from preceding period at an annual rate;  
seasonally adjusted)

Sector	2002	2003	2004 <sup>e</sup>	2004		2005	2004:Q1 to 2005:Q1 <sup>e</sup>
				Q3	Q4 <sup>e</sup>	Q1 <sup>e</sup>	
Nonfarm business							
All persons	3.5	5.5	2.8	1.3	2.3	1.8	2.3
All employees <sup>1</sup>	3.7	6.0	2.7	2.2	1.9	2.3	2.5
Nonfinancial corporations <sup>2</sup>	4.1	5.4	3.2	4.9	n.a.	n.a.	n.a.

Note. Annual changes are from fourth quarter of preceding year to fourth quarter of year shown.

1. Assumes that the growth rate of hours of non-employees equals the growth rate of hours of employees.

2. All corporations doing business in the United States except banks, stock and commodity brokers, and finance and insurance companies. The sector accounts for about two-thirds of business employment.

e. Staff estimates.

n.a. Not available.

### Nonfarm Hourly Compensation and Unit Labor Costs

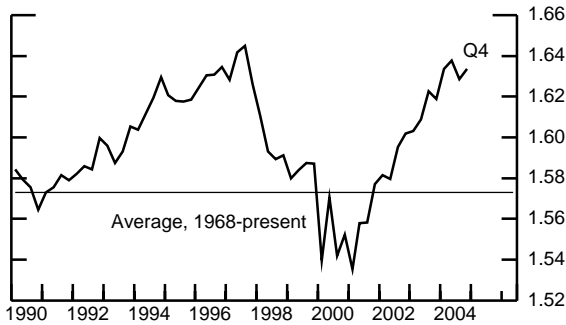
(Percent change from preceding period at compound annual rate; based on seasonally adjusted data)

Category	2003	2004	2004			2005
			Q2	Q3	Q4	Q1 <sup>e</sup>
Compensation per hour	5.3	4.3	5.9	5.4	3.8	4.1
Unit labor costs	-.2	1.4	1.9	4.0	1.5	2.2

Note. Annual changes are from fourth quarter of preceding year to fourth quarter of year shown.

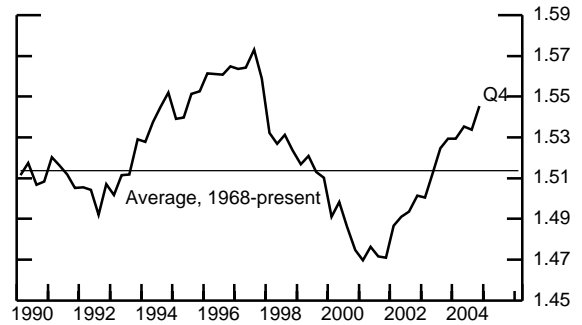
e Staff estimates.

#### Markup, Nonfarm Businesses



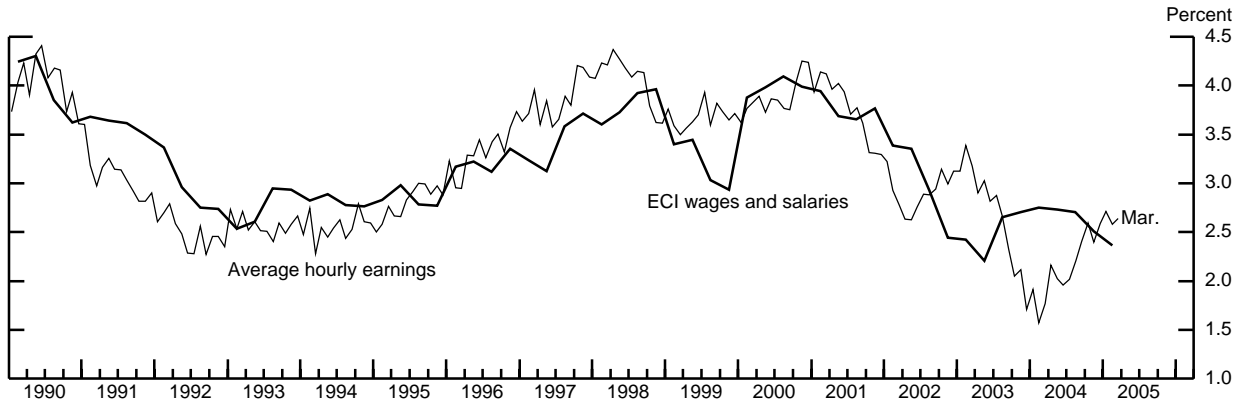
Note. Markup defined as ratio of output price to unit labor costs.

#### Markup, Nonfinancial Corporations



Note. Markup defined as ratio of output price to unit labor costs.

