

## **Prefatory Note**

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,<sup>1</sup> and then making the scanned versions text-searchable.<sup>2</sup> Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that this document may contain occasional gaps in the text. These gaps are the result of a redaction process that removed information obtained on a confidential basis. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

---

<sup>1</sup> In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

<sup>2</sup> A two-step process was used. An advanced optimal character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)  
CLASS III - FOMC

March 19, 1993

SUPPLEMENT  
CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the  
Federal Open Market Committee

By the Staff  
Board of Governors  
of the Federal Reserve System

TABLE OF CONTENTS

	Page
THE DOMESTIC NONFINANCIAL ECONOMY	
Consumer sentiment . . . . .	1
Insured unemployment . . . . .	2
<u>Table</u>	
University of Michigan Survey Research Center: Survey of consumer attitudes . . . . .	3
<u>Chart</u>	
Unemployment insurance . . . . .	4
THE FINANCIAL ECONOMY	
Revision to monetary aggregates. . . . .	5
<u>Tables</u>	
Monetary aggregates . . . . .	6
Commercial bank credit and short- and intermediate-term business credit. . . . .	7
Selected financial market quotations . . . . .	8
THE INTERNATIONAL ECONOMY	
U.S. merchandise trade . . . . .	9
<u>Table</u>	
Merchandise trade: Census-based data. . . . .	10

THE DOMESTIC NONFINANCIAL ECONOMY

Consumer Sentiment

According to preliminary data, the University of Michigan's composite index of consumer sentiment recorded another decline in early March, falling 2-1/4 index points to a level of 84.3. The slide in consumer confidence so far this year has returned the index to about the same level as recorded last November. The preliminary March results are based on responses from about two-thirds of the survey participants.

The decline in the composite index reflected respondents' more pessimistic assessments of their personal financial situations one year from now and of future business conditions. In addition, assessments of unemployment over the next twelve months--a question not included in the composite index, but one that often has been associated with changes in consumer spending patterns--deteriorated. In contrast, the component of the composite index that measures current personal financial conditions posted a notable increase, and the perception of buying conditions for large household durables remained at a high level. Respondents' mean expectations of inflation over the next twelve months fell 1/4 percentage point to 4.3 percent; this decline offset only a small portion of the sharp increase reported in February. In contrast, long-run inflation expectations reversed nearly all of their month-earlier increase, dropping back 1 percentage point in March to 4.9 percent.

Insured Unemployment

Initial claims for unemployment insurance, adjusted to include emergency unemployment compensation (EUC) program filings, edged down to 380,000 during the week ended March 13. Claims have fluctuated without trend between 350,000 and 400,000 since December.

The level of insured unemployment, adjusted to include a staff estimate of the effect of the EUC program, increased to 3.07 million during the week ended March 6.

Beginning yesterday, the Labor Department has advanced the release date of the unemployment insurance data by one week. Now initial claims for the preceding week--rather than for two weeks earlier--are announced each Thursday. Similarly, the level of insured unemployment now is released with a two-week rather than three-week lag.

March 19, 1993

UNIVERSITY OF MICHIGAN SURVEY RESEARCH CENTER: SURVEY OF CONSUMER ATTITUDES  
(Not seasonally adjusted)

	1992 Jul	1992 Aug	1992 Sep	1992 Oct	1992 Nov	1992 Dec	1993 Jan	1993 Feb	1993 Mar (p)
Indexes of consumer sentiment (Feb. 1966=100)									
Composite of current and expected conditions	76.6	76.1	75.6	73.3	85.3	91.0	89.3	86.6	84.3
Current conditions	90.6	86.2	88.3	82.5	96.4	93.4	98.6	96.0	100.1
Expected conditions	67.6	69.5	67.4	67.5	78.2	89.5	83.4	80.6	74.2
-----									
Personal financial situation									
Now compared with 12 months ago*	96	91	102	90	109	99	110	100	111
Expected in 12 months*	125	121	123	121	124	131	127	125	119
Expected business conditions									
Next 12 months*	78	81	78	80	99	126	111	103	92
Next 5 years*	66	76	68	67	91	103	97	95	85
Appraisal of buying conditions									
Cars	128	129	130	121	134	145	134	132	137
Large household appliances*	138	132	126	123	140	142	145	148	148
Houses	153	159	162	148	160	162	166	158	175
Willingness to use credit	39	41	44	34	43	39	37	40	43
Willingness to use savings	58	61	65	61	70	59	64	52	73
Expected unemployment change - next 12 months	132	123	127	125	109	99	98	110	120
Expected inflation - next 12 months	3.9	4.0	4.1	3.6	4.6	3.3	3.5	4.6	4.3
Expected inflation - next 5 to 10 years	4.7	5.0	5.0	5.1	5.5	5.2	4.8	5.9	4.9