### Labor Costs for Production or Nonsupervisory Workers (12-month change)



past twelve months,  $\frac{1}{4}$  percentage point less than during the preceding year. Benefits costs increased at an annual rate of 4.3 percent in the first three months of 2005, the smallest quarterly increase in this component of labor compensation since 2002. Over the twelve months ending in March, benefit costs were up 5.8 percent, compared with an increase of 7 percent the preceding year. Although a sharp jump in bonuses early this year boosted the year-over-year rise in that component of benefits, other employment benefits costs have moderated. In particular, the retirement and savings category of benefits decelerated noticeably over the period from March 2004 to March 2005, rising 11.7 percent, compared with an increase of 23.7 percent during the preceding twelve months, which included a large pension payment by General Motors. Health insurance costs also have slowed a bit, with the rise of 7.5 percent over the twelve months ending in March down from the year-over-year increase of 9.3 percent recorded in March 2004.

## **The Domestic Financial Economy**



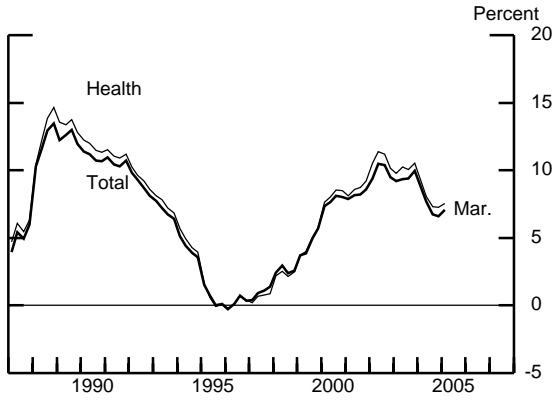
**Change in Employment Cost Index of Hourly Compensation  
for Private-Industry Workers**

Industry and occupational group	2004				2005
	Mar.	June	Sept.	Dec.	Mar.
	Quarterly change (compound annual rate) <sup>1</sup>				
<b>Total hourly compensation</b>	<b>4.6</b>	<b>3.8</b>	<b>4.0</b>	<b>3.2</b>	<b>2.5</b>
Wages and salaries	2.5	2.5	3.0	1.7	2.4
Benefits	9.3	6.9	5.5	6.7	4.3
<i>By industry</i>					
Construction	3.2	2.2	2.9	1.4	4.4
Manufacturing	6.6	4.3	5.0	4.2	1.6
Transportation and public utilities	5.6	4.5	3.1	2.6	.9
Wholesale trade	2.6	2.6	5.6	.2	3.9
Retail trade	1.7	3.5	1.2	2.7	2.4
FIRE	3.6	2.4	2.6	2.6	6.4
Services	3.8	4.0	3.5	3.9	2.9
<i>By occupation</i>					
White collar	3.8	3.3	3.7	3.7	3.6
Blue collar	6.0	4.1	3.9	3.8	.9
Service occupations	3.7	3.6	2.2	2.9	.9
Memo: State and local governments	3.7	3.6	3.3	3.6	4.2
	12-month change				
<b>Total hourly compensation</b>	<b>3.9</b>	<b>4.0</b>	<b>3.7</b>	<b>3.8</b>	<b>3.4</b>
Excluding sales workers	3.9	4.0	3.9	3.9	3.6
Wages and salaries	2.6	2.6	2.6	2.4	2.4
Excluding sales workers	2.6	2.5	2.5	2.5	2.5
Benefits	7.0	7.3	6.8	6.9	5.8
<i>By industry</i>					
Construction	3.5	3.0	2.9	2.4	2.7
Manufacturing	4.7	4.7	5.0	5.0	3.8
Transportation and public utilities	4.0	4.3	4.3	3.9	2.8
Wholesale trade	2.5	2.7	3.4	2.7	3.0
Retail trade	3.5	4.0	2.7	2.3	2.5
FIRE	3.3	3.0	2.6	2.8	3.5
Services	3.8	4.0	3.8	3.8	3.6
<i>By occupation</i>					
White collar	3.6	3.7	3.6	3.5	3.6
Sales	3.5	3.7	3.5	2.6	2.3
Nonsales	3.7	3.7	3.6	3.8	3.8
Blue collar	4.5	4.6	4.5	4.4	3.2
Service occupations	3.2	3.4	3.1	2.9	2.4
Memo: State and local governments	3.3	3.4	3.4	3.5	3.6

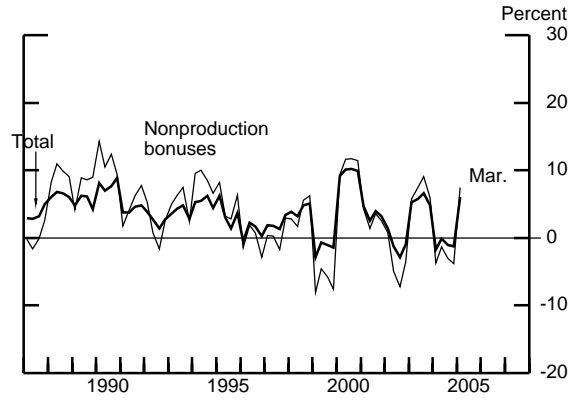
1. Seasonally adjusted by the BLS.