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

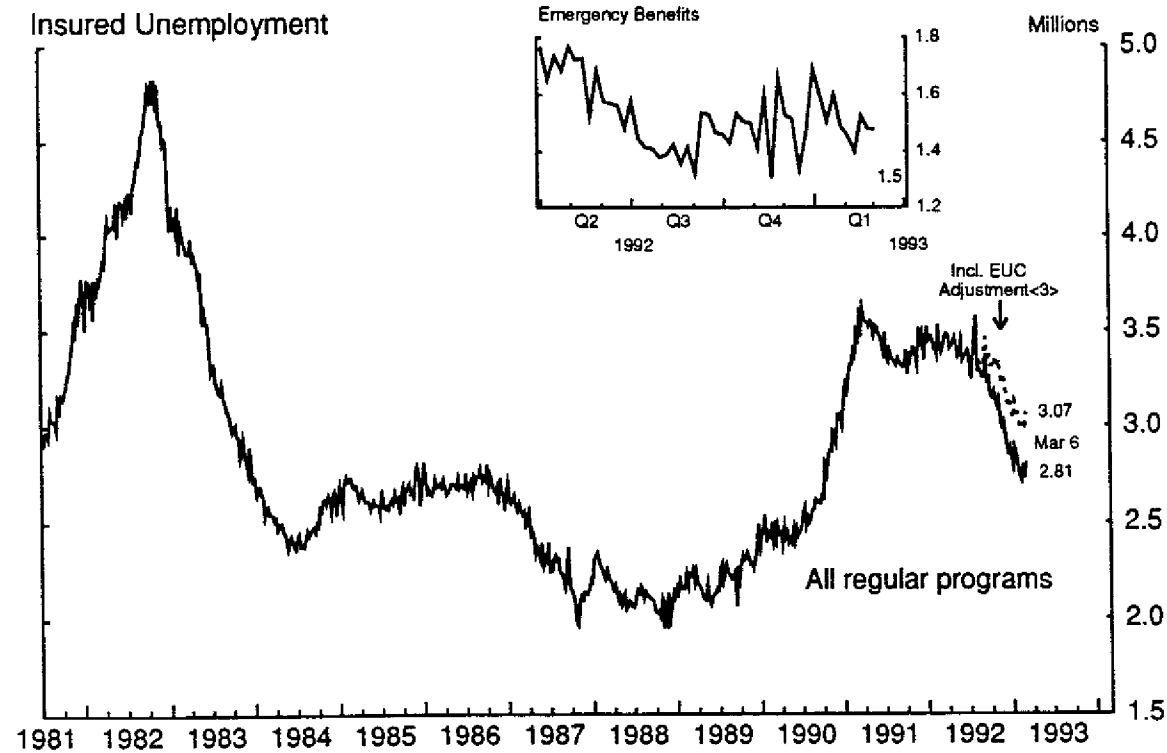
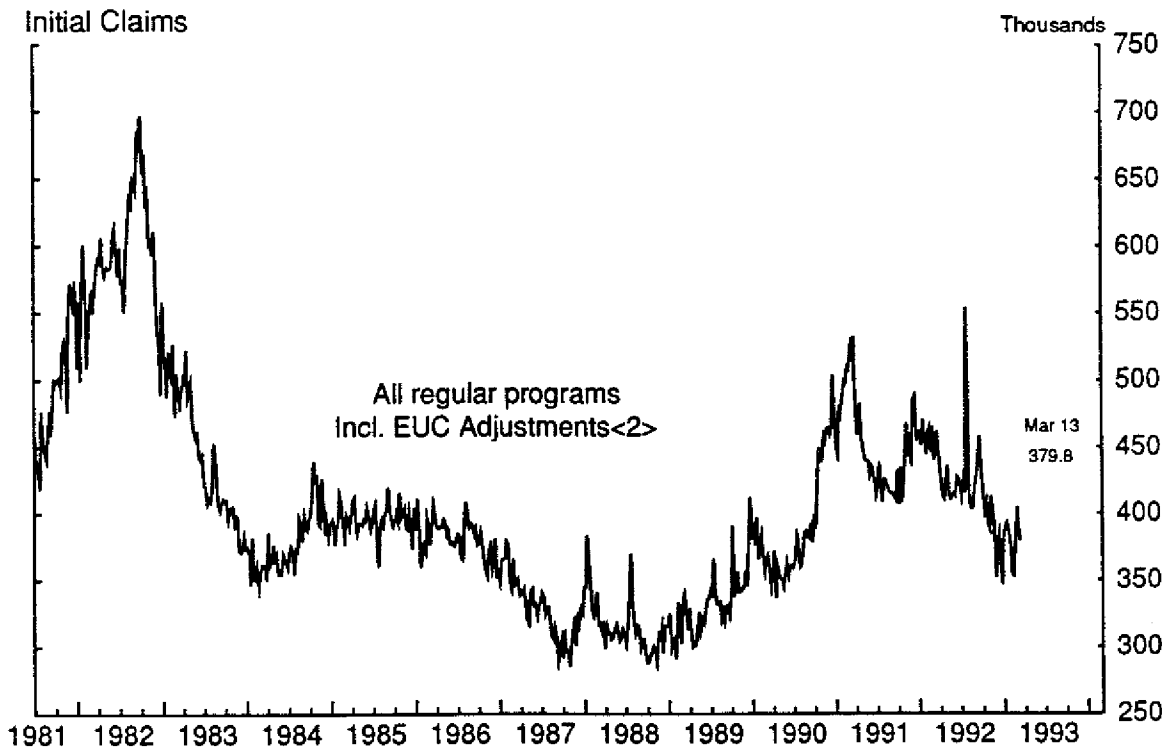
(p) -- Preliminary

(f) -- Final

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. Asterisk (\*) indicates the question is one of the five equally-weighted components of the index of sentiment. Expected change in unemployment is the fraction expecting unemployment to rise minus the fraction expecting unemployment to fall.

# Unemployment Insurance

(Weekly data; seasonally adjusted, BLS basis <1>)



<1> Only the state program components of these series are seasonally adjusted.  
<2> Beginning July 18, 1992, includes initial claims filed under the emergency unemployment benefits program by individuals also eligible to file under regular programs.  
<3> Includes staff estimate of emergency benefits recipients who are also eligible to file under regular programs.

THE FINANCIAL ECONOMY

Revision to Monetary Aggregates

Owing to upward revisions in the level of IRA/Keogh accounts at money market mutual funds in 1992, which have been carried through to this year, the 1992 growth rates of M2 and M3 (measured from fourth quarter to fourth quarter) were each revised down by 0.2 percentage point to 1.8 percent and 0.3 percent respectively.



MONETARY AGGREGATES  
(based on seasonally adjusted data unless otherwise noted)

	1992 <sup>1</sup>	1992 Q3	1992 Q4	1992 Dec	1993 Jan	1993 Feb p	Growth Q4 92- Feb 93p
-----Percent change at annual rates-----							
1. M1	14.3	11.6	16.8	8.8	7.7	-0.5	6.1
2. M2	1.8	0.8	2.7	-0.3	-3.1	-4.1	-2.2
3. M3	0.3	0.1	-0.2	-3.3	-7.1	-2.4	-3.9
							Levels bil. \$ Feb 93p
-----Percent change at annual rates-----							
<u>Selected components</u>							
4. M1-A	13.7	12.2	15.3	7.3	6.2	3.7	646.7
5. Currency	9.1	11.1	10.3	10.4	10.3	8.5	296.9
6. Demand deposits	18.0	13.3	19.6	4.9	3.9	-0.4	341.9
7. Other checkable deposits	15.4	10.8	19.3	11.3	10.3	-7.4	386.1
8. M2 minus M1 <sup>2</sup>	-2.6	-3.2	-2.8	-4.0	-7.6	-5.7	2443.3
9. Overnight RPs and Eurodollars, NSA	1.8	15.1	2.7	-19.2	-17.9	6.6	73.2
10. General purpose and broker/dealer money market mutual fund shares	-5.2	-7.5	-4.1	-4.9	-8.1	-20.5	334.2
11. Commercial banks	-0.1	-1.6	0.2	-1.1	-6.1	2.3	1259.1
12. Savings deposits (including MMDAs)	14.5	10.9	12.9	5.7	-3.2	2.5	755.7
13. Small time deposits	-15.8	-17.4	-17.2	-11.5	-10.4	1.9	503.4
14. Thrift institutions	-5.5	-4.7	-5.9	-6.6	-6.7	-16.1	778.5
15. Savings deposits (including MMDAs)	14.8	9.2	8.7	5.6	1.1	-9.8	426.8
16. Small time deposits	-21.5	-18.5	-21.7	-21.1	-15.5	-23.4	351.8
17. M3 minus M2 <sup>3</sup>	-6.6	-3.6	-14.3	-18.7	-27.8	7.3	658.3
18. Large time deposits	-16.3	-17.9	-17.1	-12.6	-22.8	-11.6	347.3
19. At commercial banks, net <sup>4</sup>	-15.4	-18.6	-18.3	-10.7	-26.9	-8.0	281.8
20. At thrift institutions	-19.6	-14.7	-11.3	-21.0	-3.6	-28.6	65.5
21. Institution-only money market mutual fund shares	18.2	32.8	-19.3	-39.6	-27.3	25.5	201.9
22. Term RPs, NSA	7.8	2.6	23.1	-10.3	-11.9	39.1	82.4