### ECI Benefits Costs (confidential) (Private-industry workers; 12-month change)

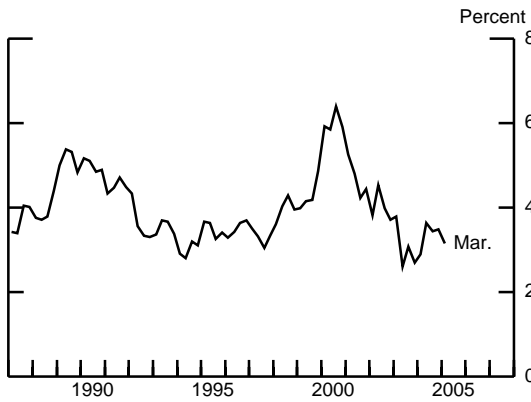
Insurance Costs



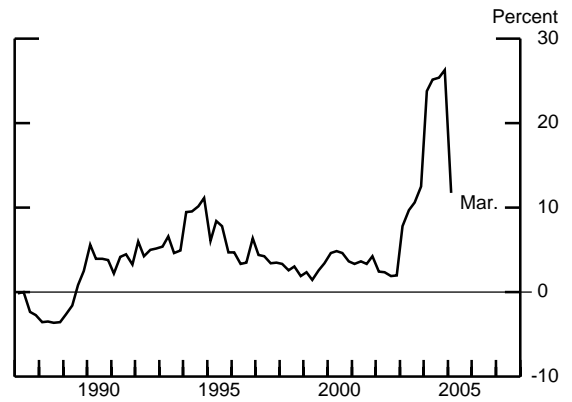
Supplemental Pay



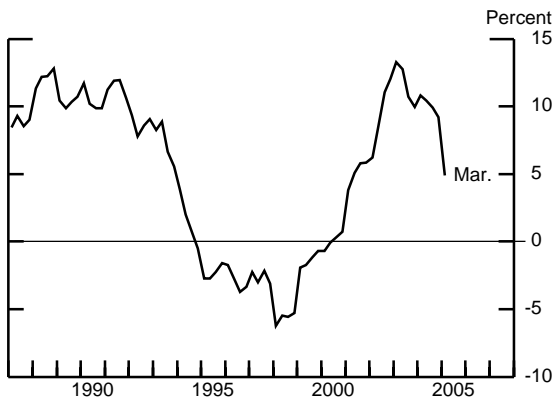
Paid Leave



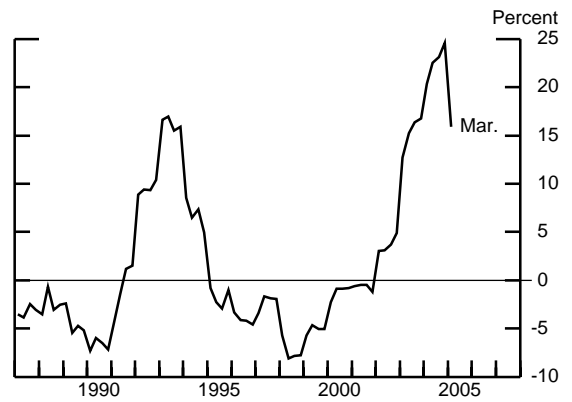
Retirement and Savings



Workers' Compensation Insurance



State Unemployment Insurance



### Commercial Bank Credit

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

Type of credit	2003	2004	Q4 2004	Q1 2005	Mar. 2005	Apr. <sup>e</sup> 2005	Level, Apr. 2005 <sup>e</sup> (\$ billions)
<b>Total</b>							
<b>1. Adjusted<sup>1</sup></b>	<b>5.9</b>	<b>8.7</b>	<b>5.3</b>	<b>13.4</b>	<b>17.8</b>	<b>2.8</b>	<b>6,808</b>
2. Reported	5.6	8.2	5.6	11.2	14.5	4.1	6,945
<i>Securities</i>							
3. Adjusted <sup>1</sup>	8.6	6.1	-5	22.9	24.8	-15.1	1,839
4. Reported	7.2	4.8	.8	14.5	13.0	-9.0	1,976
5. Treasury and agency	8.9	4.7	-11.4	18.4	-9	-25.6	1,184
6. Other <sup>2</sup>	4.9	4.8	21.1	8.3	35.1	16.7	793
<i>Loans<sup>3</sup></i>							
7. Total	4.9	9.6	7.5	9.9	15.1	9.5	4,969
8. Business	-9.4	1.2	6.0	15.0	7.3	15.4	939
9. Real estate	11.1	13.7	12.9	12.6	23.8	12.3	2,666
10. Home equity	30.8	43.3	37.3	18.2	23.3	11.6	419
11. Other	8.8	9.6	8.7	11.6	23.9	12.4	2,247
12. Consumer	5.4	8.6	-1.9	7.1	10.4	4.7	688
13. Adjusted <sup>4</sup>	5.8	5.8	2.3	4.1	2.5	-2.0	1,048
14. Other <sup>5</sup>	6.8	7.9	-6	-3.9	-2.5	-4.8	676