23. Term Eurodollars, NSA	-22.6	-19.5	-28.5	-33.1	-52.3	57.4	46.0
-----Average monthly change in billions of dollars-----							
<u>MEMORANDA:<sup>5</sup></u>							
24. Managed liabilities at commercial banks (25+26)	-2.0	1.1	-4.4	-1.7	-6.7	-2.7	670.1
25. Large time deposits, gross	-4.6	-3.4	-5.5	-4.7	-6.7	-2.0	357.9
26. Nondeposit funds	2.6	4.5	1.2	3.0	0.0	-0.7	312.2
27. Net due to related foreign institutions	2.7	0.9	2.4	2.3	3.0	-0.8	73.3
28. Other <sup>6</sup>	-0.1	3.6	-1.2	0.5	-2.9	0.2	239.0
29. U.S. government deposits at commercial banks <sup>7</sup>	-0.5	-0.2	-1.2	-0.3	5.2	-2.0	23.6

1. Amounts shown are from fourth quarter to fourth quarter.

2. Nontransactions M2 is seasonally adjusted as a whole.

3. The non-M2 component of M3 is seasonally adjusted as a whole.

4. Net of large denomination time deposits held by money market mutual funds and thrift institutions.

5. Dollar amounts shown under memoranda are calculated on an end-month-of-quarter basis.

6. Consists of borrowing from other than commercial banks in the form of federal funds purchased, securities sold under agreements to repurchase, and other liabilities for borrowed money (including borrowing from the Federal Reserve and unaffiliated foreign banks, loan RPs and other minor items). Data are partially estimated.

7. Consists of Treasury demand deposits and note balances at commercial banks.

p - preliminary

**COMMERCIAL BANK CREDIT AND SHORT- AND INTERMEDIATE-TERM BUSINESS CREDIT<sup>1</sup>**  
**(Percentage change at annual rate, based on seasonally adjusted data)**

Category	1991 Dec. to 1992 Dec.	1992 Q 3	1992 Q 4	1992 Dec.	1993 Jan.	1993 Feb. p	Level, bil.\$ 1993 Feb. p
Commercial bank credit							
1. Total loans and securities at banks	3.6	4.8	2.9	2.5	-1.6	1.9	2,940.9
2. Securities	13.2	16.5	7.7	6.9	-3.0	14.7	843.8
3. U.S. government	17.7	19.5	11.4	11.4	0.4	15.5	668.1
4. Other	-1.1	5.9	-5.8	-9.5	-15.7	11.7	175.7
5. Loans	0.2	0.5	1.1	0.7	-1.0	-3.2	2,097.1
6. Business	-3.0	-1.9	-1.2	-4.2	3.8	-1.8	597.5
7. Real estate	2.1	2.0	2.3	-0.1	-5.0	-1.9	887.7
8. Consumer	-2.0	-1.9	-1.8	0.0	9.1	9.7	360.7
9. Security	18.4	3.1	4.4	11.2	-33.2	-22.8	62.0
10. Other	0.6	4.4	6.7	17.5	-4.9	-30.3	189.3
Short- and intermediate-term business credit							
11. Business loans net of bankers acceptances	-3.0	-2.0	-1.9	-3.4	4.5	-4.5	589.8
12. Loans at foreign branches <sup>2</sup>	2.0	0.0	11.4	24.2	4.7	-61.4	24.1
13. Sum of lines 11 and 12	-2.8	-1.9	-1.2	-2.1	4.3	-6.8	613.9
14. Commercial paper issued by nonfinancial firms	9.1	7.6	15.2	-9.5	-6.4	-3.2	149.2
15. Sum of lines 13 and 14	-0.7	-0.2	1.9	-3.6	2.2	-6.1	763.1
16. Bankers acceptances, U.S. trade-related <sup>3,4</sup>	-16.9	-21.0	-6.8	0.0	-15.6	-26.3	22.3
17. Finance company loans to business <sup>4</sup>	1.4	8.6	0.5	2.8	-8.2	n.a.	303.4 <sup>5</sup>
18. Total (sum of lines 15, 16, and 17)	-0.5	1.7	1.4	-1.8	-1.1	n.a.	1,093.2 <sup>5</sup>

1. Average of Wednesdays. Data are adjusted for breaks caused by reclassifications.

2. Loans at foreign branches are loans made to U.S. firms by foreign branches of domestically chartered banks.

3. Consists of acceptances that finance U.S. imports, U.S. exports, and domestic shipment and storage of goods.

4. Based on average of data for current and preceding ends of month.

5. January 1993.

p--Preliminary.

n.a.--Not available.

1  
SELECTED FINANCIAL MARKET QUOTATIONS  
(percent)

	1992		1993		Change from:	
	Sept 4	FOMC		FOMC		
		Feb 3	Mar 18	Sept 4	Feb 3	
<b>Short-term rates</b>						
Federal funds <sup>2</sup>	3.19	3.04	3.03	-0.16	-0.01	
Treasury bills <sup>3</sup>						
3-month	2.92	2.93	2.95	0.03	0.02	
6-month	2.96	3.12	3.04	0.08	-0.08	
1-year	3.06	3.28	3.17	0.11	-0.11	
Commercial paper						
1-month	3.22	3.19	3.16	-0.06	-0.03	
3-month	3.22	3.23	3.18	-0.04	-0.05	
Large negotiable CDs <sup>3</sup>						
1-month	3.06	3.10	3.10	0.04	0.00	
3-month	3.06	3.16	3.11	0.05	-0.05	
6-month	3.11	3.30	3.19	0.08	-0.11	
Eurodollar deposits <sup>4</sup>						
1-month	3.31	3.06	3.06	-0.25	0.00	
3-month	3.31	3.19	3.13	-0.18	-0.06	
Bank prime rate	6.00	6.00	6.00	0.00	0.00	
<b>Intermediate- and long-term rates</b>						
U.S. Treasury (constant maturity)						
3-year	4.38	4.77	4.35	-0.03	-0.42	
10-year	6.40	6.45	5.93	-0.47	-0.52	
30-year	7.29	7.23	6.80	-0.49	-0.43	
Municipal revenue <sup>5</sup> (Bond Buyer)	6.31	6.36	5.90	-0.41	-0.46	
Corporate--A utility recently offered	8.06	7.96	7.64	-0.42	-0.32	
Home mortgage rates <sup>6</sup>						
FHLMC 30-yr. FRM	7.84	7.86	7.47	-0.37	-0.39	
FHLMC 1-yr. ARM	5.15	5.06	4.78	-0.37	-0.28	

	Record highs	Date	1989		1993		Percent change from:		
			Lows Jan 3	FOMC Feb 3	Mar 18	Record highs	1989 lows	FOMC Feb 3	
<b>Stock prices</b>									
Dow-Jones Industrial	3478.34	3/10/93	2144.64	3373.79	3465.64	-0.37	61.60	2.72	
NYSE Composite	251.36	3/10/93	154.00	246.45	249.12	-0.89	61.77	1.08	
AMEX Composite	423.08	3/16/93	305.24	414.89	421.12	-0.46	37.96	1.50	
NASDAQ (OTC)	708.85	2/4/93	378.56	708.67	687.41	-3.02	81.59	-3.00	
Wilshire	4475.25	3/10/93	2718.59	4419.76	4436.83	-0.86	63.20	0.39	

1/ One-day quotes except as noted.  
2/ Average for two-week reserve maintenance period closest to date shown. Last observation is average for maintenance period ending March 17, 1993.  
3/ Secondary market.  
4/ Bid rates for Eurodollar deposits at 11 a.m. London time.  
5/ Based on one-day Thursday quotes and futures market index changes.  
6/ Quotes for week ending Friday previous to date shown.