Note. Data are adjusted to remove estimated effects of consolidation related to FIN 46 and 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.

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

2. Includes private mortgage-backed securities, securities of corporations, state and local governments, 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.

e Estimated.

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

Instrument	2004		2005		Change to Apr. 28 from selected dates (percentage points)		
	June 28	Dec. 31	Mar. 21	Apr. 28	2004 June 28	2004 Dec. 31	2005 Mar. 21
<i>Short-term</i>							
FOMC intended federal funds rate	1.00	2.25	2.50	2.75	1.75	.50	.25
Treasury bills <sup>1</sup>							
3-month	1.36	2.18	2.80	2.82	1.46	.64	.02
6-month	1.74	2.52	3.04	3.06	1.32	.54	.02
Commercial paper (A1/P1 rates) <sup>2</sup>							
1-month	1.28	2.29	2.78	2.98	1.70	.69	.20
3-month	1.45	2.28	2.96	3.09	1.64	.81	.13
Large negotiable CDs <sup>1</sup>							
3-month	1.53	2.50	3.00	3.16	1.63	.66	.16
6-month	1.82	2.72	3.26	3.36	1.54	.64	.10
Eurodollar deposits <sup>3</sup>							
1-month	1.29	2.32	2.79	3.02	1.73	.70	.23
3-month	1.51	2.49	2.98	3.13	1.62	.64	.15
Bank prime rate	4.00	5.25	5.50	5.75	1.75	.50	.25
<i>Intermediate- and long-term</i>							
U.S. Treasury <sup>4</sup>							
2-year	2.88	3.08	3.75	3.59	.71	.51	-.16
5-year	3.97	3.63	4.17	3.84	-.13	.21	-.33
10-year	4.90	4.34	4.63	4.25	-.65	-.09	-.38
U.S. Treasury indexed notes							
5-year	1.56	1.03	1.26	1.10	-.46	.07	-.16
10-year	2.25	1.65	1.78	1.58	-.67	-.07	-.20
Municipal revenue (Bond Buyer) <sup>5</sup>	5.37	5.04	4.99	4.83	-.54	-.21	-.16
Private instruments							
10-year swap	5.21	4.65	4.95	4.66	-.55	.01	-.29
10-year FNMA <sup>6</sup>	5.30	4.61	4.83	4.57	-.73	-.04	-.26
10-year AA <sup>7</sup>	5.59	4.98	5.26	4.95	-.64	-.03	-.31
10-year BBB <sup>7</sup>	6.18	5.38	5.64	5.45	-.73	.07	-.19
5-year high yield <sup>7</sup>	8.30	7.34	7.68	8.24	-.06	.90	.56
Home mortgages (FHLMC survey rate)							
30-year fixed	6.21	5.77	6.01	5.78	-.43	.01	-.23
1-year adjustable	4.19	4.10	4.24	4.21	.02	.11	-.03

Stock exchange index	Record high		2004	2005		Change to Apr. 28 from selected dates (percent)		
	Level	Date	Dec. 31	Mar. 21	Apr. 28	Record high	2004 Dec. 31	2005 Mar. 21
Dow Jones Industrial	11,723	1-14-00	10,783	10,565	10,070	-14.10	-6.61	-4.69
S&P 500 Composite	1,527	3-24-00	1,212	1,184	1,143	-25.16	-5.67	-3.43
Nasdaq	5,049	3-10-00	2,175	2,008	1,904	-62.28	-12.47	-5.15
Russell 2000	655	12-28-04	652	622	575	-12.15	-11.75	-7.49
Wilshire 5000	14,752	3-24-00	11,971	11,684	11,245	-23.77	-6.06	-3.75

1. Secondary market.
2. Financial commercial paper.
3. Bid rates for Eurodollar deposits collected around 9:30 a.m. eastern time.
4. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
5. Most recent Thursday quote.
6. Constant maturity yields estimated from Fannie Mae domestic noncallable coupon securities.
7. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data.

NOTES:

June 28, 2004, is the day before the most recent policy tightening began.  
 March 21, 2005, is the day before the most recent FOMC announcement.