THE INTERNATIONAL ECONOMY

U.S. Merchandise Trade

The U.S. merchandise trade deficit widened slightly in January to \$7.3 billion (seasonally adjusted, Census basis). The deficit in January was not much different from the average for the fourth quarter. Both exports and imports dropped sharply in January from their December levels. In both cases, the decline was larger than usual, but not unprecedented for such volatile series. Using three-month moving averages, the value of both exports and imports was slightly less than the peak recorded in December.

Most of the decrease in exports from December to January was in shipments of aircraft (from a strong December level) and in automotive products. The decline in automotive exports in January was to Canada, Germany, Saudi Arabia, Taiwan, and Japan, and reversed a runup to those countries during the fourth quarter. The decline in imports in January was spread among almost all major trade categories, reversing increases recorded in December. One exception was imported oil whose value increased marginally (an increase in quantity was partly offset by a decline in price of about \$0.60 per barrel).

Table 1

March 18, 1993

Merchandise Trade: Census-Based Data  
(in billions of dollars, seasonally adjusted\*)

	Exports			Imports			Balance	
	Total	Ag.	NonAg.	Total	Oil	NonOil		
1990	393.6	40.2	353.4	495.3	62.1	433.2	-101.7	
1991	421.7	40.1	381.6	487.1	51.2	435.9	-65.4	
1992	448.1	44.0	404.1	532.4	51.6	480.8	-84.3	
-----								
Quarters at annual rates:								
1991 Qtr								
1	408.4	39.3	369.1	474.6	51.8	422.9	-66.2	
2	420.8	37.9	382.9	476.5	51.8	424.7	-55.7	
3	419.7	40.1	379.7	494.6	52.5	442.1	-74.9	
4	440.7	43.3	397.4	503.1	48.8	454.3	-62.4	
1992 Qtr								
1	440.8	43.2	397.6	501.2	41.9	459.3	-60.4	
2	441.2	42.2	399.0	525.4	52.3	473.2	-84.3	
3	445.9	45.7	400.3	546.8	57.0	489.8	-100.8	
4	467.7	46.1	421.6	553.7	54.7	499.0	-86.0	
-----								
Monthly Rates:								
1991	Jan	34.3	3.1	31.2	41.2	5.2	35.9	-6.9
	Feb	33.7	3.4	30.3	39.0	4.0	34.9	-5.3
	Mar	34.2	3.4	30.8	38.5	3.7	34.8	-4.3
	Apr	35.5	3.2	32.2	39.7	4.1	35.7	-4.3
	May	35.0	3.3	31.7	40.0	4.6	35.4	-5.0
	Jun	34.7	3.0	31.7	39.4	4.3	35.1	-4.7
	Jul	35.2	3.4	31.8	40.8	4.1	36.8	-5.6
	Aug	34.5	3.3	31.2	41.1	4.5	36.5	-6.6
	Sep	35.3	3.3	32.0	41.8	4.5	37.2	-6.5
	Oct	36.8	3.6	33.3	42.7	4.1	38.6	-5.9
	Nov	37.3	3.5	33.7	41.4	4.1	37.2	-4.1
	Dec	36.1	3.7	32.3	41.7	3.9	37.8	-5.6
1992	Jan	35.5	3.6	31.9	41.4	3.7	37.7	-5.9
	Feb	37.7	3.7	33.9	41.1	3.3	37.7	-3.4
	Mar	37.1	3.5	33.6	42.8	3.5	39.4	-5.7
	Apr	36.4	3.8	32.7	43.5	4.0	39.5	-7.1
	May	35.7	3.3	32.4	42.9	4.2	38.7	-7.2
	Jun	38.2	3.5	34.7	45.0	4.8	40.1	-6.8
	Jul	37.8	3.9	33.9	45.2	4.8	40.3	-7.4
	Aug	35.8	3.6	32.2	45.0	4.6	40.3	-9.2
	Sep	37.9	4.0	33.9	46.6	4.8	41.8	-8.7
	Oct	39.1	4.1	35.0	46.3	5.0	41.3	-7.3
	Nov	38.2	3.7	34.5	45.5	4.5	41.0	-7.3
	Dec	39.7	3.7	35.9	46.6	4.1	42.4	-6.9
1993	Jan	37.0	3.6	33.4	44.3	4.2	40.1	-7.3

\* All data are on a revised end-use basis.

Source: U.S. Department of Commerce, Bureau of the Census, Customs Valuation.